ITC Limited

REPORT AND ACCOUNTS

OF

SUBSIDIARY COMPANIES

2018

SUBSIDIARY COMPANIES

Russell Credit Limited	2
Greenacre Holdings Limited	30
ITC Infotech India Limited	54
ITC Infotech Limited	87
ITC Infotech (USA), Inc.	100
Indivate Inc.	106
Srinivasa Resorts Limited	109
Fortune Park Hotels Limited	132
Bay Islands Hotels Limited	156
WelcomHotels Lanka Pvt. Ltd.	172
Landbase India Limited	177
Technico Agri Sciences Limited	204
Technico Pty Limited	236
Technico Technologies Inc.	245
Technico Asia Holdings Pty Limited	249
Technico Horticultural (Kunming) Company Limited	254
Surya Nepal Private Limited	263
Gold Flake Corporation Limited	294
ITC Investments & Holdings Limited	311
MRR Trading & Investment Company Limited	319
North East Nutrients Pvt. Ltd.	329
Wimco Limited	354
Prag Agro Farm Limited	377
Pavan Poplar Limited	390

REPORT OF THE BOARD OF DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

2. **ECONOMIC ENVIRONMENT**

The short-term disruptions caused by GST implementation and cash crunch led to slowing down of the Indian economy, resulting in Real GDP growth of 6.6% compared to 7.1% in 2016-17. The expected pick-up in consumption as well as capex expenditure did not fructify - Private Final Consumption Expenditure grew by only 6.1% (7.3% in 2016-17) and Fixed Capital Formation grew by only 7.6% (10.1% in 2016-17). India's twin deficit challenge resurfaced during the year. Fiscal deficit for the year slipped by 20 bps from the budget target (3.5% vs. 3.3% of GDP) and the Current Account Deficit is also expected to increase to about 1.9% of GDP from 0.7% in the previous year. Pick-up in imports coupled with subdued growth in exports and increase in global crude oil prices exerted pressure on the Current Account.

However, on the positive side, economic growth showed some signs of pick-up from the third quarter supported by pick-up in fixed investments and Government consumption, albeit on a low base. Growth reflected in various volume based indicators like two-wheeler sales, commercial vehicle sales, electricity generation, coal output, air passenger traffic and banking credit augurs well for sustenance of the growth momentum. Headline inflation remained largely within the RBI's target band. Consumer Price Index declined to 3.6% in 2017-18 against 4.5% in 2016-17. However, core inflation remained firm throughout the year and averaged 4.7% for the year, same as last year.

Market interest rates in the first half of 2017-18 were stable on the back of declining inflation and low credit off-take which prompted the RBI to cut policy interest rate by 25 bps. However, from November onwards, market interest rates witnessed a steep rise due to higher borrowing demand from the Government coupled with shrinking liquidity in the banking system and deterioration in macro-economic variables (CPI / fiscal deficit).

Interest rates in developed economies also inched higher in 2017-18 on the back of pick-up in global growth, inflation outlook and employment conditions. Further, Central Banks in these economies, supported by improving economic outlook, have started normalising their monetary stance (raising interest rates and reducing bond purchases), albeit gradually, which translates to higher global interest rate outlook for 2019.

Against the above global backdrop, domestic interest rates in 2018-19 are expected to remain range bound provided domestic inflation remains around the current levels. On the contrary, if inflation were to trend higher due to either weak monsoons or increase in global crude prices, the RBI may respond by hiking Policy interest rates.

3. **FINANCIAL PERFORMANCE**

Your Company posted another year of strong performance across all financial parameters. Revenue from operations during the year was higher by 77.40% to ₹ 8,209.55 lakhs (previous year: ₹ 4,627.64 lakhs). Income from debt market deployments by the Company was ₹ 3,673.70 lakhs (previous year: ₹ 2,597.81 lakhs), while revenue from equity market operations was ₹ 949.23 lakhs (previous year: ₹ 154.17 lakhs). Income from the Company's mutual fund distribution and leasing activities aggregated ₹ 1,053.96 lakhs during the year (previous year: ₹ 907.27 lakhs). Profit Before Tax registered an increase of 56.89% to ₹ 7,626.20 lakhs while Net Profit increased by 86.50% to ₹ 6,381.91 lakhs.

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

		For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
a.	Profit Before Tax	**7,626.20**	4,860.95
b.	Less : Tax Expense	**1,244.29**	1,439.10
c.	Profit After Tax	**6,381.91**	3,421.85
d.	Add : Profit brought forward from previous years	**4,132.47**	1,394.99
e.	Surplus available for Appropriation	**10,514.38**	4,816.84
f.	Less : Interim Dividend paid (First Interim Dividend of ₹ 0.52 per share and Second Interim Dividend of ₹ 0.25 per share - recommended as Final Dividend)	**4,977.89**	–
g.	Less : Income Tax on Interim Dividend	**863.53**	–
h.	Less : Transferred to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	**1,276.38**	684.37
i.	Balance carried forward	**3,396.58**	4,132.47

4. **DIVIDEND**

During the year under review, First Interim Dividend of ₹ 0.52 per Equity Share and Second Interim Dividend of ₹ 0.25 per Equity Share were declared by your Directors on 20th September, 2017 and 27th March, 2018, respectively. Such Dividends were paid, in proportion to the amount paid-up on each Equity Share, to the Members whose names appeared in the Register of Members of the Company on the aforesaid dates. The total Dividend aggregating ₹ 4,977.89 lakhs (First Interim Dividend of ₹ 3,361.69 lakhs and Second Interim Dividend of ₹ 1,616.20 lakhs) has been recommended by your Directors as the Final Dividend for the financial year ended 31st March, 2018.

5. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

During the year under review, Mr. Biswa Behari Chatterjee, consequent to his retirement from the services of ITC Limited, the Holding Company, stepped down as Non-Executive Director of your Company with effect from close of work on 3rd February, 2018. Mr. Partho Chatterjee and Ms. Anindita Guhamallick, on completion of their term, ceased to be Independent Directors of your Company with effect from 16th March, 2018. Your Directors place on record their appreciation for the contributions made by Mr. B. B. Chatterjee, Mr. P. Chatterjee and Ms. A. Guhamallick during their respective tenure.

The Board of Directors of your Company ('the Board'), on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Rajendra Kumar Singhi (DIN: 00009931) and Ms. Sheela Gopalakrishna Mukherjee (DIN: 08069509) as Additional Directors of the Company with effect from 27th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 130 of the Articles of Association of the Company, Mr. Singhi and Ms. Mukherjee will vacate office at the ensuing Annual General Meeting ('AGM') and are eligible for appointment as Directors of the Company. Your Board at the meeting held on 27th April, 2018, on the recommendation of the Nomination and Remuneration Committee, recommended for the approval of the Members, the appointment of Mr. Singhi and Ms. Mukherjee as Non-Executive Directors of your Company, liable to retire by rotation. Requisite notices under Section 160 of the Act have been received by the Company for appointment of Mr. Singhi and Ms. Mukherjee, who have also filed their consents to act as Directors of your Company, if appointed. Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the ensuing AGM of the Company.

During the year under review, Mr. Tunal Kumar Ghosal was appointed with your approval as the Manager and Company Secretary of the Company with effect from 1st July, 2017, consequent to resignation of Mr. Sharad Jain with effect from close of work on 30th June, 2017.

(b) Attributes, qualifications and appointment of Directors

As reported in earlier years, the attributes and qualifications of the Directors provided in Section 149 of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee.

In terms of the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Company has a Policy for ascertaining 'fit and proper criteria' of Directors, approved by the Board. All the Directors of the Company are executives of ITC Limited and fulfil the fit and proper criteria for appointment as Directors. Further, all the 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 read with Article 143 of the Articles of Association of the Company, 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.

(c) 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, in terms of 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.

(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.

6. 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. R. K. Singhi (Chairman)
Mr. Saradindu Dutta	Mr. Supratim Dutta
Ms. Sheela G. Mukherjee	Mr. R. Tandon

CSR Committee	Asset Liability Management Committee
Mr. R. Tandon (Chairman)	Mr. R. Tandon (Chairman)
Mr. Saradindu Dutta	Mr. Saradindu Dutta
Mr. R. K. Singhi	Mr. Supratim Dutta

Risk Management Committee

Mr. R. Tandon (Chairman)
Mr. Saradindu Dutta
Ms. Sheela G. Mukherjee

Six meetings of the Board were held during the year ended 31st March, 2018.

7. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134 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. 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.

9. 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 2017-18 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)	FY 2017-18 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)
Subsidiary company				
Greenacre Holdings Limited	**545.17**	634.42	**186.54**	225.38
Associate companies				
International Travel House Limited	**20,769.27**	20,573.72	**695.40**	1,117.24
Divya Management Limited	**48.80**	52.26	**21.28**	20.50
Antrang Finance Limited	**28.28**	29.75	**10.02**	9.33
Russell Investments Limited	**768.03**	381.58	**711.64**	306.98
Maharaja Heritage Resorts Limited	**405.57**	349.23	**(33.39)**	(76.57)

10. 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 eight employees as on 31st March, 2018.

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.

11. 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 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 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. EXTRACT OF ANNUAL RETURN

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

18. 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, 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-Fifth AGM. On the recommendation of the Audit Committee, the Board has also recommended for the approval of the Members, remuneration of AFF for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

(b) Secretarial Auditors

Your Board appointed Messrs. Anjan Kumar Roy & Co., Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2018. The Report of Messrs. Anjan Kumar Roy & Co., in terms of Section 204 of the Act, is enclosed as **Annexure 7** to this Report.

19. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

20. 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, 2018 Saradindu Dutta *Director*

Annexure 1 to the Report of the Board of Directors &
Management Discussion and Analysis for the financial year ended 31st March, 2018

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, 2018

[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 *	42	Chief Financial Officer	61,73,188/-	35,68,445/-	B. Com. (Hons.), A.C.A., C.M.A.	18	01.01.2015	Manager (Domestic Treasury) - ITC Limited
T. K. Ghosal	45	Manager & Company Secretary	23,49,349/-	16,60,293/-	M. Com., A.C.S.	19	01.04.2015	Company Secretary - Wills Corporation Limited
T. Sarkar	52	Assistant Manager	11,01,872/-	8,37,191/-	B. Com.	28	01.04.2015	Accounts Supervisor - Russell Investments Limited
S. Bose	52	Office Associate	9,60,178/-	7,11,972/-	B. Sc., Post Graduate Diploma in Computers	22	01.02.1999	Secretarial Assistant - Sage Investments Limited
S. Mondal	48	Assistant Manager	8,40,432/-	7,14,070/-	B. Com. (Hons.)	23	01.04.2015	Accounts Supervisor - Divya Management Limited
A. Kumar	36	Accounts Supervisor	7,18,299/-	5,96,511/-	B. A. (Hons.), M.B.A. (Finance)	12	01.08.2015	Information Analyst - Centre for Monitoring Indian Economy Pvt. Ltd.
S. Jain #	44	Manager & Company Secretary	6,40,344/-	4,27,843/-	B. Com. (Hons.), A.C.S., C.M.A.	16	01.07.2005 (date of deputation – 01.01.2008)	--
D. K. Das	46	Accounts Assistant	5,25,021/-	4,57,281/-	B. Com.	21	01.04.2015	Junior Assistant - Russell Investments Limited
J. Venkat Rao	41	Accounts Assistant	4,56,371/-	3,91,686/-	B. Com.	12	01.04.2015	Junior Assistant - Divya Management Limited
U. Chowdhury	25	Accounts Supervisor	4,07,382/-	3,47,954/-	B. Com. (Hons.), C.M.A.	1	02.01.2017	--

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

 # Was on deputation from ITC and resigned with effect from close of work on 30th June, 2017.

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 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 them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

e. All appointments (except deputed employees) 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*
Saradindu Dutta *Director*

Dated : 27th April, 2018

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, 2018

[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.	Present Composition of the CSR Committee		Mr. R. Tandon (Chairman) Mr. Saradindu Dutta Mr. R. K. Singhi
3.	Average net profits of the Company for last three financial years		₹ 5,790.12 lakhs
4.	Prescribed CSR expenditure (2% of the amount stated under 3 above)		₹ 115.80 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	₹ 116 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 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.	₹ 116 lakhs	₹ 116 lakhs	₹ 116 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*
Saradindu Dutta *Director*

Dated : 27th April, 2018

Annexure 4 to the Report of the Board of Directors &

Management Discussion and Analysis for the financial year ended 31st March, 2018

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, 2018

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 Infotech India Limited (I3L), fellow subsidiary
b)	Nature of contracts / arrangements / transactions	Unsecured inter-corporate loan to I3L
c)	Duration of the contracts / arrangements / transactions	Not exceeding one year from 8th December, 2017
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	• Interest payable on quarterly basis @ 8.50% per annum • Cumulative Loan disbursed during the year : ₹ 6,000 lakhs • Outstanding as on 31st March, 2018 : Nil
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*
Saradindu Dutta *Director*

Dated : 27th April, 2018

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, 2018

[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:	64990	
	• Net profit on sale of stock-in-trade		34.42%
	• Interest Income from Bonds		32.84%
	• Dividend income from long term investments		11.56%

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	–	–	–	–	–	–	–	–	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)	–	**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	T. K. Ghosal (Manager & Company Secretary) *
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	16.46
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	0.38
	(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)		**16.84**
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)*		382.65

** Appointed with effect from 1st July, 2017.*

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	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	R. Tandon	Nil	Nil	Nil	Nil
	Saradindu Dutta				
	Supratim Dutta				
	Sheela G. Mukherjee				
	R. K. Singhi				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**16.84**
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)*					841.83

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

(₹ in lakhs)

Sl. No.	Particulars of Remuneration	S. Suresh Kumar (Chief Financial Officer) *
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	57.68
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	2.66
	(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		**60.34**

** 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 : 27th April, 2018 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, 2018

[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, 2018. 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, 2018, 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, 2018 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, 2018 according to the provisions of the following laws specifically applicable to the Company and as shown to us during our audit:

(i) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI Regulations as applicable to Systemically Important Non-Deposit taking NBFCs.

(ii) Information Technology Framework for the NBFC Sector.

(iii) 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 paragraphs 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 in compliance with the applicable provisions of law. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and the RBI Regulations.

   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 : 27th April, 2018

'Annexure A'
(To the Secretarial Audit Report of M/s. Russell Credit Limited for the Financial Year ended 31/03/2018)

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 31/03/2018 of even date is to be read along with this letter.

1. Maintenance of secretarial records 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 with 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 : 27th April, 2018

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, 2018, 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 Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India.

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 and the Order issued under Section 143(11) of the Act.

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, 2018, 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 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 relevant 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 of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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;
      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.
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)

Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 27th April, 2018

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, 2018 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 of the Company 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, 2018, based on the criteria for internal control over financial reporting 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)

Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 27th April, 2018

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 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, Goods and Services 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, 2018 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)

Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 27th April, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note	As at 31st March, 2018 (₹ in lakhs)		As at 31st March, 2017 (₹ in lakhs)	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	64,647.88		64,647.88	
Reserves and surplus	2	16,689.47	81,337.35	16,148.98	80,796.86
Non-current liabilities					
Long-term provisions	3		42.11		47.21
Current liabilities					
Other current liabilities	4	67.90		191.99	
Short-term provisions	5	93.07	160.97	117.85	309.84
TOTAL			**81,540.43**		81,153.91
ASSETS					
Non-current assets					
Property, Plant and Equipment	6				
Tangible assets		458.66		703.77	
Non-current investments	7	16,965.77		16,965.77	
Deferred tax assets (Net)	8	106.71		70.62	
Long-term loans and advances	9	3,659.48	21,190.62	4,875.48	22,615.64
Current assets					
Inventories	10	57,709.11		55,500.29	
Trade receivables	11	1,169.06		1,072.66	
Cash and bank balances	12	252.97		607.28	
Short-term loans and advances	13	1,218.09		1,357.20	
Other current assets	14	0.58	60,349.81	0.84	58,538.27
TOTAL			**81,540.43**		81,153.91

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

SUMIT TRIVEDI
Partner
Hyderabad, 27th April, 2018

R. TANDON *Chairman*
S. SURESH KUMAR *Chief Financial Officer*

SARADINDU DUTTA *Director*
T. K. GHOSAL *Manager & Company Secretary*
Kolkata, 27th April, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

	Note	For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
Revenue from operations	15	8,209.55	4,627.64
Other income	16	38.93	1,339.07
Total Revenue		**8,248.48**	5,966.71
Expenses			
Employee benefits expense	17	197.23	300.28
Depreciation expense		133.45	228.27
Finance cost	18	10.64	–
Other expenses	19	280.96	577.21
Total Expenses		**622.28**	1,105.76
Profit before tax		**7,626.20**	4,860.95
Tax expense:			
Current tax	20	1,280.38	1,600.07
Deferred tax	20	(36.09)	(160.97)
Profit for the year		**6,381.91**	3,421.85
Earnings per share (Face Value ₹ 10.00 each) - Basic and Diluted (in ₹)	21(i)	**0.99**	0.53

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

SUMIT TRIVEDI
Partner
Hyderabad, 27th April, 2018

R. TANDON *Chairman*
S. SURESH KUMAR *Chief Financial Officer*

SARADINDU DUTTA *Director*
T. K. GHOSAL *Manager & Company Secretary*
Kolkata, 27th April, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended 31st March, 2018 (₹ in lakhs)		For the year ended 31st March, 2017 (₹ in lakhs)	
A. Cash Flow from Operating Activities				
PROFIT BEFORE TAX		**7,626.20**		4,860.95
ADJUSTMENTS FOR:				
Depreciation expense	133.45		228.27	
Interest income	(3,399.51)		(3,923.78)	
Dividend income from subsidiary company	(736.05)		–	
Dividend income from other long-term investments	(213.18)		(154.17)	
Finance costs	10.64		–	
Loss on disposal of property, plant and equipment	96.65		314.62	
Provision on assets held for sale during the year	–	(4,108.00)	21.86	(3,513.20)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**3,518.20**		1,347.75
ADJUSTMENTS FOR:				
Trade receivables	(96.40)		422.95	
Inventories	(2,208.82)		(21,782.58)	
Loans and advances	1,355.11		1,832.94	
Other liabilities and provisions	(129.16)	(1,079.27)	162.73	(19,363.96)
CASH GENERATED FROM/(USED IN) OPERATIONS BEFORE INTEREST AND DIVIDEND		**2,438.93**		(18,016.21)
Interest income other than deposits with banks	3,380.55		2,640.81	
Dividend income from subsidiary company	736.05		–	
Dividend income from other long-term investments	213.18	4,329.78	154.17	2,794.98
CASH GENERATED FROM/(USED IN) OPERATIONS		**6,768.71**		(15,221.23)
Income tax paid		(1,311.96)		(1,453.28)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**5,456.75**		(16,674.51)
B. Cash Flow from Investing Activities				
Disposal of property, plant and equipment	15.00		105.06	
Redemption proceeds from fixed deposits	191.98		15,782.74	
Investment in bank deposits (original maturity more than 3 months)	(163.85)		(191.99)	
Interest income from deposits with banks	15.38		1,324.02	
NET CASH GENERATED FROM INVESTING ACTIVITIES		**58.51**		17,019.83
C. Cash Flow from Financing Activities				
Interim dividend paid	(4,977.89)		–	
Income tax on interim dividend paid	(863.54)		–	
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**(5,841.43)**		–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(326.17)**		345.32
OPENING CASH AND CASH EQUIVALENTS		**415.29**		69.97
CLOSING CASH AND CASH EQUIVALENTS		**89.12**		415.29

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. 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".

3. CASH AND CASH EQUIVALENTS:	**2017-18**	2016-17
Cash and Cash Equivalents as above	89.12	415.29
Other bank balances	163.85	191.99
Cash and bank balances (Note 12)	**252.97**	607.28

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

SUMIT TRIVEDI
Partner
Hyderabad, 27th April, 2018

R. TANDON *Chairman*
S. SURESH KUMAR *Chief Financial Officer*
SARADINDU DUTTA *Director*
T. K. GHOSAL *Manager & Company Secretary*
Kolkata, 27th April, 2018

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ 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, 2018 (No. of Shares)	As at 31st March, 2018 %	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %
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, 2018 (₹ in lakhs)		As at 31st March, 2017 (₹ 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 and 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	11,492.90		10,808.53	
Add: Transfer from Surplus in Statement of Profit and Loss	1,276.38		684.37	
At the end of the year		12,769.28		11,492.90
Surplus in Statement of Profit and Loss				
At the beginning of the year	4,132.47		1,394.99	
Add: Profit for the year	6,381.91		3,421.85	
Less: Transfer to Special Reserve u/s 45-IC of the Reserve Bank of India Act, 1934	1,276.38		684.37	
Less: First Interim Dividend [₹ 0.52 (2017- Nil) per share]	3,361.69		–	
Less: Second Interim Dividend [₹ 0.25 (2017- Nil) per share]	1,616.20		–	
Less: Income tax paid on Interim Dividend	863.53		–	
At the end of the year		3,396.58		4,132.47
TOTAL		**16,689.47**		16,148.98

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
3. Long–term provisions		
Provision for employee benefits		
Provision for compensated absences	11.27	12.15
Provision for gratuity	1.79	6.01
Others		
Contingent provision against standard assets	29.05	29.05
TOTAL	**42.11**	47.21

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
4. 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	23.63	6.41
Liabilities for expenses	8.27	11.01
TOTAL	**67.90**	191.99

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
5. Short-term provisions		
Provision for litigation/disputes [Refer Note 21(viii)]	81.24	81.24
Provision for tax (net of Advance Tax)	11.83	36.61
TOTAL	**93.07**	117.85

6. Property, Plant and Equipment

(₹ in lakhs)

Particulars	Gross Block							Depreciation							Net Book Value	
	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017	Additions	Withdrawals and adjustments	As at 31st March, 2018	Upto 31st March, 2016	For the year ended on 31st March, 2017	On withdrawals and adjustments	Upto 31st March, 2017	For the year ended on 31st March, 2018	On withdrawals and adjustments	Upto 31st March, 2018	As at 31st March, 2018	As at 31st March, 2017
Tangible assets																
Building - Freehold	57.15	–	–	57.15	–	–	**57.15**	17.00	0.90	–	17.90	**0.90**	–	**18.80**	**38.35**	39.25
Plant and Equipment	2,508.57	–	1,368.56	1,140.01	–	**234.53**	**905.48**	1,196.99	227.37	948.87	475.49	**132.55**	**122.87**	**485.17**	**420.31**	664.52
TOTAL	2,565.72	–	1,368.56	1,197.16	–	**234.53**	**962.63**	1,213.99	228.27	948.87	493.39	**133.45**	**122.87**	**503.97**	**458.66**	703.77

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

Particulars	As at 31st March, 2018				As at 31st March, 2017			
	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	18.80	38.35	0.90	57.15	17.90	39.25	0.90
Plant and Equipment *	905.22	485.06	420.16	132.53	1,139.75	475.39	664.36	227.35
TOTAL	**962.37**	**503.86**	**458.51**	**133.43**	1,196.90	493.29	703.61	228.25

* Note: The lease rental from these leased assets of ₹ 302.20 lakhs (2017 - ₹ 401.35 lakhs) is included in "Lease and other rental income" under "Revenue from operations" (Note 15).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹ in lakhs)		As at 31st March, 2017 (₹ in lakhs)	
7. Non–current investments (at cost unless stated otherwise)	**Quoted**	**Unquoted**	Quoted	Unquoted
Long Term				
A. TRADE INVESTMENTS				
INVESTMENT IN EQUITY INSTRUMENTS				
In Subsidiaries				
Greenacre Holdings Limited	–	4,210.34	–	4,210.34
4,20,60,166 Equity Shares of ₹ 10.00 each, fully paid				
In Associates				
Russell Investments Limited	–	427.57	–	427.57
42,75,437 Equity Shares of ₹ 10.00 each, fully paid				
Divya Management Limited	–	693.07	–	693.07
41,82,915 Equity Shares of ₹ 10.00 each, fully paid				
Antrang Finance Limited	–	439.56	–	439.56
43,24,634 Equity Shares of ₹ 10.00 each, fully paid				
International Travel House Limited	2,121.58	–	2,121.58	–
36,26,633 Equity Shares of ₹ 10.00 each, fully paid				
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	1,592.77	–	1,592.77	–
50,27,565 Equity Shares of ₹ 2.00 each, fully paid				
EIH Limited	4,837.88	–	4,837.88	–
65,56,551 Equity Shares of ₹ 2.00 each, fully paid				
B. OTHER INVESTMENTS				
INVESTMENT IN EQUITY INSTRUMENTS				
Lotus Court Limited	–	234.00	–	234.00
2 Class G Shares of ₹ 48,000.00 each, fully paid				
Adyar Property Holding Company Private Limited	–	2,319.00	–	2,319.00
311 Equity Shares of ₹ 100.00 each, ₹ 65.00 per share paid				
Net of provision for diminution in value ₹ 2,067.50 lakhs (2017- ₹ 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 ₹ 17,955.12 lakhs (2017 - ₹ 15,810.55 lakhs)

Aggregate provision for diminution in value ₹ 2,067.50 lakhs (2017 - ₹ 2,067.50 lakhs)

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
8. Deferred tax assets (Net)		
Deferred tax assets		
On fiscal allowances on property, plant and equipment	101.88	63.23
On employees' separation and retirement etc.	4.83	7.39
TOTAL	**106.71**	70.62

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
9. Long–term loans and advances		
Secured, considered good		
Term loans to related parties	3,652.00	4,868.00
Unsecured, considered good		
Deposits with statutory authorities	7.48	7.48
TOTAL	**3,659.48**	4,875.48

	As at 31st March, 2018 (₹ in lakhs)		As at 31st March, 2017 (₹ in lakhs)	
10. Inventories (at lower of cost and fair value)	**Number**	**Value**	Number	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]	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 (20 April 2018)	–	–	34	1,529.71

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹ in lakhs)		As at 31st March, 2017 (₹ in lakhs)	
	Number	Value	Number	Value
Units of Mutual Funds of ₹ 10.00 each, fully paid				
Kotak Treasury Advantage Fund	1,87,64,836	5,287.74	–	–
Units of Mutual Funds of ₹ 100.00 each, fully paid				
Aditya Birla Sun Life Savings Fund	15,43,944	5,299.78	–	–
ICICI Prudential - Flexible Income Plan	2,71,620	907.23	–	–
Units of Mutual Funds of ₹ 1,000.00 each, fully paid				
UTI Money Market Fund	1,88,524	3,652.00	5,23,050	9,500.00
SBI Premier Liquid Fund	–	–	3,77,212	9,600.00
Bonds				
Tax Free				
Indian Railway Finance Corporation Limited (*) 7.18% (For Categories I,II & III) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures 86th Series (19 February 2023) of ₹1,000.00 each, fully paid	15,00,000	15,251.74	15,00,000	15,297.23
National Housing Bank (*) 6.82% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds (26 March 2023) of ₹10,000.00 each, fully paid	5,000	510.46	5,000	512.23
India Infrastructure Finance Company Limited (*) 7.19% (For Category I,II,III & IV) Tax Free Secured Redeemable Non-Convertible Bonds 2012-13 (Tranche I Series I) (22 January 2023) of ₹1,000.00 each, fully paid	1,50,000	1,552.87	1,50,000	1,562.12
National Highways Authority of India (*) 8.50% (For Category I, II & III) Secured Non-Convertible Tranche I Series IIA Bonds (05 February 2029) of ₹ 1,000.00 each, fully paid	1,04,000	1,198.09	–	–
Indian Railway Finance Corporation Limited (*) 8.00% (For Categories I & II) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds Series 80 (23 February 2022) of ₹ 1,000.00 each, fully paid	90,000	936.98	–	–
Rural Electrification Corporation Limited (*) 8.12% Tax Free Secured Redeemable Non-Convertible Bonds (27 March 2027) of ₹ 1,000.00 each, fully paid	60,000	664.62	–	–
Taxable				
Infrastructure Leasing & Financial Services Limited 8.74% Taxable Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures Series I Option II (11 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% Non-Convertible Non-Cumulative Taxable Bonds in the nature of Promissory Note Series XXXI (30 April 2020) of ₹ 10,00,000.00 each, fully paid	150	1,488.67	500	4,999.50
Canfin Homes Limited (*) 7.57% Secured Redeemable Non-Convertible Debentures (12 April 2020) of ₹ 10,00,000.00 each, fully paid	500	4,958.93	500	4,999.50
Housing & Urban Development Corporation Limited 7.70% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series F (19 March 2020) of ₹ 1,000.00 each, fully paid	500	5,000.00	–	–
ICICI Bank Limited 9.15% Unsecured Subordinated Non-Convertible Basel III Compliant Perpetual Bonds in the nature of Debentures Series DMR 18AT (with first call option on 20 June 2023) of ₹ 10,00,000.00 each, fully paid	350	3,500.00	–	–
TOTAL		**57,709.11**		55,500.29
* Aggregate value of stock-in-trade written off / Aggregate excess of cost over fair value		**291.01**		56.65

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
11. Trade receivables		
Others		
Unsecured, considered good	1,135.49	1,021.42
Income accrued but not due	33.57	51.24
TOTAL	**1,169.06**	1,072.66
12. Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
Current accounts	71.38	291.63
Cheques, drafts on hand	17.70	123.64
Cash on hand	0.04	0.02
	89.12	415.29
Other bank balances *		
In deposit accounts	163.85	191.99
TOTAL	**252.97**	607.28

* Represents deposits with original maturity of more than 3 months and remaining maturity of less than 12 months from the Balance Sheet date. Includes Earmarked balances of ₹ 5.78 lakhs (2017 - ₹ 5.78 lakhs).

	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
13. Short–term loans and advances		
Secured, considered good		
Term loans to related party	1,216.00	1,216.00
Term loans to others	–	140.00
Unsecured, considered good		
Deposits with statutory authorities	2.09	1.20
TOTAL	**1,218.09**	1,357.20
14. Other current assets		
Interest accrued on bank deposits	0.45	0.71
Assets held for sale (at lower of net cost and net realisable value)	0.13	0.13
TOTAL	**0.58**	0.84

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
15. Revenue from operations		
Net Profit on sale of stock-in-trade (*)	2,825.81	956.47
Dividend income		
- Long term investments		
- Subsidiary company	736.05	–
- Others	213.18	154.17
Interest income		
- Loans	684.40	968.39
- Bonds	2,696.15	1,641.34
Brokerage income	712.16	466.32
Lease and other rental income	341.80	440.95
TOTAL	**8,209.55**	4,627.64
* Net Profit on sale of stock-in-trade		
Sales	2,11,687.10	3,27,935.72
Less: Purchases	2,11,070.11	3,48,761.83
	616.99	(20,826.11)
Add: Increase in closing stock-in-trade	2,208.82	21,782.58
Net Profit on sale of stock-in-trade	**2,825.81**	956.47
16. Other income		
Interest income		
- Deposits with banks	15.13	1,282.97
- Others (on income tax refund)	3.80	31.08
Miscellaneous income	20.00	25.02
TOTAL	**38.93**	1,339.07
17. Employee benefits expense		
Salaries and wages	70.99	65.12
Reimbursement of managers' salary on deputation*	123.61	224.81
Contribution to provident and other funds	0.66	8.97
Staff welfare expenses	1.97	1.38
TOTAL	**197.23**	300.28
* Includes reimbursement on account of share-based payment of ₹ 55.47 lakhs (2017 - ₹ 138.57 lakhs).		
18. Finance cost		
Interest on income tax	10.64	–
TOTAL	**10.64**	–
19. Other expenses		
Rent	7.56	8.69
Bank, custodial and depository charges	0.25	0.31
Directors' sitting fees	3.50	3.70
Rates and taxes	4.20	10.72
Repairs to buildings	0.41	0.40
Electricity charges	2.67	2.63
Insurance	2.30	1.28
Travelling and conveyance	4.90	6.17
Professional/Legal fees	30.05	85.88
Auditors' remuneration and expenses*		
Audit fees	3.00	3.00
Tax audit fees	1.00	1.00
Fees for other services	2.40	1.50
Communication expense	0.34	0.69
Printing, stationery and periodicals	1.27	1.45
Expenditure on Corporate Social Responsibility (CSR) activities	116.00	111.00
Loss on disposal of property, plant and equipment	96.65	314.63
Provision for asset held for sale	–	21.86
Miscellaneous expenses	4.46	2.30
TOTAL	**280.96**	577.21
* Excluding taxes		
20. Tax expense		
Current tax		
Income tax for the year	1,400.00	1,600.00
Adjustments/(credits) related to previous years - Net	(119.62)	0.07
	1,280.38	1,600.07
Deferred tax		
for the year	(36.09)	(160.97)
	(36.09)	(160.97)
TOTAL	**1,244.29**	1,439.10

21. Additional Notes to the Financial Statements

i. Earnings per share

		2018	2017
Earnings per share has been computed as under:			
(a)	Profit for the year (₹ in lakhs)	**6,381.91**	3,421.85
(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 ₹)	**0.99**	0.53

ii. Contingent liabilities and commitments

(a) Contingent liabilities

- Claims against the Company not acknowledged as debts ₹ 109.82 lakhs (2017 - ₹ 109.82 lakhs). This comprises the following :
  - o Sales tax claims disputed by the Company relating to issues of applicability ₹ 57.99 lakhs (2017 - ₹ 57.99 lakhs);
  - o Lease tax on account of non-accrual of lease rental ₹ 32.33 lakhs (2017 - ₹ 32.33 lakhs) and
  - o Income tax matter under dispute ₹ 19.50 lakhs (2017 - ₹ 19.50 lakhs).

  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 (2017 - ₹ 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, 2018. 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. 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 (upto 03.02.2018)
- Mr. Saradindu Dutta	Non-Executive Director
- Mr. Supratim Dutta	Non-Executive Director
- Mr. P. Chatterjee	Independent Director (upto 15.03.2018)
- Ms. A. Guhamallick	Independent Director (upto 15.03.2018)
- Ms. S. G. Mukherjee	Additional Non-Executive Director (w.e.f. 27.03.2018)
- Mr. R. K. Singhi	Additional Non-Executive Director (w.e.f. 27.03.2018)
- Mr. S. Suresh Kumar	Chief Financial Officer
- Mr. S. Jain	Manager & Company Secretary (upto 30.06.2017)
- Mr. T. K. Ghosal	Manager & Company Secretary (w.e.f. 01.07.2017)

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

(i) Fellow Subsidiary Company
- North East Nutrients Private Limited
- ITC Infotech India 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 31.03.2018**

(₹ in lakhs)

	Related Party Transaction Summary	Holding Company		Subsidiary Company		Fellow Subsidiaries		Associates		Key Management Personnel	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
1.	Rent Received	56.88	55.20	–	–	–	–	–	–	–	–
2.	Purchase of Services – ITC Limited – International Travel House Limited	1.00 –	1.15 –	– –	– –	– –	– –	– 1.20	– 0.26	– –	– –
3.	Rent Paid	7.56	8.69	–	–	–	–	–	–	–	–
4.	Expenses Reimbursed	2.67	2.63	–	–	–	–	–	–	–	–
5.	Dividend Income – International Travel House Limited – Greenacre Holdings Limited	– –	– –	– 736.05	– –	– –	– –	154.13 –	154.13 –	– –	– –
6.	Loans Disbursed – North East Nutrients Private Limited – ITC Infotech India Limited	– –	– –	– –	– –	– 6,000.00	1,300.00 –	– –	– –	– –	– –
7.	Interest Income – North East Nutrients Private Limited – ITC Infotech India Limited	– –	– –	– –	– –	666.02 11.81	944.36 –	– –	– –	– –	– –
8.	Receipt towards Loan Repayment – North East Nutrients Private Limited – ITC Infotech India Limited	– –	– –	– –	– –	1,216.00 6,000.00	3,016.00 –	– –	– –	– –	– –
9.	Interim Dividend Paid	4,977.89	–	–	–	–	–	–	–	–	–
10.	Remuneration of manager on deputation reimbursed – for Chief Financial Officer	61.73	55.62	–	–	–	–	–	–	–	–
11.	Remuneration of manager on deputation reimbursed – for Manager & Company Secretary Mr. S. Jain	6.40	30.62	–	–	–	–	–	–	–	–
12.	Remuneration of Key Management Personnel – for Manager & Company Secretary Mr. T. K. Ghosal	–	–	–	–	–	–	–	–	16.91	–
13.	Remuneration on account of share-based payment for managers on deputation	55.47	138.57	–	–	–	–	–	–	–	–
14.	Directors' sitting fees – Mr. P. Chatterjee – Ms. A. Guhamallick	– –	– –	– –	– –	– –	– –	– –	– –	1.80 1.70	1.80 1.90
15.	**Balances as at 31st March**										
	i) Deposits Taken – ITC Limited	36.00	36.00	–	–	–	–	–	–	–	–
	ii) Loans Given – North East Nutrients Private Limited	–	–	–	–	4,868.00	6,084.00	–	–	–	–
	iii) Payables – ITC Limited	–	138.57	–	–	–	–	–	–	–	–

vi. Amounts towards Defined Contribution Plans have been recognized under 'Contribution to provident and other funds' under "Employee benefits expense" in Note 17 – ₹ 3.26 lakhs (2017 – ₹ 2.87 lakhs).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

vii. Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuation as on 31st March, 2018 and recognised in the Financial Statements in respect of Employee Benefit Schemes:

		For the year ended 31st March, 2018 (₹ in lakhs)		For the year ended 31st March, 2017 (₹ in lakhs)	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
I.	**Components of Employer Expenses**				
	1. Current Service Cost	1.39	0.74	1.28	0.67
	2. Interest Cost	1.02	0.82	0.77	0.62
	3. Expected Return on Plan Assets	(0.86)	–	(0.54)	–
	4. Curtailment Cost/(Credit)	–	–	–	–
	5. Settlement Cost/(Credit)	–	–	–	–
	6. Past Service Cost	0.35	–	–	–
	7. Actuarial Losses/(Gains)	(4.50)	(2.44)	4.59	1.66
	8. Total expense/(income) recognised in the Statement of Profit & Loss	**(2.60)**	**(0.88)**	6.10	2.95
	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 17.				
II.	**Actual Returns [Gain/(Loss)]**	**3.32**	–	(2.45)	–
III.	**Net Asset/(Liability) recognised in Balance Sheet**				
	1. Present Value of Defined Benefit Obligation	15.79	11.27	15.08	12.15
	2. Fair Value of Plan Assets	14.00	–	9.07	–
	3. Status [Surplus/(Deficit)]	(1.79)	(11.27)	(6.01)	(12.15)
	4. Unrecognised Past Service Cost	–	–	–	–
	5. Net Asset/(Liability) recognised in Balance Sheet	**(1.79)**	**(11.27)**	(6.01)	(12.15)

IV.	**Change in Defined Benefit Obligation (DBO)**				
	1. Present Value of DBO at the beginning of the year	15.08	12.15	11.42	9.20
	2. Current Service Cost	1.39	0.74	1.28	0.67
	3. Interest Cost	1.02	0.82	0.77	0.62
	4. Curtailment Cost/(Credit)	–	–	–	–
	5. Settlement Cost/(Credit)	–	–	–	–
	6. Plan Amendments	–	–	–	–
	7. Past Service Cost	0.35	–	–	–
	8. Transfer In	–	–	–	–
	9. Transfer Out	–	–	–	–
	10. Actuarial (Gains)/Losses	(2.05)	(2.44)	1.61	1.66
	11. Benefits Paid	–	–	–	–
	12. Present Value of DBO at the end of the year	**15.79**	**11.27**	15.08	12.15

V.	**Change in Fair Value of Assets**				
	1. Plan Assets at the beginning of the year	9.07	–	6.99	–
	2. Expected Return on Plan Assets	0.86	–	0.54	–
	3. Transfer Out	–	–	–	–
	4. Actuarial Gains/(Losses)	2.46	–	(2.98)	–
	5. Actual Company Contributions	1.61	–	4.52	–
	6. Benefits Paid	–	–	–	–
	7. Plan Assets at the end of the year	**14.00**	–	9.07	–

VI.	**Actuarial Assumptions**				
	1. Discount Rate (%)	7.50	7.50	6.75	6.75
	2. Expected Return on Plan Assets (%)	7.50	–	6.75	–
	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.				

VII.	Major Category of Plan Assets as a % of the Total Plan Assets	As at 31st March, 2018	As at 31st March, 2017
	1. Government Securities/Special Deposit with RBI	5.84%	7.00%
	2. High Quality Corporate Bonds	5.95%	7.00%
	3. Insurance Companies *	79.17%	78.00%
	4. Mutual Funds	2.33%	2.00%
	5. Cash and Cash Equivalents	6.71%	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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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) recognised in Balance Sheet (including experience adjustment) (₹ in lakhs)

	For the year ended 31st March, 2018		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	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present Value of Defined Benefit Obligation	15.79	11.27	15.08	12.15	11.42	9.20	2.78	2.10	2.20	1.78
Fair Value on Plan Assets	14.00	–	9.07	–	6.99	–	1.74	–	1.39	–
Status [Surplus/(Deficit)]	(1.79)	(11.27)	(6.01)	(12.15)	(4.43)	(9.20)	(1.04)	(2.10)	(0.81)	(1.78)
Experience Adjustment of Plan Assets [Gain/(Loss)]	2.44	–	(2.98)	–	(0.19)	–	(0.03)	–	(1.03)	–
Experience Adjustment of Obligation [(Gain)/Loss]	(1.04)	(1.70)	0.60	(0.77)	(1.52)	(0.30)	(0.12)	(0.17)	(1.91)	(0.47)

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

	2018	2017
Balance as at the beginning of the year	81.24	–
Additions during the year	–	81.24
Balance as at the end of the year	81.24	81.24
Classified as short-term provision	81.24	81.24
TOTAL	**81.24**	**81.24**

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.

ix. The deputed employee(s) 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 ₹ 55.47 lakhs (2017 – ₹ 138.57 lakhs).

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

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

a) Capital

Particulars		2018	2017
i)	CRAR (%)	99.51	99.81
ii)	CRAR - Tier I Capital (%)	99.47	99.77
iii)	CRAR - Tier II Capital (%)	0.04	0.04
iv)	Amount of subordinated debt raised as Tier II Capital (₹ in lakhs)	–	–
v)	Amount raised by issue of Perpetual Debt Instruments (₹ in lakhs)	–	–

b) Investment (₹ in lakhs)

Particulars			2018	2017
(1)	Value of Investments			
	(i)	Gross Value of Investments (including Inventories)		
		(a) In India	77,033.40	74,590.21
		(b) Outside India	–	–
	(ii)	Provisions for Depreciation		
		(a) In India	2,358.52	2,124.15
		(b) Outside India	–	–
	(iii)	Net Value of Investments (including Inventories)		
		(a) In India	74,674.88	72,466.06
		(b) Outside India	–	–
(2)	Movement of provisions held towards Depreciation on Investments (including Inventories)			
	(i)	Opening balance	2,124.15	2,097.90
	(ii)	Add : Provisions made during the year	234.37	26.25
	(iii)	Less : Write-off / (write-back) of excess provisions during the year	–	–
	(iv)	Closing balance	2,358.52	2,124.15

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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	–	72.66	–	–	82.09	9.10	–	–	163.85
- Others	–	–	–	–	–	–	–	–	–
Advances / Loans	–	–	–	304.00	608.00	2,432.00	1,524.00	–	4,868.00
Investments (including Inventories)	57,709.11[1]	–	–	–	–	–	–	16,965.77[2]	74,674.88
Borrowings	–	–	–	–	–	–	–	–	–
Foreign Currency assets	–	–	–	–	–	–	–	–	–
Foreign Currency liabilities	–	–	–	–	–	–	–	–	–

[1] Investments classified as Inventories (Note 10).

[2] Investments classified as Non-current investments (Note 7).

f) Exposure to Real Estate Sector : Nil

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

Particulars		2018	2017
(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, 2018: 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) Pecuniary relationship or transaction with Non-Executive Directors : None

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

q) Provisions and Contingencies: (₹ in lakhs)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in the Statement of Profit and Loss		2018	2017
Provisions for Depreciation on Investment		234.37	26.25
Provision towards NPA		–	–
Provision made towards Income tax (including deferred tax)		1,244.29	1,439.10
Other Provision and Contingencies (with details)			
A	Provision for compensated absences	(0.88)	2.95
B	Provision for gratuity	(2.60)	6.10
Provision for Standard Assets		–	–

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, 2018			As at 31st March, 2017		
	Principal	Interest Accrued	Percentage to Total Exposure	Principal	Interest Accrued	Percentage to Total Exposure
ATC Limited	–	–	–	140.00	4.30	2.32%
North East Nutrients Private Limited	4,868.00	–	100.00%	6,084.00	–	97.68%
	4,868.00	–	**100.00%**	6,224.00	4.30	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

SCHEDULE TO THE BALANCE SHEET AS AT 31ST MARCH, 2018 [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, 2018	
	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	4,868.00
	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	**458.51**
	(a) Financial lease	–
	(b) Operating lease	458.51
	(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 :	**36,114.76**
	(i) Shares : (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	36,114.76
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	–
	2. Unquoted :	**21,594.35**
	(i) Shares : (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	6,447.59
	(iii) Units of Mutual Funds	15,146.76
	(iv) Government Securities	–
	(v) Others	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in lakhs)

	Assets Side :	Amount Outstanding
	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

Category	Amount Net of Provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	–	–	–
(b) Companies in the same group	4,868.00	38.35	4,906.35
(c) Other related parties	–	–	–
2. Other than related parties	–	420.16	420.16
Total	**4,868.00**	**458.51**	**5,326.51**

(₹ in lakhs)

(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	4,411.45	4,210.34
(b) Companies in the same group	9,699.00	3,771.78
(c) Other related parties	–	–
2. Other than related parties	71,644.78	66,692.76
Total	**85,755.23**	**74,674.88**

(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	–

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 recognised 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.

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.

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

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

Kolkata, 27th April, 2018

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.	**SI. 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**	:	205.43
8.	**Total Assets**	:	4,530.85
9.	**Total Liabilities**	:	4,530.85
10.	**Investments**	:	2,516.66
11.	**Turnover**	:	288.23
12.	**Profit before taxation**	:	259.34
13.	**Provision for taxation**	:	72.80
14.	**Profit after taxation**	:	186.54
15.	**Proposed Dividend**	:	736.05@
16.	**% of shareholding**	:	100

@ dividend paid during the year

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-2018	31-Mar-2018	31-Mar-2018	31-Mar-2018	31-Mar-2018
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)	1,530.83	619.85	476.69	7,436.30	(45.59)
7. Profit / (Loss) for the year (₹ in lakhs)	711.64	21.28	10.02	695.40	(33.39)
i. Considered in Consolidation *	–	–	–	–	–
ii. Not Considered in Consolidation *	711.64	21.28	10.02	695.40	(33.39)

* 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.

Notes: 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

R. TANDON *Chairman* SARADINDU DUTTA *Director*

S. SURESH KUMAR *Chief Financial Officer* T. K. GHOSAL *Manager & Company Secretary*

Kolkata, 27th April, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

2. PERFORMANCE OF THE COMPANY

During the year, your Company earned revenue of ₹ 288.23 lakhs from its operations, with total income being ₹ 545.17 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, 2018 (₹)	For the year ended 31st March, 2017 (₹)
Profits		
a. Profit Before Tax	**2,59,34,425**	3,29,56,373
b. Less : Tax Expense	**72,80,651**	1,04,18,847
c. Profit After Tax	**1,86,53,774**	2,25,37,526
d. Add : Other Comprehensive Income / (Loss)	**6,53,708**	(5,77,709)
e. Total Comprehensive Income	**1,93,07,482**	2,19,59,817
Retained Earnings		
a. At the beginning of the year	**8,98,25,108**	6,78,65,291
b. Add : Profit for the year	**1,86,53,774**	2,25,37,526
c. Add : Other Comprehensive Income / (Loss)	**6,53,708**	(5,77,709)
d. Less : Interim Dividend paid (recommended as Final Dividend)	**7,36,05,291**	—
e. Less : Income Tax on Interim Dividend	**1,49,84,305**	—
f. At the end of the year	**2,05,42,994**	8,98,25,108

3. DIVIDEND

Interim Dividend of ₹ 1.75 per Equity Share, aggregating ₹ 736.05 lakhs, was declared by your Directors on 14th March, 2018, out of the profits of the Company for payment to the Members whose names appeared in 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, 2018.

4. DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the year under review, Mr. Rajendra Kumar Singhi stepped down as Non-Executive Director of your Company with effect from close of work on 14th March, 2018. Mr. Subhatosh Banerjee and Ms. Anindita Guhamallick, on completion of their term, ceased to be Independent Directors of your Company with effect from 16th March, 2018. Your Directors place on record their appreciation for the contributions made by Mr. Singhi, Mr. Banerjee and Ms. Guhamallick during their respective tenure.

The Board of Directors of your Company ('the Board'), on the recommendation of the erstwhile Nomination and Remuneration Committee, appointed Mr. Rajesh Poddar (DIN: 00297605) as Additional Director of the Company with effect from 15th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 130 of the Articles of Association of the Company, Mr. Poddar will vacate office at the ensuing Annual General Meeting ('AGM') and is eligible for appointment as a Director of the Company. Your Board at the meeting held on 26th April, 2018 recommended for the approval of the Members, the appointment of Mr. Poddar as a Non-Executive Director of your Company, liable to retire by rotation. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Poddar, who has filed his consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Poddar's appointment is appearing in the Notice convening the ensuing AGM of the Company.

During the year under review, there was no change in the Key Managerial Personnel of the Company.

(b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Article 143 of the Articles of Association of the Company, Mr. Rajiv Tandon (DIN: 00042227), 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) Board evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors, as required under Section 134(3)(p) of the Act, based on criteria approved by the Board.

5. BOARD AND BOARD COMMITTEES

Your Company, being a wholly owned subsidiary, is no longer required to constitute Audit Committee and Nomination and Remuneration Committee, in terms of Notification dated 13th July, 2017 issued by the Ministry of Corporate Affairs, Government of India. Accordingly, your Board dissolved the Audit Committee and Nomination and Remuneration Committee of the Company with effect from 16th March, 2018.

Four meetings of the Board were held during the year ended 31st March, 2018.

6. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134 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. 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.

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 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.

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 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.

11. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2018, 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 transactions of the Company in the prescribed Form No. AOC-2 are enclosed as **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. 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. 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-Third AGM. The Board has also recommended for the approval of the Members, remuneration of AFF for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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.

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

On behalf of the Board

R. Tandon *Chairman*

Dated : 26th April, 2018 S. Dutta *Director*

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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 *	37	Chief Financial Officer	34,20,575/-	24,17,191/-	B.Com (Hons.), A.C.A.	12	01.01.2015	Manager (Finance), ITC Limited
A. Bhattacharya	49	Assistant Manager - Finance	10,58,320/-	8,41,878/-	B.Com, P.G.D.P. (Insurance & Risk Mngt.)	20	01.10.1997	—
A. Kanjilal	45	Security & Fire Officer	7,89,761/-	6,96,387/-	B.A.	25	16.02.2015	Site Security Leader, IBM India Pvt. Ltd.
S. K. Singh	51	Administrative Assistant	6,49,741/-	5,42,805/-	Madhyamik	20	01.10.1997	—
P. Kumar	27	Manager & Company Secretary	5,29,552/-	4,65,266/-	B.Com (Hons.), A.C.S.	3	05.12.2016	Executive - Secretarial, Bata India Limited
S. Bhattacharya	55	Maintenance Supervisor	4,79,265/-	4,00,626/-	B.Sc. (Hons.)	26	16.04.1992	—
S. Lama	44	Administrative Assistant I	4,76,087/-	4,04,496/-	H.S.	20	01.10.1997	—
N. Ghosh	56	Maintenance Supervisor	4,58,529/-	3,78,721/-	Electrician License	27	15.02.1991	—
T. K. Chowdhury #	62	Maintenance Supervisor	4,44,454/-	3,69,740/-	Pre-university, ITI (Air Conditioning)	27	01.04.1991	—
G. B. Das	50	Maintenance Supervisor	4,36,225/-	3,68,547/-	Madhyamik	26	01.11.1991	—

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

 # Retired w.e.f. close of work on 15th March, 2018.

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 deputed employee) 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 : 26th April, 2018 S. Dutta *Director*

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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, 2017 to 31st July, 2018 Maintenance of other properties - 1st April, 2017 to 31st March, 2018
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Value of transaction during the year - ₹ 288.23 lakhs
e)	Date(s) of approval by the Board, if any	24th August, 2017 & 22nd March, 2017
f)	Amount paid as advances, if any	Nil

On behalf of the Board

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

Dated : 26th April, 2018

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, 2018

[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	–	–	–	–	–	–	–	–	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)	–	**4,20,60,166**	**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)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	4,88,559
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	25,000
	(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 (A)		**5,13,559**
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)*		5,77,600

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
	S. Dutta				
	R. Poddar				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**5,13,559**
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)*					12,70,720

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	32,19,958
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	1,31,833
	(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		**33,51,791**

Note: Mr. M. Seth is on deputation from ITC Limited (ITC), the ultimate Holding Company, 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 : 26th April, 2018 S. Dutta *Director*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GREENACRE HOLDINGS LIMITED

Report on the Financial Statements.

We have audited the accompanying financial statements of **GREENACRE HOLDINGS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity 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 including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under Section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit, total comprehensive income, changes in equity 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:
   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, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.
   d) In our opinion, the aforesaid 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 of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 5 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.
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)
Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 26th April, 2018

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, 2018 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, 2018, based on the criteria for internal control over financial reporting 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)
Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 26th April, 2018

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, Goods & Services 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, 2018 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.

(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 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)
Sumit Trivedi
Partner
(Membership No. 209354)

Place: Hyderabad
Date: 26th April, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note		As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	3		14,78,37,858		14,80,11,279
(b) Deferred tax assets (Net)	4		–		6,82,996
(c) Other non-current assets	5		5,10,23,162		5,12,33,769
Current assets					
(a) Financial assets					
(i) Investments	6	25,16,65,767		32,22,42,795	
(ii) Cash and cash equivalents	7	19,66,466	25,36,32,233	6,99,998	32,29,42,793
(b) Other current assets	5		5,91,300		1,28,569
TOTAL ASSETS			**45,30,84,553**		52,29,99,406
EQUITY AND LIABILITIES					
Equity					
(a) Equity Share capital	8	42,06,01,660		42,06,01,660	
(b) Other Equity		2,05,42,994	44,11,44,654	8,98,25,108	51,04,26,768
Liabilities					
Non-current liabilities					
(a) Financial liabilities					
Other financial liabilities	9		80,11,000		80,11,000
(b) Provisions	10		13,70,768		18,01,079
(c) Deferred tax liabilities (Net)	4		13,49,611		–
Current liabilities					
(a) Financial liabilities					
Other financial liabilities	9		1,35,000		19,89,043
(b) Provisions	10		2,98,310		6,51,012
(c) Other current liabilities	11		7,75,210		1,20,504
TOTAL EQUITY AND LIABILITIES			**45,30,84,553**		52,29,99,406

The accompanying notes 1 to 19 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

SUMIT TRIVEDI
Partner
Hyderabad, 26th April, 2018

R. TANDON *Chairman*
M. SETH *Chief Financial Officer*
S. DUTTA *Director*
P. KUMAR *Manager & Company Secretary*
Kolkata, 26th April, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
I	Revenue From Operations	12	2,88,22,715	2,74,56,578
II	Other Income	13	2,56,93,840	3,59,85,709
III	**Total Income (I+II)**		**5,45,16,555**	6,34,42,287
IV	**EXPENSES**			
	Maintenance and service expense		74,63,256	77,57,288
	Employee benefits expense	14	1,86,03,036	1,58,46,300
	Depreciation expense		1,73,421	1,73,421
	Other expenses	15	23,42,417	67,08,905
	Total Expenses (IV)		**2,85,82,130**	3,04,85,914
V	**Profit before tax (III - IV)**		**2,59,34,425**	3,29,56,373
VI	**Tax expense:**			
	Current Tax	16	32,00,000	1,04,36,638
	Deferred Tax	16	40,80,651	(17,791)
VII	**Profit for the year (V - VI)**		1,86,53,774	2,25,37,526
VIII	**Other Comprehensive Income**			
A (i)	Items that will not be reclassified to profit or loss: - Remeasurements of defined benefit plans	17(ii)	9,05,664	(7,97,418)
(ii)	Income tax relating to items that will not be reclassified to profit or loss	16	(2,51,956)	2,19,709
	Other Comprehensive Income [A (i)+(ii)]		**6,53,708**	(5,77,709)
IX	**Total Comprehensive Income for the year (VII+VIII)**		**1,93,07,482**	2,19,59,817
X	Earnings per equity share (Face Value ₹ 10.00 each): - Basic and Diluted (in ₹)	17 (i)	**0.44**	0.54

The accompanying notes 1 to 19 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

SUMIT TRIVEDI
Partner
Hyderabad, 26th April, 2018

R. TANDON *Chairman*
M. SETH *Chief Financial Officer*
S. DUTTA *Director*
P. KUMAR *Manager & Company Secretary*
Kolkata, 26th April, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

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, 2017	42,06,01,660	–	42,06,01,660
For the year ended 31st March, 2018	42,06,01,660	–	42,06,01,660

B. Other Equity (₹)

	Reserves and Surplus		
	Capital Contribution for Share Based Payment	Retained Earnings	Total
Balance as at 1st April, 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**
Profit for the year	–	1,86,53,774	1,86,53,774
Other Comprehensive Income (net of tax)	–	6,53,708	6,53,708
Total Comprehensive Income for the year	–	**1,93,07,482**	**1,93,07,482**
Dividend paid (₹ 1.75 per share)	–	(7,36,05,291)	(7,36,05,291)
Income tax on Dividend paid	–	(1,49,84,305)	(1,49,84,305)
Balance as at 31st March, 2018	–	**2,05,42,994**	**2,05,42,994**

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.

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 19 are an integral part of the Financial Statements.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

SUMIT TRIVEDI
Partner
Hyderabad, 26th April, 2018

On behalf of the Board

R. TANDON *Chairman*
M. SETH *Chief Financial Officer*
S. DUTTA *Director*
P. KUMAR *Manager & Company Secretary*
Kolkata, 26th April, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
A. Cash Flow from Operating Activities		
PROFIT BEFORE TAX	**2,59,34,425**	3,29,56,373
ADJUSTMENTS FOR :		
Depreciation expense	1,73,421	1,73,421
Interest income	(1,26,560)	(37,01,921)
Dividend income from current investments	–	(60,100)
Gain on sale of property, plant and equipment - Net	–	(6,584)
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit and loss (FVTPL)	(2,26,09,280)	(1,94,56,997)
Progress payments and advance received against projects - written back	–	(1,00,00,000)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**33,72,006**	(95,808)
ADJUSTMENTS FOR :		
Other assets	(4,62,732)	85,465
Other financial liabilities	(18,54,043)	11,54,572
Other current liabilities	6,54,705	(32,650)
Provisions	1,22,651	1,07,356
CASH GENERATED FROM OPERATIONS	**18,32,587**	12,18,935
Income tax paid	(52,89,393)	(1,07,17,934)
NET CASH USED IN OPERATING ACTIVITIES	**(34,56,806)**	(94,98,999)
B. Cash Flow from Investing Activities		
Sale of property, plant and equipment	–	29,101
Purchase of current investments	(97,03,57,000)	(4,89,09,97,977)
Sale / redemption of current investments	1,06,35,43,310	4,84,26,23,893
Dividend Income	–	60,100
Interest received	1,26,560	40,15,946
Redemption/maturity of bank deposits (original maturity more than 3 months)	–	5,29,01,043
Refund of security deposits	–	(10,00,000)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**9,33,12,870**	76,32,106
C. Cash Flow from Financing Activities		
Interim Dividend paid	(7,36,05,291)	–
Income tax on interim dividend paid	(1,49,84,305)	–
NET CASH USED IN FINANCING ACTIVITIES	**(8,85,89,596)**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**12,66,468**	(18,66,893)
OPENING CASH AND CASH EQUIVALENTS	**6,99,998**	25,66,891
CLOSING CASH AND CASH EQUIVALENTS (Note 7)	**19,66,466**	6,99,998

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 19 are an integral part of the Financial Statements.

In terms of our report attached

For A. F. Ferguson & Co.
Chartered Accountants

SUMIT TRIVEDI
Partner
Hyderabad, 26th April, 2018

On behalf of the Board

R. TANDON *Chairman*
M. SETH *Chief Financial Officer*
S. DUTTA *Director*
P. KUMAR *Manager & Company Secretary*
Kolkata, 26th April, 2018

NOTES TO THE FINANCIAL STATEMENTS

1. 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 31 March, 2016, the Company prepared its financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. The date of transition to Ind AS is 1st April, 2015.

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. 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. The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings (other than factory buildings) RCC Frame Structure	60 years
Plant and Equipment	15 years
Furniture and Fixtures	10 years
Office Equipment	5 years

Impairment of Assets

Impairment loss, if any, is provided 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

Recognition: Financial assets include investments, trade receivables, advances, security deposits, cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on their fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Advances, security deposits, cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are de-recognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: 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.

Financial Liabilities

Trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are de-recognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

Revenue from sale of services

Revenue is measured at the fair value of the consideration received or receivable from third parties for services rendered and is net of taxes recovered from customers. Revenue from services is recognised in the periods 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 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 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, to eligible employees deputed to the 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.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

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.

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 so 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.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

2. Use of Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these 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, or in the period of the revision and future periods if the revision affects both current and future periods.

A. Key sources of estimation uncertainty

The following are the key assumptions concerning the future,

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. **Useful lives of property, plant and equipment:**

   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.

2. **Fair value measurements and valuation processes:**

   Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses other methods, including third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share based payments are disclosed in the notes to the financial statements.

3. **Actuarial Valuation:**

   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. Information about such valuation is provided in notes to the financial statements.

(Amount in ₹)

Particulars	Gross Block							Depreciation and Amortization							Net Book Value	
	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017	Additions	Withdrawals and adjustments	**As at 31st March, 2018**	Upto 31st March, 2016	For the year	On Withdrawals and adjustments	Upto 31st March, 2017	For the year	On Withdrawals and adjustments	**Upto 31st March, 2018**	**As at 31st March, 2018**	As at 31st March, 2017
3. Property, Plant and Equipment																
Land	14,06,29,749	–	–	14,06,29,749	–	–	14,06,29,749	–	–	–	–	–	–	–	14,06,29,749	14,06,29,749
Buildings(#)	77,23,667	–	–	77,23,667	–	–	77,23,667	1,72,390	1,71,919	–	3,44,309	1,71,919	–	5,16,228	72,07,439	73,79,358
Plant and Equipment	5,179	–	–	5,179	–	–	5,179	1,505	1,502	–	3,007	1,502	–	4,509	670	2,172
Furniture & Fixtures	7,11,877	–	7,11,877	–	–	–	–	6,93,617	–	6,93,617	–	–	–	–	–	–
Office Equipment	5,93,035	–	5,93,035	–	–	–	–	5,88,778	–	5,88,778	–	–	–	–	–	–
TOTAL	**14,96,63,507**	–	**13,04,912**	**14,83,58,595**	–	–	**14,83,58,595**	**14,56,290**	**1,73,421**	**12,82,395**	**3,47,316**	**1,73,421**	–	**5,20,737**	**14,78,37,858**	**14,80,11,279**

(#) The above assets are given on operating lease, which are not non-cancellable and are usually renewable by mutual consent on mutually agreeable terms.
The lease rental of ₹ 29,58,000 (2017- ₹ 27,60,000) is included in Lease rental income under Other income (Note 13)

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
4. Deferred tax Liabilities (Net)		
Deferred tax liabilities	42,80,018	42,073
Less : Deferred tax assets	29,30,407	7,25,069
TOTAL	**13,49,611**	(6,82,996)

Movement in deferred tax liabilities / assets balances

(Amount in ₹)

2017-18	**Opening Balance**	**Recognised in profit or loss**	**Recognised in OCI**	**Closing Balance**
Deferred tax liabilities / assets in relation to:				
Other timing differences:				
On current investments - FVTPL	42,073	42,37,945	–	42,80,018
Total deferred tax liabilities	**42,073**	**42,37,945**	**–**	**42,80,018**
On fiscal allowances on property, plant and equipment, etc.	49,457	(4,221)	–	45,236
On employees' separation and retirement etc.	6,75,612	1,61,515	(2,51,956)	5,85,171
Total deferred tax assets before MAT credit entitlement	**7,25,069**	**1,57,294**	**(2,51,956)**	**6,30,407**
Total deferred tax liabilities / (assets) before MAT credit entitlement (Net)	**(6,82,996)**	**40,80,651**	**2,51,956**	**36,49,611**
Less: MAT credit entitlemet	–	23,00,000	–	23,00,000
Deferred tax laibilities/ (assets) (Net)	**(6,82,996)**	**17,80,651**	**2,51,956**	**13,49,611**

2016-17	**Opening Balance**	**Recognised in profit or loss**	**Recognised in OCI**	**Closing Balance**
Deferred tax liabilities/assets in relation to:				
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**
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**
Deferred tax assets (Net)	**4,45,496**	**17,791**	**2,19,709**	**6,82,996**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)	
	Current	**Non-Current**	Current	Non-Current
5. 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
(ii) Advance Tax (net of provisions)	–	14,20,118	–	16,30,725
(iii) Other Advances				
- Assignable claims [Refer Note 19]	–	2,00,00,000	–	2,00,00,000
- Payment towards land / project development (*)	–	1,23,71,911	–	1,23,71,911
- Project advances	–	1,27,90,278	–	1,27,90,278
- Balances with Statutory authorities				
Indirect / Input tax credit receivable	4,83,419	–	21,910	–
Advance paid to Govt. / Public bodies	7,824	–	–	–
- Others - prepaid expenses etc.	1,00,057	–	1,06,659	–
TOTAL	**5,91,300**	**5,10,23,162**	**1,28,569**	**5,12,33,769**

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

	As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)	
6. Current Investments (at fair value through profit or loss unless stated otherwise)	**Quoted**	**Unquoted**	Quoted	Unquoted
INVESTMENT IN MUTUAL FUNDS				
Aditya Birla Sun Life Floating Rate Fund 2,01,797 (2017 - 2,01,797) units of ₹ 100.00 each	–	4,29,34,258	–	4,01,14,048
SBI Premier Liquid Fund Nil (2017 - 1,10,826) units of ₹ 1000.00 each	–	–	–	28,21,28,747
Aditya Birla Sun Life Cash Plus 2,052 (2017 - Nil) units of ₹ 100.00 each	–	5,70,986	–	–
Kotak Treasury Advantage Fund 12,53,702 (2017 - Nil) units of ₹ 10.00 each	–	3,53,92,771	–	–
Aditya Birla Sun Life Savings Fund 2,78,830 (2017 - Nil) units of ₹ 100.00 each	–	9,58,96,411	–	–
ICICI Prudential - Flexible Income Plan 2,26,003 (2017 - Nil) units of ₹ 10.00 each	–	7,57,29,297	–	–
SBI Magnum Insta Cash Fund 149 (2017 - Nil) units of ₹ 1000.00 each	–	5,71,066	–	–
Reliance Liquid Fund - Treasury Plan 135 (2017 - Nil) units of ₹ 1000.00 each	–	5,70,978	–	–
TOTAL		**25,16,65,767**		32,22,42,795
Aggregate amount of quoted and unquoted investments	**25,16,65,767**		**32,22,42,795**	

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
7. Cash and cash equivalents		
Balances with Banks		
Current accounts	19,47,936	6,92,015
Cash on hand	18,530	7,983
TOTAL	**19,66,466**	6,99,998

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)
8. 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
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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)
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

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

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (%)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (%)
Russell Credit Limited - the Holding Company	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, 2018 (₹)	As at 31st March, 2017 (₹)
9. Other financial liabilities		
Non-current		
Other liabilities (includes deposits from ITC Limited, the ultimate Holding Company, 2018 - ₹ 24,00,000; 2017 - ₹ 24,00,000)	80,11,000	80,11,000
TOTAL	**80,11,000**	80,11,000
Current		
Other payables	1,35,000	19,89,043
TOTAL	**1,35,000**	19,89,043

	As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)	
	Current	**Non-Current**	Current	Non-Current
10. Provisions				
Provision for employee benefits [Refer Note 17 (ii)]				
Retirement benefits	70,164	–	3,16,715	–
Other benefits	2,28,146	13,70,768	3,34,297	18,01,079
TOTAL	**2,98,310**	**13,70,768**	6,51,012	18,01,079

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
11. Other liabilities		
Current		
Statutory liabilities	7,75,210	1,20,504
TOTAL	**7,75,210**	1,20,504

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
12. Revenue from operations		
Sale of Services	2,88,22,715	2,74,56,578
TOTAL	**2,88,22,715**	2,74,56,578

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
13. Other income		
Interest income	1,26,560	37,01,921
Dividend income	—	60,100
Lease rental income	29,58,000	27,60,000
Other gains and losses	2,26,09,280	2,94,63,688
TOTAL	**2,56,93,840**	3,59,85,709

Interest income comprises interest from:

a) Deposits with banks - carried at amortised cost	—	36,73,745
b) Others (from statutory authorities)	1,26,560	28,176
TOTAL	**1,26,560**	37,01,921

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Dividend income comprises dividend from:

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
Financial assets (Current investments) measured at FVTPL	–	60,100
TOTAL	–	60,100

Other gains and losses:

Net gain arising on financial assets (Current investments) mandatorily measured at FVTPL*	2,26,09,280	1,94,57,104
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	**2,26,09,280**	2,94,63,688

* Includes ₹ 73,77,303 (2017 - ₹ 1,93,04,296) being net gain on sale of investments.

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
14. Employee benefits expense		
Salaries and wages	1,12,56,751	99,74,099
Remuneration of manager's salary on deputation *	50,03,508	41,88,101
Contribution to Provident and other funds	11,01,196	9,20,050
Staff welfare expenses	12,41,581	7,64,050
TOTAL	**1,86,03,036**	1,58,46,300

* Includes reimbursement on account of share based payment ₹ 15,82,933 (2017 - ₹ 11,41,251) [Refer Note 17(vi)]

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
15. Other expenses		
Rates and taxes	72,692	1,38,126
Insurance	3,458	3,328
Bank charges	2,397	2,825
Travelling and conveyance	13,781	28,501
Consultancy / Professional fees	15,46,862	58,23,860
Telephone expenses	13,695	14,829
Miscellaneous expenses	6,89,532	6,97,436
TOTAL	**23,42,417**	67,08,905
Miscellaneous expenses include :		
Auditors' remuneration and expenses *		
Audit fees	1,50,000	1,50,000
Tax audit fees	50,000	50,000
Fees for other services	12,000	25,000
* Excluding taxes.		

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
16. Income tax expenses		
A. Amount recognised in profit or loss		
Current tax		
Income tax for the year		
Current tax	55,00,000	1,07,00,000
MAT credit entitlement	(23,00,000)	–
Adjustments / (credits) related to previous years - Net		
Current tax	–	(2,63,362)
Total current tax	**32,00,000**	1,04,36,638
Deferred tax		
Deferred tax for the year	40,80,651	(17,791)
Total deferred tax	**40,80,651**	(17,791)
TOTAL	**72,80,651**	1,04,18,847
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		
Remeasurement gains / (losses) on defined benefit plans	(2,51,956)	2,19,709
TOTAL	**(2,51,956)**	2,19,709

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

C. Reconciliation of effective tax rate

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

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
Profit before tax	**2,59,34,425**	3,29,56,373
Income tax expense calculated @ 27.5525% (2017 - 31.9609%)	71,45,583	1,05,33,153
Effect of tax relating to uncertain tax positions	4,36,138	3,64,754
Effect on deferred tax balances due to the change in Income Tax Rate	33,172	74,249
Other differences	(3,34,242)	(2,89,947)
Total	**72,80,651**	1,06,82,209
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	**72,80,651**	1,04,18,847

The tax rate used for the year 2017-18 and 2016-17 reconciliations above is the corporate tax rate of
- 27.5525% (25% and surcharge @ 7% and education cess @ 3%) in 2017-18 and
- 31.9609% (29% and surcharge @ 7% and education cess @ 3%) in 2016-17

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

17. Additional Notes to the Financial Statements

(i) Earnings per share:

		2018	2017
Earnings per share has been computed as under:			
(a)	Profit for the year (₹)	**1,86,53,774**	2,25,37,526
(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)]	**0.44**	0.54

(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. These Plans are administered through approved Trusts, which operate in accordance with the Trust Deed, Rules and applicable Statutes. These concerned Trusts are managed by Trustees, who provide strategic guidance with regard to the management of their investments and liabilities and also periodically review their performance.

Provident Fund and Gratuity Benefits are funded and Leave Encashment Benefits are unfunded in nature. Under the Provident Fund, Gratuity and Leave Encashment Schemes, employees are entitled to receive lump sum benefits.

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 regular contributions to Employee Benefit Contribution Plan.

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.

Investment Risk: This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses.

Interest Rate Risk: The present value of Defined Benefit Plans liability is determined using the discount rate based on the market yields prevailing at the end of reporting period on Government bonds. A decrease in yields will increase the fund liabilities and vice-versa.

Salary Cost Inflation Risk: The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

The Trustees regularly monitor the funding and investments of these Plans. Risk mitigation systems are in place to ensure that the health of the portfolio is regularly reviewed and investments do not pose significant risk of impairment. Periodic audits are conducted to ensure adequacy of internal controls.

			For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
			Gratuity	**Leave Encashment**	Gratuity	Leave Encashment
			Funded	**Unfunded**	Funded	Unfunded
I	**Components of Employer Expense**					
	- Recognised in Profit or Loss					
	1	Current Service Cost	2,60,621	1,22,488	2,35,726	1,16,600
	2	Past Service Cost	–	–	–	–
	3	Net Interest Cost	5,263	1,39,092	(26,381)	1,16,049
	4	**Total expense recognised in the Statement of Profit and Loss**	**2,65,884**	**2,61,580**	2,09,345	2,32,649
	- Re-measurements recognised in Other Comprehensive Income					
	5	Return on plan assets (excluding amounts included in Net interest cost)	(15,649)	–	(5,198)	–
	6	Effect of changes in demographic assumptions	–	–	–	–
	7	Effect of changes in financial assumptions	(1,42,537)	(1,12,840)	1,39,966	1,03,309
	8	Changes in asset ceiling (excluding interest income)	–	–	–	–
	9	Effect of experience adjustments	(98,948)	(5,35,690)	3,07,240	2,52,101

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

			For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
	10	**Total re-measurements included in Other Comprehensive Income [(Gain)/Loss]**	(2,57,134)	(6,48,530)	4,42,008	3,55,410
	11	**Total defined benefit cost recognised in Statement of Profit and Loss and Other Comprehensive Income [(Gain)/Loss] (4+10)**	**8,750**	**(3,86,950)**	6,51,353	5,88,059

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 14. The re-measurements of the net defined benefit liability are included in Other Comprehensive Income.

			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
II	**Actual Returns**		**2,59,035**	–	2,32,644	–
III	**Net Asset / (Liability) recognised in Balance Sheet**					
	1	Present Value of Defined Benefit Obligation	31,26,474	15,98,914	33,80,087	21,35,376
	2	Fair Value of Plan Assets	30,56,310	–	30,63,372	–
	3	Status [Surplus / (Deficit)]	(70,164)	(15,98,914)	(3,16,715)	(21,35,376)
	4	Restrictions on Asset Recognised	–	–	–	–

			As at 31st March, 2018		As at 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
	5	**Net Asset/(Liability) recognised in Balance Sheet**				
		- Current	**(70,164)**	**(2,28,146)**	(3,16,715)	(3,34,297)
		- Non-current	–	**(13,70,768)**	–	(18,01,079)

			For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
			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	33,80,087	21,35,376	25,08,981	15,47,317
	2	Current Service Cost	2,60,621	1,22,488	2,35,726	1,16,600
	3	Interest Cost	2,11,802	1,39,092	1,88,174	1,16,049
	4	Re-measurement Gains / (Losses):				
		a. Effect of changes in demographic assumptions	–	–	–	–
		b. Effect of changes in financial assumptions	(1,42,537)	(1,12,840)	1,39,966	1,03,309
		c. Changes in asset ceiling (excluding interest income)	–	–	–	–
		d. Effect of experience adjustments	(98,948)	(5,35,690)	3,07,240	2,52,101
	5	Curtailment Cost / (Credits)	–	–	–	–
	6	Settlement Cost / (Credits)	–	–	–	–
	7	Liabilities assumed in business combination	–	–	–	–
	8	Exchange difference on foreign plans	–	–	–	–
	9	Benefits Paid	(4,84,551)	(1,49,512)	–	–
	10	**Present Value of DBO at the end of the year**	**31,26,474**	**15,98,914**	33,80,087	21,35,376

V	**Best Estimate of Employers' Expected Contribution for the next year**	**As at 31st March, 2018**	As at 31st March, 2017
	- Gratuity	**3,15,744**	2,56,000
	- Leave Encashment	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

			For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
			Funded	Unfunded	Funded	Unfunded
VI	**Change in Fair Value of Assets**					
	1	Plan Assets at the beginning of the year	30,63,372	–	26,58,076	–
	2	Asset acquired in Business Combination	–	–	–	–
	3	Expected Return on Plan Assets	2,06,539	–	2,14,554	–
	4	Re-measurement Gains / (Losses) on plan assets	15,649	–	5,198	–
	5	Actual Company Contributions	2,55,301	–	1,85,544	–
	6	Benefits Paid	(4,84,551)	(1,49,512)	–	–
	7	**Plan Assets at the end of the year**	**30,56,310**	–	30,63,372	–

			As at 31st March, 2018	As at 31st March, 2017
			Discount Rate (%)	Discount Rate (%)
VII	**Actuarial Assumptions**			
	1	Gratuity	7.50	6.75
	2	Leave Encashment	7.50	6.75

VIII	**Major Category of Plan Assets as a % of the Total Plan Assets**			
	1	Government Securities / Special Deposit with RBI	–	–
	2	High Quality Corporate Bonds	–	–
	3	Insurer Managed Funds*	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, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
			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	31,26,474	15,98,914	33,80,087	21,35,376
	2	Fair Value of Plan Assets	30,56,310	–	30,63,372	–
	3	Status [Surplus / (Deficit)]	(70,164)	(15,98,914)	(3,16,715)	(21,35,376)
	4	Experience Adjustment of Plan Assets [Gain / (Loss)]	(15,649)	–	(5,198)	–
	5	Experience Adjustment of obligation [(Gain) / Loss]	(98,948)	(5,35,690)	3,07,240	2,52,101

Amount towards Defined Contribution Plans have been recognised under "Contribution to Provident and other funds" in Note 14: ₹ 8,35,312 (2017 - ₹ 7,10,705).

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Amount in ₹)

		DBO as at 31st March, 2018		DBO as at 31st March, 2017	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
1	Discount Rate + 100 basis points	29,55,722	14,69,868	30,39,576	20,06,972
2	Discount Rate - 100 basis points	33,16,318	17,50,043	34,38,802	22,79,776
3	Salary Increase Rate + 1%	33,03,462	17,44,078	34,23,753	22,80,388
4	Salary Increase Rate – 1%	29,64,425	14,72,889	30,49,756	20,04,199

Maturity Analysis of the Benefit Payments

(Amount in ₹)

		DBO as at 31st March, 2018		DBO as at 31st March, 2017	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
1	Year 1	5,27,292	2,28,146	23,697	3,34,297
2	Year 2	2,70,985	1,55,684	9,50,352	1,40,881
3	Year 3	3,13,319	42,110	2,42,673	1,34,694
4	Year 4	3,36,433	8,561	2,97,789	1,55,396
5	Year 5	2,46,788	1,35,197	3,20,848	1,65,220
6	Next 5 Years	15,51,360	8,90,041	16,80,523	7,78,856

(iii) 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, 2018. 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) 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 ₹)

	2018	2017
Non-current assets (In India)	**19,88,61,020**	19,92,45,048

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

(Amount in ₹)

	2018	2017
ITC Limited - ultimate Holding Company	**2,88,22,715**	2,74,06,578

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.

(v) Related Party Disclosures:

(a) RELATIONSHIP:

(i) Ultimate Holding Company:

- ITC Limited

(ii) Holding Company:

- Russell Credit Limited

(iii) Other Related Parties with whom the Company had transactions:

(a) Fellow Subsidiary Company

- North East Nutrients Private Limited

(b) Associate of the Holding Company with whom the Company had transactions during the year:

- International Travel House Limited

(iv) Key Management Personnel (KMP):

- Mr. R. Tandon — Chairman & Non-Executive Director
- Mr. S. Banerjee — Independent Director (upto 15.03.2018)
- Mr. S. Dutta — Non-Executive Director
- Ms. A. Guhamallick — Independent Director (upto 15.03.2018)
- Mr. R. K. Singhi — Non-Executive Director (upto 14.03.2018)
- Mr. R. Poddar — Additional Non-Executive Director (w.e.f. 15.03.2018)
- Mr. M. Seth — Chief Financial Officer
- Md. J. Alam — Manager & Company Secretary (upto 23.12.2016)
- Mr. P. Kumar — Manager & Company Secretary (w.e.f. 27.12.2016)

(v) Employee Trusts where there is significant influence:

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

(b) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2018

(Amount in ₹)

RELATED PARTY TRANSACTION SUMMARY		Ultimate Holding Company		Holding Company		Fellow Subsidiary Company		Associate of Holding Company		Key Management Personnel		Employee Trusts		Total	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
1.	Rent Received	17,28,000	15,60,000	–	–	–	–	12,30,000	12,00,000	–	–	–	–	**29,58,000**	27,60,000
2.	Purchase of Services	40,000	40,000	–	–	–	–	–	–	–	–	–	–	**40,000**	40,000
3.	Sale of Services	2,88,22,715	2,74,06,578	–	–	–	50,000	–	–	–	–	–	–	**2,88,22,715**	2,74,56,578
4.	Refund of Security Deposit	–	10,00,000	–	–	–	–	–	–	–	–	–	–	–	10,00,000
5.	Expenses Recovered	3,85,030	2,95,690	–	–	–	–	–	–	–	–	–	–	**3,85,030**	2,95,690
6.	Remuneration of manager on deputation (For CFO)	34,20,575	30,46,850	–	–	–	–	–	–	–	–	–	–	**34,20,575**	30,46,850
7.	Interim Dividend Paid	–	–	7,36,05,291	–	–	–	–	–	–	–	–	–	**7,36,05,291**	–
8.	Contribution to Greenacre Holdings Limited Provident Fund	–	–	–	–	–	–	–	–	–	–	8,35,312	7,10,705	**8,35,312**	7,10,705
9.	Contribution to Greenacre Holdings Limited Gratuity Fund	–	–	–	–	–	–	–	–	–	–	2,65,884	1,85,544	**2,65,884**	1,85,544
10.	Remuneration to Key Management Personnel (Manager & Company Secretary) – Short term benefits														
	- Md. J. Alam	–	–	–	–	–	–	–	–	–	7,35,177	–	–	–	7,35,177
	- Mr. P. Kumar	–	–	–	–	–	–	–	–	5,29,552	1,32,466	–	–	**5,29,552**	1,32,466
11.	Directors' Sitting Fees - Other benefits:														
	- Mr. S. Banerjee	–	–	–	–	–	–	–	–	1,60,000	1,50,000	–	–	**1,60,000**	1,50,000
	- Ms. A. Guhamallick	–	–	–	–	–	–	–	–	1,60,000	1,50,000	–	–	**1,60,000**	1,50,000
12.	**Balances as at 31st March**														
	i) Deposits Taken	24,00,000	24,00,000	–	–	–	–	56,11,000	56,11,000	–	–	–	–	**80,11,000**	80,11,000
	ii) Payables	–	18,24,197	–	–	–	–	–	–	–	–	–	–	–	18,24,197

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(vi) The Chief Financial Officer of the Company, who is on deputation from ITC Limited, the ultimate Holding Company has 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 recognised 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.

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars	As at 31st March, 2018	As at 31st March, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	6,975	3,000
Add: Corporate Action : Bonus Issue	–	1,500
Add: Granted during the year @	2,475	2,475
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	9,450	6,975
Options exercisable at the end of the year	3,217	1,350

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

@ Represents Options granted to the Chief Financial Officer of the Company. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 15,82,933 (2017 - ₹ 11,41,251) [Refer Note 14] by way of share based payments. Such charge has been recognised as employee benefits expense. The above amount is attributable to Key Management Personnel, Mr. M. Seth.

(vii) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28th March, 2018 notifying Ind AS 115, 'Revenue from Contracts with Customers' and amending Ind AS 21 'The Effects of Changes in Foreign Exchange Rates'; Ind AS 12 'Income Taxes'. The same are applicable for financial statements pertaining to annual periods beginning on or after 1st April, 2018. The Company expects that there will be no material impact on the financial statements resulting from the above.

18. Financial Instruments and Related Disclosures

1. Capital Management

The Company funds its operations mainly through internal accruals and do not have any borrowings. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its business as a going concern.

2. Categories of Financial Instruments

(Amount in ₹)

Particulars	Note	As at 31st March, 2018		As at 31st March, 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets					
a) Measured at amortised cost					
i) Cash and cash equivalents	7	19,66,466	19,66,466	6,99,998	6,99,998
Sub - total		**19,66,466**	**19,66,466**	6,99,998	6,99,998
b) Measured at fair value through profit or loss					
i) Investment in mutual funds	6	25,16,65,767	25,16,65,767	32,22,42,795	32,22,42,795
Sub - total		**25,16,65,767**	**25,16,65,767**	32,22,42,795	32,22,42,795
Total financial assets		**25,36,32,233**	**25,36,32,233**	32,29,42,793	32,29,42,793
B. Financial liabilities					
a) Measured at amortised cost					
i) Other financial liabilities	9	81,46,000	81,46,000	1,00,00,043	1,00,00,043
Total financial liabilities		**81,46,000**	**81,46,000**	1,00,00,043	1,00,00,043

C. Financial risk management objectives

The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Market Risks

As the Company is debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible. Investments are made in debt instruments, within approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters.

The Company's investments are predominantly held in debt mutual funds, fixed deposits etc. The Company invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arises mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

Fixed deposits are held with highly rated banks and companies and have a short tenure and are not subject to interest rate volatility.

Liquidity Risk

The Company's Current assets aggregate to ₹ 25,42,23,533 (2017– ₹ 32,30,71,362) including Current Investments, Cash and cash equivalents and Other Bank Balances of ₹ 25,36,32,233 (2017– ₹ 32,29,42,793) against an aggregate Current liability of ₹ 12,08,520 (2017– ₹ 27,60,559); Non-current liabilities due between one year to three years amounting to ₹ 80,11,000 (2017– ₹ 80,11,000) on the reporting date.

In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

Credit Risk

The risk management framework of the Company is designed to bring robustness to the risk management processes within the Company. With respect to the Company's investing activities, counter parties are shortlisted and exposure limits determined on the basis of their credit rating, financial statements and other relevant information. The counter party risk is considered insignificant.

Concentrations of credit risk with respect to trade receivables are limited as the Company's major customer is its ultimate Holding Company. Exceptions are managed and approved by appropriate authorities, after due consideration of the counterparty's credentials and financial capacity, trade practices and prevailing business and economic conditions. Based on the assessment of financial assets, no loss provision is considered necessary.

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 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 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 fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

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. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis.

The following table presents the fair value hierarchy of assets measured at fair value:

(Amount in ₹)

Particulars	Fair Value Hierarchy (Level)	Fair Value	
		As at 31st March, 2018	As at 31st March, 2017
A. Financial assets			
a) Measured at fair value through profit or loss			
Investment In mutual funds	1	25,16,65,767	32,22,42,795

19. During the year 1999-2000, erstwhile Classic Infrastructure & Development Limited (CIDL) [since amalgamated with the Company] 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 ₹ 200.00 lakhs. This amount is included in "Other assets" under Note 5.

On behalf of the Board

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

Kolkata, 26th April, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

Your Directors submit their Report for the financial year ended 31st March, 2018.

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,	**2018**	**2017**	**2018**	**2017**
Total Income	**1652.10**	1554.38	**1020.28**	936.16
Total Expenses	**1570.41**	1491.94	**965.14**	895.66
Profit before Tax	**81.69**	62.44	**55.14**	40.50
Tax Expenses	**(**) 41.27**	24.49	**27.46**	22.61
Profit after Tax	**40.42**	37.95	**27.68**	17.89

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

(**) includes ₹6.59 crores on account of revaluation of Deferred Tax.

The financial results of your Company are prepared in accordance with Indian Accounting Standards (Ind AS) adopted w.e.f. 1st April, 2016.

DIVIDEND

Your Directors are pleased to recommend the interim dividend of ₹ 6/– (2017: Nil) per Equity Share of ₹10/– each on 8,52,00,000 Equity shares, aggregating ₹ 51,12,00,000/–, declared by the Board of Directors on 8th December, 2017 as the final dividend for the financial year ended 31st March, 2018.

BUSINESS REVIEW

The IT services and Business Process Management (BPM) industry continued its transformational journey in 2017-18, with the global IT services and BPM spend growing by ~4.3% and the Indian IT services and BPM industry growing by ~8% according to NASSCOM estimates.

2017-18 witnessed continuation of Digital adoption by businesses leading to an increased spend on digital technologies resulting in greater demand for efficiency through automation, IP-based solutions & platforms and in the emergence of business buyers of technology. The disruption caused by digital technologies is non-trivial as it has, in addition to displacing traditional established technologies, reduced the cost and time of implementation of technologies resulting in lower average deal sizes.

Your Company continues its transformation efforts to become a specialised full service provider led by Business and Technology Consulting with best-in-class services and solutions in select business verticals. The transformation journey this year focused on making the Company future ready, enhancing profitability and institutionalising capabilities. The capabilities developed in providing digital solutions like data, IoT and product engineering are beginning to see market traction. Your Company is also concentrating on building domain specific solutions and on bringing automation in software delivery and other internal processes.

During the year, your Company has strengthened partnerships with existing alliance partners and established new alliances in emerging technology areas. Your Company entered into a strategic partnership with PTC Inc. on its industry leading Augmented Reality platform to develop domain specific Augmented Reality solutions. The 'Digital Solutions Innoruption Center' and the 'ThingWorx® Co-Innovation Lab' were launched by your Company in collaboration with PTC Inc.

During the year, the Company's consolidated Revenue from Operations was ₹ 1644.49 crores (previous year ₹ 1543.70 crores), representing a growth of 8.3% in constant currency terms, with Profit Before Tax of ₹ 81.69 crores (previous year ₹ 62.44 crores). Net Profit stood at ₹ 40.42 crores (previous year ₹ 37.95 crores).

Your Company featured in the leader's category of 2018 Global Outsourcing 100 by the International Association of Outsourcing Professionals (IAOP) for the twelfth consecutive year. ISG reports on Provider Lens: ADM Quadrant Report US 2017 and Provider Lens: Managed Digital Workplace Services Quadrant Report US 2017 position your Company as a 'Product Challenger' in the categories of End-to-End Application Development & Maintenance, Application Support & Maintenance, Application Testing and Managed Digital Workplace Services. Your Company also successfully organised i-Tech 2017, the third edition of its annual technology event, with 'Experience Intelligence' as the theme focusing on the emerging technologies around Artificial Intelligence; the event generated strong interest among students, start-ups as well as professional developers to create solutions for complex business applications as part of a programming 'Codeathon'.

The outlook for the Indian IT industry is cautiously optimistic with the NASSCOM projecting a growth rate between 7% and 9% for 2018-19. With your Company seeing good results in the key lines of business i.e. Digital and Data, your Company is on course to becoming a specialised technology firm in a market that continues to be dynamic and uncertain. Currency volatility, protectionist moves by mature markets, pricing and consequently margin pressures are the key risks for your Company.

WHOLLY OWNED SUBSIDIARY COMPANIES

The audited financial statements of Infotech UK and Infotech USA, wholly owned subsidiaries of your Company, and Indivate Inc., a wholly owned subsidiary of Infotech USA, for the financial year 2017-18 form part of the Annual Report of your Company for the financial year 2017-18.

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

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

Company	Revenue		Net Profit	
	2017-18	2016-17	**2017-18**	2016-17
Infotech UK (in GBP million)	**42.44**	36.99	**1.27**	1.17
Infotech USA(#) (in US$ million)	**87.64**	91.36	**1.94**	1.31
Indivate Inc. (in US$)	**475,267**	78,010	**26,902**	(92,691)

for the year under review, Infotech USA declared and paid a maiden dividend of US$ 8 per share on 1,82,000 Common Shares-without par value aggregating US$ 1.46 million.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Changes in Directors and Key Managerial Personnel during the year

As reported in the previous year, Mr. R. G. Jacob (DIN: 07103329), Independent Director, stepped down from the Board of your Company on 28th July, 2017 due to personal reasons.

Mr. Sanjiv Puri (DIN: 00280529) was appointed by the Board on 17th August, 2017, as Additional Non-Executive Director and Sr. Vice Chairman of your Company.

Mr. Puri will vacate office at the 22nd Annual General Meeting of the Company (AGM).

Mr. Partho Chatterjee (DIN: 00042208), who completed his term as Independent Director of your Company on 22nd February, 2018, was appointed by the Board on 19th March, 2018, as Additional Non-Executive Director of the Company. Mr. Chatterjee will vacate office at the AGM.

The Board on 2nd May, 2018, recommended the appointment of Mr. Puri and Mr. Chatterjee as Non-Executive Directors of your Company. Notices under Section 160 of the Companies Act, 2013 (the Act) have been received from Mr. Puri and Mr. Chatterjee proposing their respective candidature for appointment as Director of the Company. Requisite consents, pursuant to Section 152 of Act, have been filed by Mr. Puri and Mr. Chatterjee to act as Directors, if appointed.

Appropriate resolutions seeking your approval for appointment of Mr. Puri and Mr. Chatterjee are included in the Notice convening the AGM.

Retirement by Rotation

In accordance with the provisions of Section 152 of the Act and Articles 143-145 of the Articles of Association of the Company, Mr. R. Tandon (DIN: 00042227) will retire by rotation at the AGM and, being eligible, offers himself for re-election.

BOARD COMMITTEES

Currently, there are three Board Committees – the Audit Committee, the Nomination and Remuneration Committee and the Corporate Social Responsibility Committee. The terms of reference of the Board Committees are determined by the Board from time to time. Meetings of the Board Committees are convened by the respective Committee Chairman. Matters requiring the Board's attention / approval, as emanating from the Board Committee meetings, are placed before the Board.

The composition of the Board Committees is provided below:

Audit Committee

The Audit Committee of your Company comprises Mr. R. Tandon (Chairman of the Committee), Mr. B. B. Chatterjee and Mr. P. Chatterjee. The Managing Director and the Chief Financial Officer are Invitees to the Committee. The Company Secretary serves as the Secretary to the Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of your Company comprises Mr. S. Sivakumar (Chairman of the Committee), Mr. B. B. Chatterjee and Mr. P. Chatterjee.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee of your Company comprises Mr. S. Sivakumar (Chairman of the Committee), Mr. B. B. Chatterjee and Mr. P. Chatterjee. The Managing Director and the Chief Financial Officer are Invitees to the Committee. The Company Secretary serves as the Secretary to the Committee.

BOARD / BOARD COMMITTEE MEETINGS

The number of Meetings of the Board / Board Committees held during the financial year:

	No. of meetings held
Board	4
Audit Committee	5
Nomination and Remuneration Committee	3
Corporate Social Responsibility Committee	2

ATTRIBUTES, QUALIFICATIONS AND APPOINTMENT OF DIRECTORS

As reported in the previous 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 Qualifications 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 your Company are liable to retire by rotation, one-third of whom retire every year and are eligible for re-election. All the Non-Executive Directors are / were executives / directors of ITC Limited, the Holding Company, and fulfil the fit and proper criteria for appointment as Directors.

BOARD EVALUATION

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

REMUNERATION POLICY

The Remuneration Policy for the Directors, Key Managerial Personnel, Senior Management and other employees of your Company is provided in 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 your Company. The Internal Audit Department of ITC Limited, 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 your Company, comprising identified managers, verifies compliance with laid down policies and procedures, and helps plug control gaps in the formulation of control procedures for newer 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 your 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 provided in 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 60 trees, 71 KL of water, 1237 units of energy, and 3 cubic meters in landfill space.

Your Company continues to utilise wind energy generated 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 ₹ 69,226 lakhs (previous year - ₹ 63,977 lakhs) while the outgoings were ₹ 15,515 lakhs (previous year - ₹ 13,536 lakhs).

III. PARTICULARS OF EMPLOYEES

The particulars of employees pursuant to Rules 5(2) and 5(3) of the 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. 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.

VI. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The details of material transaction(s) entered into by your Company with its related party(ies) are provided in Annexure 5 (AOC-2) 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, 2018, 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, 2018, 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

Your Company's Auditors M/s. Deloitte Haskins & Sells LLP, Firm Registration Number 117366W/W-100018 (DHS), Chartered Accountants, were appointed at the 21st Annual General Meeting held on 28th July, 2017, for a period of 5 (five) years to hold office 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 recommended for the approval of the Members the ratification of appointment of DHS as Auditors for the year 2018-19 and remuneration to DHS to conduct the audit of the Standalone Financial Statements and Consolidated Financial Statements for the financial year 2018-19.

Appropriate resolution seeking your approval in respect of the above is included in the Notice convening the AGM.

(b) Secretarial Auditor

Your Company appointed M/s. K. Dushyantha & Associates, Company Secretaries, to conduct the secretarial audit of your Company for the financial year ended 31st March, 2018. The report of M/s. K. Dushyantha & Associates, in terms of Section 204 of the Act is provided in Annexure 6 to this Report.

SECRETARIAL STANDARDS

Your Company has complied with the requirements of the Secretarial Standards issued by the Institute of Company Secretaries of India.

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

Your Company does not tolerate any 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 conducting inquiry into 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 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: Kolkata
Date: 2nd May, 2018

Registered Office:
Virginia House
37 Jawaharlal Nehru Road
Kolkata 700 071
India

On behalf of the Board

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, 2018

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 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 specialised 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 THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2018

[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 CSR policy is also available on the Company's website at : https://www.itcinfotech.com/wp-content/uploads/2018/05/corporate-social-responsibility-policy.pdf
2.	Composition of the CSR Committee	Mr. S. Sivakumar (Chairman) Mr. B. B. Chatterjee Mr. P. Chatterjee
3.	Average net profits of the Company for last three financial years	₹ 10,331 lakhs
4.	Prescribed CSR Expenditure (two percent of the amount stated under 3 above)	₹ 206.63 lakhs
5.	Details of CSR spent during the financial year (a) Total amount to be spent for financial year (b) Amount unspent, if any (c) Manner in which the amount spent during the financial year is detailed below:	 ₹ 207 lakhs NIL

(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 Education Trust	Advancement and promotion of General Education for better society, in line with Clause (ii) of Schedule VII to the Act.	N.A	₹ 207 lakhs	₹ 207 lakhs	₹ 207 lakhs	Implementing Agency – ITC Education 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 : 2nd May, 2018

ANNEXURE 3 TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and 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 #	47	Executive Vice President	15524344	15524344	B.E.	25	13-Jan-03	PSI Data Systems Ltd. Sales & Marketing Manager
SEETHARAM SUDHINDRA #	41	Account Manager	14488440	6430445	M.Sc., PGDBA	18	11-Aug-10	Mindtree Ltd. Test Lead
RAJAGOPALAN SUSHMA	54	Managing Director & Chief Executive Officer	14442592	7698822	M.B.A.	33	1-Aug-14	LiquidHub Inc. Global Partner
BATRA RAKESH ###	54	Chief Financial Officer	11530164	5135970	B.COM(H), FCA	32	1-Sep-06	–
SRINIVASULU DINESH #	45	General Manager - Business Development	11499732	6682564	B.Tech.	23	15-Jan-07	Accenture Services Pvt. Ltd. Associate Manager
PATNI MUDIT #	37	General Manager - Business Development	11440037	7489879	PGDM	14	31-Dec-07	Patni Computers Systems Ltd. Assistant Manager- Business Development
SAXENA SANDEEP ##	36	General Manager - Business Development	10768493	4345366	M.B.A.	16	6-Jun-14	Hexaware Technologies New BD
OCHANI ANUP #	41	General Manager - Business Development	10094461	10094461	B.E.	20	12-Nov-07	Aptiva Consulting Project Manager
RAJESH B.A.B #	50	General Manager - IT Services	9699027	6448736	B.Sc.	26	12-Jan-10	Bristlecone India Ltd. Manager- Delivery
KSHETRAPAL ADITYA	41	Vice President - Business Development	9264404	6264650	M.B.A.	17	10-Nov-14	Capgemini India Private Ltd. Senior Manager

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
BHANDARU VIPIN #	32	Senior Manager - Business Development	11871131	7921921	M.B.A.	13	23-Aug-10	Infosys Technologies Ltd. Operations Executive
PERIVIER MARC ##	49	Senior Manager - Business Development	8729975	5488646	M.Fin.	25	23-Apr-12	PTC Business Development Manager
GHOSH SHUBHOBRATO ##	33	Senior Manager - Business Development	7022769	3122330	M.B.A.	10	1-Aug-17	Cognizant Technology Solutions, Sweden Senior Manager - Business Development
RAI ANKUSH #	34	Lead Consultant	5275071	3269613	B.E.	8	26-Aug-16	Wipro Ltd. Associate Consultant
REDDY PAVAN KUMAR #	35	Lead Consultant	2005564	1099043	B.E.	12	31-Jan-11	Valtech India System Pvt. Ltd. Senior Software Engineer

Notes :

1. # On secondment to a foreign branch; ## Employed directly by a foreign branch; gross and net remuneration converted into Indian rupees at the average of the month end inter bank exchange rate.
2. ### On deputation from ITC Ltd., the holding company; remuneration borne by the Company as per the terms of deputation of his services.
3. 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 Gratuity 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.
4. 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.
5. 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.
6. All appointments are / were contractual in accordance with terms & conditions as per Company's rules.
7. None of the above employees is a relative of any Director of the Company.

On behalf of the Board

Kolkata, 2nd May, 2018

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

ANNEXURE 4 TO THE REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

FORM MGT–9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March, 2018

[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, Jawaharlal 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 Jawaharlal 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	N.A	Subsidiary	100.00	2(87)(ii)
3.	ITC Infotech Limited, UK Norfolk House, 118 Saxon Gate West, Milton Keynes, MK9 2 DN, United Kingdom	N.A	Subsidiary	100.00	2(87)(ii)
4.	Indivate Inc., USA 820, Bear Tavern Road, West Trenton, New Jersey 08628 United States of America	N.A	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
f) Any Other	–	–	–		–	–	–	–	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

Amount (in ₹ Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	NIL	NIL	NIL	NIL
Change in Indebtedness during the financial year • Addition • Reduction	NIL	6000 (excluding Interest) 6000 (excluding Interest)	NIL	6000 (excluding Interest) 6000 (excluding Interest)
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	NIL	NIL	NIL	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) of the Income–tax Act, 1961 (c) Profits in lieu of salary under section 17(3) of the Income–tax Act, 1961	 127.00 11.67 –
2.	Stock Option	–
3.	Sweat Equity	–
4.	Commission – as % of profit – others, specify	–
5.	Others, please specify	–
	Total (A)	**138.67**
	Ceiling as per the Act (5% of the net profits of the Company computed in accordance with Section 198 of the Act.)	287.67

Note:

Has been granted Stock Options by ITC Ltd, the holding company, at 'market price' [within the meaning of the Securities and Exchange Board of India (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 her by such grant of Options, and accordingly the said grant has not been considered as remuneration.

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	2.25	NIL	2.25
	• Commission	NIL	NIL	NIL
	• Others, please specify	NIL	NIL	NIL
	Total (1)	**2.25**	**NIL**	**2.25**
2.	Other Non–Executive Directors			
	• Fee for attending board / committee meetings	0.45	NIL	0.45
	• Commission			
	• Others, please specify			
	Total (2)	**0.45**	**NIL**	**0.45**
	Total (B)=(1+2)	2.70	NIL	2.70
	Total Managerial Remuneration (A+B)			**141.37**
	Overall Ceiling as per the Act (11% of the net profits of the Company computed in accordance with Section 198 of the Act.)			632.88

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	93.07	67.06	160.13
	(b) Value of perquisites u/s 17(2) of the Income–tax Act, 1961	19.51	9.19	28.70
	(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	**112.58**	**76.25**	**188.83**

** 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 Ltd, the holding company, at 'market price' [within the meaning of the Securities and Exchange Board of India (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 them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

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

On behalf of the Board

S. Rajagopalan
Managing Director

S. Sivakumar
Vice Chairman

Dated : 2nd May, 2018

ANNEXURE 5 TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018
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 – ₹ 16,098 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 – ₹ 12,385 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 – ₹ 16,797 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 8.5% 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 – Loan received during the year ₹ 6,000 lakhs – Loan repaid during the year ₹ 6,000 lakhs – Interest paid during the year ₹ 12 lakhs
e)	Date(s) of approval by the Board, if any	7th December, 2015 and 7th December, 2017 (Audit Committee)
f)	Amount paid as advances, if any	Nil

On behalf of the Board

S. Rajagopalan — Managing Director
S. Sivakumar — Vice Chairman

Dated : 2nd May, 2018

ANNEXURE 6 TO THE REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

Form MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

[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,
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')**. 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, agents and authorised 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 31st March, 2018, 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 relevant records maintained by the Company for the financial year ended 31st March, 2018, according to the applicable provisions of:

a. The Companies Act, 2013 and the Rules made thereunder, and
b. The 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, 2018 according to the applicable provisions of:

a. Software Technology Park of India (STPI) and the Rules made thereunder;
b. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
c. Income-tax Act, 1961;
d. The Payment of Bonus Act, 1965;
e. CGST, SGST, IGST Rules;
f. The Payment of Gratuity Act, 1972;
g. The Payment of Wages Act, 1936 ;
h. The Maternity Benefit Act, 1961 ;
i. The Child Labour (Prohibition and Regulation) Act, 1986
j. The Minimum Wages Act, 1948;
k. The Contract Labour (Regulation & Abolition) Act, 1970;
l. Shops & Establishment Act, 1961;
m. The Employees' 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 applicable 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 Director and Non-Executive 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 the provisions of the Companies Act, 2013.

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 as applicable 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.

Resolutions so passed in General and Board meetings of the Company that were conducted during the period of Audit, views if any expressed by the members and directors in their respective meetings are adequately and effectively captured and recorded as part of the minutes of such meetings and necessary filings were made to the Registrar for registration of the resolution of such meetings.

There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Acts mentioned above, the Rules, Regulations and Guidelines framed under the said Acts against / on the Company, its Directors and Officers.

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.

We further report that during the Audit period, the Company has not incurred any specific event or action that can have a major bearing on the company's compliance responsibilities in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

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: 2nd May, 2018
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, 2018, 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: 2nd May, 2018
Place: Bengaluru

INDEPENDENT AUDITOR'S REPORT

To The Members of ITC Infotech India Limited

Report on the Financial Statements

We have audited the accompanying standalone financial statements of **ITC Infotech India Limited ("the Company"),** which comprise the Balance Sheet as at March 31, 2018 and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity 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 standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone 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 standalone 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 standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018 and its profit, total comprehensive income, the changes in equity 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, 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 Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 standalone financial statements.

      ii. The Company has long term contracts as at March 31, 2018 for which there were no material foreseeable losses. The Company did not have any long-term derivative contracts as at March 31, 2018;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund 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 LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Anand Subramanian
Partner
(Membership No. 110815)

Place : Kolkata
Date : May 02, 2018

ANNEXURE "A" TO 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 Infotech India Limited ("the Company")** as of March 31, 2018 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 (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, 2018, 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.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Anand Subramanian
Partner
(Membership No. 110815)

Place : Kolkata
Date : May 02, 2018

ANNEXURE "B" TO 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 the Company's fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The Company has a program of verification of fixed assets to cover all the fixed assets in a phased manner, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, the fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause 3(i)(c) of the Order is not applicable.

(ii) The Company is in the business of providing information technology and does not have any physical inventories. Accordingly, reporting under clause 3 (ii) of the Order is 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.

(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 Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) The Company has not accepted any deposit during the year and did not have unclaimed deposits as at March 31, 2018 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Act for the business activities carried out by the Company. Thus reporting under clause 3(vi) of the order is not applicable to the Company.

(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, Goods and Service Tax, Wealth 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, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Service Tax, Cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) Detail of dues of Income-tax and Service Tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where the dispute is pending	Period to which the amount relates	Amount (₹ in lakhs)
Finance Act, 1994	Service tax including interest and penalty.	The Commissioner (Appeals), Bangalore	April 01, 2007 to June 30, 2011	111*
Income tax Act, 1961	Income tax including interest.	The Commissioner of Income Tax (Appeals) I, Kolkata	Assessment Year 2014 –15	612

* Net of amount deposited under protest ₹ 15 lakhs.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institution.

The Company has not taken any loans or borrowings from banks and government or 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 3(ix) of the Order 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 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 Act.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.

(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 Act, 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 3(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 persons connected with them and hence provisions of section 192 of the Act 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.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Anand Subramanian
Partner
(Membership No. 110815)

Place : Kolkata
Date : May 02, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

		Note No.	As at 31st March, 2018 (₹ in lakhs)	As at 31st March, 2017 (₹ in lakhs)
I	**ASSETS**			
	1 Non-current Assets			
	(a) Property, Plant and Equipment	2	4,006	4,651
	(b) Other Intangible Assets	2	824	1,121
	(c) Financial Assets			
	(i) Investments	3 (a)	8,704	8,704
	(ii) Loans	4 (a)	14	26
	(iii) Others	5 (a)	–	1
	(d) Deferred Tax Assets (Net)	8	2,020	1,848
	(e) Other Non-Current Assets	9 (a)	3,412	3,001
	Sub-Total		18,980	19,352
	2 Current Assets			
	(a) Financial Assets			
	(i) Investments	3 (b)	3,605	10,016
	(ii) Trade Receivables	6	19,841	16,165
	(iii) Cash and Cash Equivalents	7	1,464	1,358
	(iv) Loans	4 (b)	5	6
	(v) Others	5 (b)	8,547	4,472
	(b) Other Current Assets	9 (b)	583	772
	Sub-Total		34,045	32,789
	TOTAL		53,025	52,141
II	**EQUITY AND LIABILITIES**			
	1 Equity			
	(a) Equity Share Capital	10	8,520	8,520
	(b) Other Equity		35,509	34,999
	2 Non-current Liabilities			
	(a) Provisions	11 (a)	1,532	1,169
	Sub-Total		1,532	1,169
	3 Current Liabilities			
	(a) Financial Liabilities			
	(i) Trade Payable and Accrued expenses		2,533	2,208
	(ii) Others	12	3,174	2,946
	(b) Other Current Liabilities	13	1,109	1,527
	(c) Provisions	11 (b)	648	772
	Sub-Total		7,464	7,453
	TOTAL		53,025	52,141

The accompanying notes 1 to 35 are an integral part of the Financial Statements.

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

For Deloitte Haskins & Sells LLP,
Firm Registration Number : 117366 W/W- 100018
Chartered Accountants

Anand Subramanian
Partner
Membership Number : 110815

Place : Kolkata
Date : 2nd May, 2018

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 PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note No.	For the year ended 31st March, 2018 (₹ in Lakhs)	For the year ended 31st March, 2017 (₹ in Lakhs)
I	**Revenue from Operations**	14	**100,293**	91,199
II	**Other Income**	15	**1,735**	2,417
III	**Total Income**		**102,028**	**93,616**
IV	**Expenses**			
	Employee Benefits Expense	16	**70,876**	65,658
	Finance Costs	17	**12**	–
	Depreciation and Amortisation Expense	2	**1,902**	2,088
	Other Expenses	18	**23,724**	21,820
	Total Expenses		**96,514**	**89,566**
V	**Profit Before Tax (III-IV)**		**5,514**	4,050
VI	**Tax Expenses**	19 (a)		
	Current Tax		**3,109**	2,203
	Deferred Tax Charge / (Credit)		**(363)**	58
			2,746	**2,261**
VII	**Profit for the Period (V-VI)**		**2,768**	**1,789**
VIII	**Other Comprehensive Income**			
	(a) Items that will not be Reclassified Subsequently to Profit or Loss			
	– Remeasurement of Net Defined Benefit Liability		**546**	105
	– Less: Tax Relating to Items that will not be Reclassified Subsequently to Profit or Loss	19 (b)	**191**	36
	(b) (i) Items that will be reclassified to Profit or Loss		**–**	–
	(ii) Tax relating to items that will be reclassified to Profit or Loss		**–**	–
	Total Other Comprehensive Income		**355**	**69**
IX	**Total Comprehensive Income for the Period (VII+VIII)**		**3,123**	**1,858**
X	**Earnings Per Share (in ₹) (Face value ₹10 each)** (Basic and Diluted)	25	**3.25**	2.10

The accompanying notes 1 to 35 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 Deloitte Haskins & Sells LLP,
Firm Registration Number : 117366 W/W- 100018
Chartered Accountants

On behalf of the Board

Anand Subramanian
Partner
Membership Number : 110815
Place : Kolkata
Date : 2nd May, 2018

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, 2018

A. Equity Share Capital

(₹ in Lakhs)

Balance at 1st April, 2016	Changes in Equity Share Capital during the year	Balance at 31st March, 2017	Changes in Equity Share Capital during the year	Balance at 31st March, 2018
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, 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	-	3,475	3,475
- Options Lapsed during the Year	41	(41)	-
Balance as at 31st March, 2017	**28,120**	**6,879**	**34,999**
- Profit for the Period	2,768	-	2,768
- Remeasurement of Net Defined Benefit Liability (Net of Tax)	355	-	355
Total Comprehensive Income	**3,123**	-	**3,123**
- Payment of Dividend @ INR 6.00/- per share on 8.52 cr. shares	(5,112)	-	(5,112)
- Income tax on Dividend paid	(848)	-	(848)
- Recognition of Share Based Payment (refer note 27)	-	3,347	3,347
- Options Lapsed during the Year	78	(78)	-
Balance as at 31st March, 2018	**25,361**	**10,148**	**35,509**

The accompanying notes 1 to 35 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 Deloitte Haskins & Sells LLP,
Firm Registration Number : 117366 W/W- 100018
Chartered Accountants

On behalf of the Board

Anand Subramanian
Partner
Membership Number : 110815
Place : Kolkata
Date : 2nd May, 2018

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, 2018

		For the year ended 31st March, 2018 (₹ in Lakhs)		For the year ended 31st March, 2017 (₹ in Lakhs)	
A	**CASH FLOW FROM OPERATING ACTIVITIES :**				
	PROFIT BEFORE TAX		**5,514**		4,050
	ADJUSTMENTS FOR :				
	Depreciation and Amortisation Expense	**1,902**		2,088	
	Dividend Income from Subsidiary Company	**(939)**		(1,426)	
	Net Gain on Sale of Investments	**(415)**		(379)	
	Property, Plant and Equipment - (Gain) / Loss on Sale / Discarded (net)	**48**		(17)	
	Unrealised (Gain) / Loss on Exchange (net)	**(225)**		49	
	Share based Payments to Employees	**2,499**		2,629	
	Provision for Doubtful Receivables and Advances	**276**		36	
	Finance Costs - Interest expense	**12**		–	
	Liabilities no Longer Required Written Back (included in Other Operating Revenues)	**–**	**3,158**	(19)	2,961
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**8,672**		7,011
	ADJUSTMENTS FOR :				
	Trade Receivables, Loans and Advances and Other Assets	**(6,288)**		1,221	
	Trade Payables, Other Liabilities and Provisions	**374**	**(5,914)**	40	1,261
	CASH FROM OPERATIONS		**2,758**		8,272
	Income Tax Paid		**(3,527)**		(3,380)
	NET CASH FROM/ (USED) IN OPERATING ACTIVITIES		**(769)**		4,892
B	**CASH FLOW FROM INVESTING ACTIVITIES :**				
	Purchase of Property, Plant and Equipment	**(969)**		(2,036)	
	Purchase of Current Investments	**(127,250)**		(158,850)	
	Sale / Redemption of Current Investments	**134,077**		152,574	
	Sale of Property, Plant and Equipment	**9**		79	
	Loans given	**–**		–	
	Loans realised	**17**		–	
	Dividend Income from Current Investments	**–**		–	
	Dividend Income from Subsidiary Company	**939**		1,426	
	Reimbursement of Value of Share Based Payments	**–**		1,626	
	NET CASH FROM / (USED) IN INVESTING ACTIVITIES		**6,823**		(5,181)
C	**CASH FLOW FROM FINANCING ACTIVITIES :**				
	Interim Dividend on Equity Shares	**(5,112)**		–	
	Income Tax on Interim Dividend	**(848)**		–	
	Proceeds from Borrowings	**6,000**		–	
	Repayments of Borrowings	**(6,000)**		–	
	Interest paid	**(12)**		–	
	NET CASH USED IN FINANCING ACTIVITIES		**(5,972)**		–
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**82**		(289)
	OPENING CASH AND CASH EQUIVALENTS		**1,349**		1,638
	CLOSING CASH AND CASH EQUIVALENTS		**1,431**		1,349
	CASH AND CASH EQUIVALENTS COMPRISE :				
	Cash and Cash Equivalents as above	**1,431**		1,349	
	Unrealised (Loss) / Gain on Foreign Currency Cash and Cash Equivalents	**33**		9	
	Cash and Cash Equivalents (Note 7)		**1,464**		1,358

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 35 are an integral part of the Financial Statements.

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

For Deloitte Haskins & Sells LLP,
Firm Registration Number : 117366 W/W- 100018
Chartered Accountants

Anand Subramanian
Partner
Membership Number : 110815

Place : Kolkata
Date : 2nd May, 2018

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.

Note No.

1. 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 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 and the date of transition to Ind AS is 1st April, 2015.

b) Basis of Preparation

The 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. 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 – Share-based Payment, leasing transactions that are within the scope of Ind AS 17– Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in Ind AS 36 – Impairment of Assets.

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.

Figures for the year ended March 31, 2017 were audited by the previous auditors M/s Lovelock & Lewes.

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. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 amortizes the cost (or other amount substituted for cost) of the assets after commissioning, 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 at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate. 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.

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.

g) Foreign Currency Transactions

The presentation currency of the Company is Indian Rupee. Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Gains / losses arising on settlement as also on translation of foreign currency denominated monetary items are recognised in the Statement of Profit and Loss.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

Recognition: Financial assets include investments, trade receivables, advances, security deposit loans and cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.

(b) fair value through other comprehensive income, where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss, where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, advances, security deposits, cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification : When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition on Financial Assets : Dividend income is recognized in the 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.

Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet. Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Investment in Subsidiaries

Investment in subsidiaries is carried at cost in the financial statements.

j) Revenue from Sale of Products and Services

Revenue is recognised 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, value added tax and Goods and Services Tax. Revenue is recognised when the amount of revenue and the corresponding costs can be reliably measured, and it is probable that future economic benefits will flow.

Revenue is recognised from services performed on a "time and material" basis, as and when the services are performed.

Revenue is recognised 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.

Revenue is recognised from trading in software packages / licenses / hardware upon delivery to customer.

Amounts received or billed in advance of services performed are treated 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 contributions to both defined benefit and defined contribution schemes which are mainly administered through duly constituted and approved Trusts.

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 in 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

m) Leases

Leases are recognised as 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 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 comprises 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, is disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

o) Dividend Distribution

Dividends paid (including income tax thereon) are 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.

p) 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 Executive Management Committee (EMC).

Segment revenue arising from third party customers is reported on the same basis as revenue in the financial statements.

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, 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 so 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.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

s) 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.

t) New Accounting Pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The Company is evaluating the impact of the same.

Ind AS 115- Revenue from Contracts with Customers:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115- Revenue from Contracts with Customers.

The core principle of the new standard is that an entity should recognize 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. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company is evaluating the impact of such standard.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note No. 2 : PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS - 2017-18 (₹ in Lakhs)

	DESCRIPTION	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
		As at 1st April, 2017	Additions	Withdrawals / Adjust-ments	As at 31st March, 2018	As at 1st April, 2017	Charge for the Period	On With-drawals/ Adjustments	As at 31st March, 2018	As at 31st March, 2018	As at 31st March, 2017
(i)	**TANGIBLE ASSETS**										
	Leasehold Properties - Building Improvement	829	–	5	824	407	216	3	620	204	422
	Plant and Equipment	397	1	1	397	51	27	–	78	319	346
	Furniture and Fixtures	983	4	2	985	206	108	–	314	671	777
	Motor Vehicles	11	–	–	11	3	2	–	5	6	8
	Office Equipment	745	34	16	763	340	149	12	477	286	405
	Computers, Servers and Networks	3,182	711	191	3,702	1,542	689	148	2,083	1,619	1,640
	Electrical Installations and Equipment	1,326	6	11	1,321	273	150	3	420	901	1,053
	SUB TOTAL	**7,473**	**756**	**226**	**8,003**	**2,822**	**1,341**	**166**	**3,997**	**4,006**	**4,651**
(ii)	**INTANGIBLE ASSETS**										
	Capitalised Software	2,204	264	–	2,468	1,083	561	–	1,644	824	1,121
	SUB TOTAL	**2,204**	**264**	**–**	**2,468**	**1,083**	**561**	**–**	**1,644**	**824**	**1,121**
	GRAND TOTAL	**9,677**	**1,020**	**226**	**10,471**	**3,905**	**1,902**	**166**	**5,641**	**4,830**	**5,772**

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 - 2016-17 (Contd.) (₹ 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.

		(₹ in Lakhs) As at 31st March, 2018	As at 31st March, 2017
3.	**Investments**		
3 (a)	**Non-Current**		
	In Subsidiaries		
	Investments in Equity Instruments- (At Cost) Unquoted		
	ITC Infotech Limited (UK) 6,85,815 (2017 - 6,85,815) Equity Shares of GBP 1 each, fully paid	**687**	687
	ITC Infotech (USA), Inc. 1,82,000 (2017 - 1,82,000) Ordinary Shares without par value, fully paid	**8,017**	8,017
	Total	**8,704**	8,704
3 (b)	**Current**		
	Investment in Mutual Funds - Unquoted		
	SBI Premier Liquid Fund - Nil Units (2017 -1,53,484 Units) of ₹ 1,000 Each	–	3,907
	UTI Money Market Fund - 1,85,840 Units (2017 -2,15,064 Units) of ₹ 1,000 Each	**3,605**	3,907
	Tata Money Market Fund - Nil Units (2017 - 86,223 Units) of ₹ 1,000 Each	–	2,202
		3,605	10,016
	Total	**3,605**	10,016

		(₹ in Lakhs) As at 31st March, 2018	As at 31st March, 2017
4	**LOANS**		
4 (a)	**Non-Current**		
	Loans to Employees		
	– Unsecured, Considered Good	**14**	26
	Total	**14**	26
4 (b)	**Current**		
	Loans to Employees		
	-Unsecured, Considered Good	**5**	6
	-Unsecured, Considered Doubtful	**22**	22
		27	28
	Less : Allowance for Doubtful Loans	**(22)**	(22)
	Total	**5**	6
5	**OTHER FINANCIAL ASSETS**		
5 (a)	**Non-Current**		
	Security Deposits (includes deposits for Company accommodations, offices etc.)	–	1
	Total	**–**	1

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

	As at 31st March, 2018	As at 31st March, 2017
5 (b) Current		
Unbilled Revenue	8,142	3,922
Security Deposits (includes deposits for Company accommodations, offices etc.)	193	189
Foreign Currency Forward Contracts	14	165
Others	–	63
Advances (includes advance to employees)		
– Considered Good	198	133
– Considered Doubtful	28	15
	226	148
Less : Allowance for Doubtful Advances	(28)	(15)
Total	8,547	4,472
6 TRADE RECEIVABLES		
Unsecured, Considered Good	19,841	16,165
Unsecured, Considered Doubtful	248	533
	20,089	16,698
Less: Allowance for Doubtful Receivables	(248)	(533)
Total	19,841	16,165
7 CASH AND CASH EQUIVALENTS *		
Balances with Banks :		
Current Accounts	1,464	1,358
Total	1,464	1,358

* Cash and cash equivalents include cheques and drafts on hand and cash at bank with original maturity of 3 months or less

8 DEFERRED TAX ASSETS (NET)

	As at 31st March, 2018	As at 31st March, 2017
Deferred Tax Assets	2,020	1,852
Less: Deferred Tax Liabilities	–	4
Deferred Tax Assets (Net)	2,020	1,848

Movement in Deferred Tax

	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
FY 2017-18				
Deferred Tax Assets :				
On provision for employees' separation and retirement etc.	848	237	(191)	894
On provision for doubtful receivables and advances	197	(93)	–	104
On fiscal allowances on property, plant and equipment	566	182	–	748
Other timing differences	241	33	–	274
Total Deferred Tax Assets	1,852	359	(191)	2,020
Deferred Tax Liabilities :				
Other timing differences	4	(4)	–	–
Total Deferred Tax Liabilities	4	(4)	–	–
Deferred Tax Assets (Net)	1,848	363	(191)	2,020

	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
FY 2016-17				
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

(₹ in Lakhs)

	As at 31st March, 2018	As at 31st March, 2017
9 OTHERS ASSETS		
9 (a) Non-Current		
Advances other than Capital Advances		
Advances with Statutory Authorities	65	41
Other Advances (Unexpired Expenses)	82	113
Advance Tax (Net of Provision for Income Tax)	3,265	2,847
Total	3,412	3,001
9 (b) Current		
Advances other than Capital Advances		
Advances with Statutory Authorities	12	297
Other Advances (includes prepaid expenses)	571	475
Total	583	772
10 EQUITY SHARE CAPITAL		
Authorised:		
8,60,00,000 (2017 - 8,60,00,000) Equity Shares of ₹10 each	8,600	8,600
Issued and subscribed :		
8,52,00,000 (2017 - 8,52,00,000) Equity Shares of ₹10 each, fully paid (All equity shares are held by ITC, 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)	8,520	8,520
Total	8,520	8,520
11 PROVISIONS		
11 (a) Non- Current		
Provision for Employee Benefits*		
Retirement Benefits	349	237
Compensated Absences	1,183	932
Total	1,532	1,169
11 (b) Current		
Provision for Employee Benefits*		
Retirement Benefits	310	463
Compensated Absences	338	309
Total	648	772

*Includes provision for pension, gratuity and compensated absences. For details refer note 24.

12 OTHER FINANCIAL LIABILITIES		
Current		
Employee Payable	3,026	2,874
Foreign Currency Forward Contracts	70	17
Other Liabilities [includes payables for property, plant and equipment ₹ 60 Lakhs (2017 - ₹ 9 Lakhs)]	78	55
Total	3,174	2,946
13 OTHER CURRENT LIABILITES		
Statutory Dues	442	1,328
Unearned Revenue	607	147
Advances from Customers	60	52
Total	1,109	1,527

(₹ in lakhs)

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
14 REVENUE FROM OPERATIONS		
Sale of Services		
Exports	67,783	62,532
Domestic	31,142	27,686
Resale of Software and Hardware (including Support Charges)		
Exports	504	–
Domestic	864	962
Other Operating Revenues	–	19
Total	100,293	91,199

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in lakhs)

		For the year ended 31st March, 2018	For the year ended 31st March, 2017
15	**OTHER INCOME**		
	Dividend Income	939	1,426
	Other Gains	771	893
	Miscellaneous Income	25	98
	Total	1,735	2,417
	Dividend income comprises dividend from:		
	Investment in Subsidiary Company	939	1,426
		939	1,426
	Other Gains		
	Net Foreign Exchange Gains	356	514
	Net Gain on Investments (includes unrealised gain of ₹ 4 Lakhs (2017-₹ 15 Lakhs)	415	379
		771	893
16	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and Bonus	64,019	59,051
	Contribution to Provident and Other Funds (Refer Note 24)	2,906	2,650
	Share based Payments to Employees (Refer Note 27)	2,499	2,629
	Staff Welfare Expenses	1,032	995
	Reimbursement of Contractual Remuneration	420	333
	Total	70,876	65,658
17	**FINANCE COSTS**		
	Interest expense for financial liabilities classified as Fair Value Through Profit or Loss	12	–
		12	–
18	**OTHER EXPENSES**		
	Rent (Refer Note 23)	1,693	1,697
	Rates and Taxes	55	13
	Insurance	500	611
	Travelling and Conveyance	7,061	7,050
	Recruitment Expenses	564	576
	Communication	587	628
	Power and Fuel	739	728
	Outsourcing Charges	6,016	5,154
	Software and Related Expenses	1,656	1,356
	Purchase of Hardware and Software for Resale (including Support Charges)	1,012	710
	Business Development Expenses	598	685
	Repairs and Maintenance		
	- Buildings	103	119
	- Machinery	188	220
	- Others	66	58
	Legal, Professional and Consultancy Expenses	1,269	811
	Doubtful and Bad Receivables	248	36
	Doubtful and Bad Loans and Advances	28	-
	Property, Plant and Equipment Discarded	57	62
	Auditors' Remuneration and Expenses (Refer Note 26)	32	27
	Expenditure on Corporate Social Responsibility (Refer Note 20)	207	320
	Training and Development	460	331
	Bank Charges	41	40
	Printing and Stationery	21	28
	Miscellaneous Expenses	523	560
	Total	23,724	21,820
19	**TAX EXPENSES**		
19 (a)	**Tax Expense Recognised in Statement of Profit and Loss**		
	Current Tax	3,110	2,206
	[including tax on foreign branches₹ 86 Lakhs (2017 - ₹79 Lakhs)] Credits related to previous years	(1)	(3)
		3,109	2,203
	Deferred Tax Charge / (Credit)	(363)	58
	Total	2,746	2,261
19 (b)	**Tax Expense Recognised in Other Comprehensive Income**		
	Deferred Tax Charge / (Credit)		
	Arising on Remeasurement of Net Defined Benefit Liability	191	36
	Total	191	36
19 (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	5,514	4,050
	Income tax expense calculated at 34.61% (2017- 34.61%)	1,908	1,402
	Effects of:		
	- Effect of tax relating to uncertain tax positions	865	910
	- Effect of different tax rate on certain items	(162)	(247)
	- Other differences	157	199
	- Change in Tax Rates	(21)	-
	- Adjustments recognised in the current year in relation to the current tax of prior years	(1)	(3)
	Income Tax expenses recognised in Statement of Profit and Loss	2,746	2,261

20 Expenditure on Corporate Social Responsibility

a) Gross amount required to be spent by the Company during the year ₹ 207 Lakhs (2017 - ₹ 320 Lakhs).

b) Amount spent during the year in cash for purpose other than construction / acquisition of an asset ₹ 207 Lakhs (2017 - ₹ 320 Lakhs).

21 Commitments and Contingencies

a) There is a contract remaining to be executed on capital account and not provided ₹ 18 Lakhs (2017 - ₹ Nil).

b) Claims against the Company not acknowledged as debts ₹ 750 Lakhs (2017 - ₹ 3,593 Lakhs). These comprise:

i) Service tax claims disputed by the Company relating to issues of applicability aggregating ₹ 126 Lakhs (2017 - ₹ 111 Lakhs)

ii) Income tax claims disputed by the Company relating to issues of applicability and determination aggregating ₹ 624 Lakhs (2017 - ₹ 3,482 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 (2017 - ₹ 15 Lakhs) has been deposited under protest and is included under Other Non-Current Assets. (Refer Note 9(a))

22 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 2018	31st March 2017
(a)	The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year.		
	Principal amount due	87	110
	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.	-	-

23 The lease rental charged during the period is ₹ 1,693 Lakhs (2017 - ₹ 1,697 Lakhs) (Refer Note 18).

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 no non-cancellable leasing arrangements. However, last year the Company had few non-cancellable leasing agreements, 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 2018	31st March 2017
Not later than one year	–	8
Later than one year and not later than five years	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

24 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 ₹ 1,468 Lakhs (2017 - ₹ 1,397 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, 2018 and recognised in the financial statements in respect of Employee Benefit Schemes:

(₹ in Lakhs)

			For the year ended 31st March, 2018			For the year ended 31st March, 2017		
			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	183	546	345	163	493	314
	2	Net Interest Cost	11	2	76	4	(8)	77
	3	**Total expense recognised in the Statement of Profit and Loss**	194	548	421	167	485	391
	-	**Re-measurements recognised in Other Comprehensive Income**						
	4	(Return) on plan assets (excluding amounts included in Net interest cost)	(125)	(69)	-	13	5	-
	5	Effect of changes in demographic assumptions	-	12	(2)	-	(23)	(1)
	6	Effect of changes in financial assumptions	(227)	(59)	(24)	(62)	(9)	(4)
	7	Effect of experience adjustments	285	(226)	(111)	160	(125)	(59)
	8	Total re-measurements included in OCI	(67)	(342)	(137)	111	(152)	(64)
	9	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (3+8)**	127	206	284	278	333	327
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**	337	233	-	199	166	-
III		**Net (Asset)/Liability recognised in Balance Sheet**						
	1	Present Value of Defined Benefit Obligation	3,741	2,823	1,304	3,326	2,560	1,242
	2	Fair Value of Plan Assets	(3,360)	(2,617)	-	(2,929)	(2,256)	-
	3	Status [(Surplus)/Deficit]	381	206	1,304	397	304	1,242
	4	Restrictions on Asset Recognised	-	-	-	-	-	-

			As at 31st March, 2018		As at 31st March , 2017	
			Current	Non-Current	Current	Non-Current
		- Pension	90	291	159	238
		- Gratuity	206	-	304	-
		- Compensated Absences	296	1,008	309	933

			For the year ended 31st March, 2018			For the year ended 31st March, 2017		
			Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences
			Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded
IV		**Change in Defined Benefit Obligation (DBO)**						
	1	Present Value of DBO at the beginning of the year	3,326	2,560	1,242	2,917	2,270	1,138
	2	Current Service Cost	183	546	345	163	493	314
	3	Interest Cost	223	166	76	216	162	77
	4	Remeasurement gains / (losses):						
		Effect of changes in demographic assumptions	-	12	(2)	-	(23)	(1)
		Effect of changes in financial assumptions	(227)	(59)	(24)	(62)	(9)	(4)
		Changes in asset ceiling (excluding interest income)	-	-	-	-	-	-
		Effect of experience adjustments	284	(226)	(111)	160	(125)	(59)
	5	Benefits Paid	(48)	(176)	(222)	(68)	(208)	(223)
	6	**Present Value of DBO at the end of the year**	3,741	2,823	1,304	3,326	2,560	1,242

			As at 31st March, 2018	As at 31st March, 2017
		Best Estimate of Employers' Expected Contribution for the next year		
		- Pension	303	283
		- Gratuity	922	904
		- Compensated Absences	345	623

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

			For the year ended 31st March, 2018			For the year ended 31st March, 2017		
			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	2,929	2,256	-	2,726	2,298	-
	2	Expected Return on Plan Assets	212	164	-	212	171	-
	3	Remeasurement Gains/(Losses) on plan assets	125	69	-	(13)	(5)	-
	4	Actual Company Contributions	142	304	-	73	-	-
	5	Benefits Paid	(48)	(176)	-	(69)	(208)	-
	6	**Plan Assets at the end of the year**	3,360	2,617	-	2,929	2,256	-

VI	Actuarial Assumptions		As at 31st March, 2018	As at 31st March, 2017
	1	Discount Rate (%)	7.50%	6.75%
	2	Expected Return on Plan Assets (%)	7.50%	6.75%
	3	Long term rate of compensation increase	7%	7%

VII	The net liability disclosed in Pension relates to funded and unfunded plans as follows:		As at 31st March, 2018	As at 31st March, 2017
	1	Present Value of Funded Obligation	3,406	3,005
	2	Fair Value of Plan Assets	3,360	2,929
	3	Deficit / (Surplus) of Funded Plan	46	76
	4	Unfunded Plan	335	321
	5	Net Deficit	381	397

VIII	Major Category of Plan Assets as a % of the Total Plan Assets		As at 31st March, 2018	As at 31st March, 2017
	1	Government Securities/Special Deposit with RBI	27%	31%
	2	High Quality Corporate Bonds	18%	23%
	3	Insurer Managed Funds*	44%	35%
	4	Mutual Funds	3%	3%
	5	Cash and Cash Equivalents	6%	5%
	6	Term Deposits	2%	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.

(₹ in Lakhs)

			For the year ended 31st March, 2018			For the year ended 31st March, 2017		
			Pension	Gratuity	Compensated absences	Pension	Gratuity	Compensated absences
			Partly Funded	Funded	Unfunded	Partly Funded	Funded	Unfunded
X	Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)							
	1	Present Value of Defined Benefit Obligation	3,741	2,823	1,304	3,326	2,560	1,242
	2	Fair Value of Plan Assets	3,360	2,617	-	2,929	2,256	-
	3	Status [(Surplus)/Deficit]	381	206	1,304	397	304	1,242
	4	Experience Adjustment of Plan Assets [Gain/ (Loss)]	125	69	-	(13)	(5)	-
	5	Experience Adjustment of obligation [(Gain)/ Loss]	285	(226)	(111)	160	(125)	(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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

XII	Sl. No.	Particulars	DBO as at 31st March, 2018	DBO as at 31st March, 2017
	1	Discount Rate + 100 basis points	**7,501**	6,779
	2	Discount Rate - 100 basis points	**8,270**	7,507
	3	Long term Compensation Increase Rate + 1%	**8,230**	7,467
	4	Long term Compensation Increase Rate – 1%	**7,531**	6,808

25 Earnings per share

(a)	Profit after Tax	₹ in Lakhs	**2,768**	1,789
(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)	₹	**3.25**	2.10

	For the year ended 31st March, 2018 (₹ in Lakhs)	For the year ended 31st March, 2017 (₹ in Lakhs)
26 Auditors' Remuneration and Expenses (Net of input tax / service tax credit)		
Audit Fees	**18**	18
Tax Audit Fees	**2**	3
Fees for Auditors' Certifications and Reports	**10**	4
Reimbursement of Expenses	**2**	2
Total	**32**	27

27 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 ₹ 2,499 Lakhs (2017 – ₹ 2,629 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, 2018	As at 31st March, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	**2,482,561**	1,735,153
Add: Corporate Action - Bonus Issue by ITC	**–**	902,812
Add: Granted during the year @	**396,530**	398,930
Less: Lapsed during the year	**(69,372)**	(70,667)
Add / (Less): Movement due to transfer of employees within the group	**69,390**	75,147
Less: Exercised during the year	**(434,548)**	(558,814)
Outstanding at the end of the year	**2,444,561**	2,482,561
Options exercisable at the end of the year	**1,578,757**	1,498,544

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 81,090 (2017- 94,230) options granted to the Key Management Personnel (KMP) of the Company.

Since such options are not tradeable, no perquisite or benefit is immediately conferred upon an employee by such grant.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 2,499 Lakhs (2017 – ₹ 2,629 Lakhs) (Refer Note 16) by way of share based payments. Such charge has been recognised as employee benefits expense and has been considered as capital contribution by ITC Limited, net of reimbursements, if any. Out of the above,₹ 623 Lakhs (2017- ₹ 576 Lakhs) is attributable to key management personnel [Ms. S. Rajagopalan ₹ 173 Lakhs (2017 - ₹ 153 Lakhs); Mr. R. Batra ₹ 168 Lakhs (2017 - ₹ 166 Lakhs); Mr. A. Talwar ₹ 131 Lakhs (2017 - ₹ 77 Lakhs); Mr. V. Sreenivasan ₹ 100 Lakhs (2017 - ₹ 123 Lakhs); Mr. S.V. Shah ₹ 51 Lakhs (2017 - ₹ 57 Lakhs)].

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.

28 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.

29 Categories of Financial Instruments

(₹ in Lakhs)

	As at 31st March, 2018		As at 31st March, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Measured at amortised cost				
Cash and Cash Equivalents	**1,464**	**1,464**	1,358	1,358
Trade Receivables	**19,841**	**19,841**	16,165	16,165
Loans	**19**	**15**	32	21
Other Financial Assets	**8,533**	**8,533**	4,308	4,308
	29,857	**29,853**	21,863	21,852
Mandatorily measured at fair value through profit and loss (FVTPL)				
Investments in Mutual Funds	**3,605**	**3,605**	10,016	10,016
Foreign Currency Forward Contracts	**14**	**14**	165	165
	3,619	**3,619**	10,181	10,181
Total	**33,476**	**33,472**	32,044	32,033

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakhs)

	As at 31st March, 2018		As at 31st March, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Measured at amortized cost				
Trade Payables	**2,533**	**2,533**	2,208	2,208
Other Financial Liabilities	**3,104**	**3,104**	2,929	2,929
	5,637	**5,637**	**5,137**	**5,137**
Measured at fair value through profit and loss (FVTPL)				
Foreign Currency Forward Contracts	**70**	**70**	17	17
	70	**70**	**17**	**17**
Total	**5,707**	**5,707**	**5,154**	**5,154**

30 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, 2018	**USD**	**GBP**	**EURO**	**Others**	**Total**
Financial Assets	**11,020**	**5,786**	**2,384**	**2,158**	**21,348**
Financial Liabilities	**397**	**26**	**130**	**298**	**851**
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

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, 2018		31st March, 2017	
		Buy	Sell	Buy	Sell
GBP	USD	-	35	-	26
EUR	USD	-	23	-	24
USD	INR	-	199	-	172
AUD	USD	-	-	-	3
DKK	USD	-	-	4	-
ZAR	USD	-	155	-	68
SEK	USD	-	-	-	9
NOK	USD	-	-	6	-

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% (2017 - 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, 2018 and pre-tax total equity as at 31st March, 2018 will be higher by ₹ 2,050 Lakhs (2017 - ₹ 1,471 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, 2018 is ₹3,605 Lakhs (2017 - ₹ 10,016 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

(₹ in Lakhs)

	As at 31st March, 2018 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	**2,533**	**2,533**	-	-	-	-	**2,533**
Other Financial Liabilities	**3,174**	**3,174**	-	-	-	-	**3,174**
Total	**5,707**	**5,707**	-	-	-	-	**5,707**
	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
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

** 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, 2018	As at 31st March, 2017
Opening Balance	**533**	641
Add: Provisions Made	**248**	36
Less: Utilisation for Impairment / De-recognition	**(533)**	(144)
Closing Balance	**248**	533

The age wise break-up of trade receivables, net of allowance is given below:

(₹ in Lakhs)

	As at 31st March, 2018	As at 31st March, 2017
Overdue Period		
Less than 1 month	**5,186**	2,122
1 to 3 months	**1,391**	894
3 to 6 months	**576**	474
6 to 12 months	**786**	651
1 year to 2 years	**395**	538
2 years to 3 years	**206**	26
More than 3 years	**14**	27
Balances not yet due	**11,287**	11,433
Total	**19,841**	16,165

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, 2018 is ₹ 32,012 Lakhs (2017 - ₹ 30,686 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.

31 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.

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.

The fair value of trade receivables, loans, Other financial assets, Other financial liabilities 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 2018	31st March 2017
Financial Assets			
Mandatorily Measured at fair value through profit and loss (FVTPL)			
Investments in Mutual Funds	1	**3,605**	10,016
		3,605	10,016
Derivatives measured at fair value			
Foreign Currency Forward Contracts	2	**14**	165
		14	165
Total		**3,619**	**10,181**
Financial Liabilities			
Derivatives measured at fair value	2	**70**	17
Foreign Currency Forward Contracts		**70**	17
Total		**70**	**17**

32 Approval of Financial Statements

The financial statements were approved for issue by the Board of Directors on 2nd May, 2018.

33 Comparatives

As required by Ind AS, comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

34 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 :

(₹ in Lakhs)

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Segment Revenue		
India	**32,006**	28,667
North America	**17,136**	19,099
Europe	**26,941**	26,821
Middle East and Africa	**16,737**	13,965
Rest of the World	**7,473**	2,647
Total	**100,293**	**91,199**

(₹ in Lakhs)

	As at 31st March, 2018	As at 31st March, 2017
Non-Current Assets*		
India	**8,218**	8,718
Middle East and Africa	**24**	55
Total	**8,242**	8,773

** Non- Current Assets have been considered on the basis of physical location.*

35 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 subsidiary Indivate Inc.

(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
Srinivasa Resorts Limited
Russell Credit Limited

Associates of the Holding Company
International Travel House Limited
ATC Limited

Employee Trusts
ITC Management Staff Gratuity Fund
ITC Pension Fund

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(iv) KEY MANAGEMENT PERSONNEL

Non-Executive Directors
Mr. Y.C. Deveshwar - Chairman
Mr. S. Puri - Sr. Vice Chairman (from 17th August, 2017)
Mr. S. Sivakumar - Vice Chairman
Mr. B. B. Chatterjee
Mr. R. Tandon
Mr. P. Chatterjee
Mr. R.G. Jacob (till 28th July, 2017)

Others
Ms. S. Rajagopalan , Managing Director
Mr. R. Batra, Chief Financial Officer
Mr. S. V. Shah, Company Secretary
Mr. A. Talwar
Mr. V. Sreenivasan

(v) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES (₹ in Lakhs)

Sl. No.	Description	Holding Company		Wholly Owned Subsidiaries						Fellow Subsidiaries	
				2018			2017				
		2018	2017	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.	2018	2017
1	Sale of Goods / Services	16,098	13,002	12,385	16,797	-	11,545	18,777	-	434	472
2	Purchase of Goods / Services	96	111	-	-	-	-	-	-	- *	-
3	Rent Paid	1,315	1,143	-	-	-	-	-	-	-	-
4	Reimbursement of Contractual Remuneration [includes remuneration to KMP ₹ 197 Lakhs (2017 ₹ 158 Lakhs)]	420	333	-	-	-	-	-	-	-	-
5	Expenses Recovered	21	19	265	162	-	293	219	-	-	-
6	Expenses Reimbursed	778**	742**	64	-	-	75	-	-	-	-
7	Capital Contribution for Share Based Payments	3,347	6,920	-	-	-	-	-	-	-	-
8	Reimbursement of Capital Contribution for Share Based Payments	-	-	367	475	-	317	529	-	-	-
9	Loans Received (from Russell Credit Limited)	-	-	-	-	-	-	-	-	6,000	-
10	Loan Repaid (to Russell Credit Limited)	-	-	-	-	-	-	-	-	6,000	-
11	Interest paid on Loans (to Russell Credit Limited)	-	-	-	-	-	-	-	-	12	-
12	Interim Dividend	5,112	-	-	-	-	-	-	-	-	-
13	Dividend Income	-	-	-	939	-	1,426	-	-	-	-

** Amount is below the rounding off norm adopted by the Company*

*** Includes expenses reimbursed for KMP ₹ 20 Lakhs (2017- ₹12 Lakhs)*

(₹ in Lakhs)

Sl. No.	Description	Associates of the Holding Company		Employee Trusts		Key Management Personnel	
		2018	2017	2018	2017	2018	2017
1	Sale of Goods / Services	275	233	-	-	-	-
2	Purchase of Goods / Services	2,748	2,892	-	-	-	-
3	Remuneration to Key Management Personnel (KMP)						
	(i) Directors	-	-	-	-	141	134
	(ii) Others	-	-	-	-	135	121
4	Contribution to Employees' Benefit Plans	-	-	446	73	-	-

(vi) DISCLOSURE OF OUTSTANDING BALANCES (₹ in Lakhs)

Description	Holding Company		Wholly Owned Subsidiaries					
			2018			2017		
	2018	2017	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.	ITC Infotech Limited (UK)	ITC Infotech (USA), Inc.	Indivate Inc.
Balances as at 31st March,								
i) Trade Receivables	95	8	2,715	4,381	-	2,238	2,902	-
ii) Trade Payables	17	–	116	-	-	39	-	-

Description	Fellow Subsidiaries		Associates of the Holding Company	
Balances as at 31st March,	2018	2017	2018	2017
i) Trade Receivables	101	218	-	-
ii) Trade Payables	-	-	62	345

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	2018	2017	Related Party Transactions	2018	2017
Purchase of Goods / Services			**Remuneration to Key Management Personnel (KMP)**		
International Travel House Limited	**2,748**	2,892	Ms. S. Rajagopalan	**139**	130
			Mr. R. Batra	**112**	92
Contribution to Employees' Benefit Plans			Mr. A. Talwar	**64**	59
ITC Management Staff Gratuity Fund	**304**	-	Mr. V.Sreenivasan	**71**	62
ITC Pension Fund	**142**	73	Mr. S. Shah	**85**	78

(viii) INFORMATION REGARDING SIGNIFICANT BALANCES

(Generally in excess of 10% of the total balance of the same type) (₹ in Lakhs)

Related Party Balances	2018	2017
Trade Payables		
International Travel House Limited	**62**	345

(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)

	2018	2017
Short-Term Employee Benefits	**471**	421
Others	**3**	4

**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 27 for details.*

(x) SIGNIFICANT TERMS AND CONDITIONS OF OUTSTANDING BALANCES

All outstanding balance are unsecured and are repayable in cash.

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 Exchange rate GBP 1 = ₹ 92.28	Reporting currency - USD Exchange rate USD 1 = ₹ 65.18	Reporting currency - USD Exchange rate USD 1 = ₹ 65.18
6	Share Capital	633	11,863	65
7	Reserves and Surplus	2,749	1,372	(43)
8	Total Assets	10,863	23,338	154
9	Total Liabilities	10,863	23,338	154
10	Investments (excluding Investments in subsidiaries)	-	-	-
11	Turnover (Note 1)	39,165	57,129	310
12	Profit before Taxation	1,242	2,597	18
13	Provision for Taxation	68	1,333	-
14	Profit after Taxation	1,174	1,264	18
15	Proposed Dividend	-	949	-
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

R. Batra
Chief Financial Officer

S. V. Shah
Company Secretary

Place : Kolkata
Date : 2nd May, 2018

Strategic Report

The Directors present their Strategic Report for the year ended 31st March 2018.

Key Performance Indicators

	GBP (million)	
Year Ended March 31,	**2018**	**2017**
Total Income	**42.44**	36.99
Cost of Sales	**36.01**	29.78
Gross Profit	**6.43**	7.22
Profit before Tax	**1.35**	1.13
Profit after Tax	**1.27**	1.17

The financial performance in 2017-18 remained healthy. Total Income and Profit before Tax grew at 14.73% and 19.47% over the previous year.

Business review

In 2017-18 the Company achieved a revenue of GBP 42.44 million while the net profit was GBP 1.27 million. The Company saw strong growth in existing accounts in the Banking and Financial Services, Consumer Goods and Manufacturing verticals. Good wins were seen in the Banking and Financial Services and Consumer Goods verticals in the European region. The Company saw good traction for its Digital and Data services and solutions in the region.

The Company will sharpen its focus on shaping well defined digital offerings with specialized solutions and services to target select industry verticals. The Company will bring in a sharper focus on expanding its business in its strategic accounts which have a clear potential for growth. New business acquisition will continue to be accelerated. The Company will continue to strengthen alliances with large scale software vendors while forming and nurturing new partnerships with emerging, future ready Independent Software Vendors. The Company will further it's domain depth with industry specific solutions in Data and Digital.

Principal Risks and Uncertainties

The volatility around British Pound and Euro and post Brexit macro uncertainties in the UK are the principal risks for the Company. However, the Company will continue to focus on the stated strategy to drive traction in the European markets.

Approved by the Board on 2nd May, 2018 and signed on behalf of the Board by

ITC Infotech Limited
Norfolk House
118 Saxon Gate West
Milton Keynes
MK9 2DN

S. Rajagopalan
Director

S. Sivakumar
Vice Chairman

Directors' Report

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2018.

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), 5% (2017: 3%) of its sales in the year under review were in US dollars and 8% (2017: 16%) in Euro. The Company has bank accounts in multiple currencies and during the year under review it did not hold any hedging instruments. The Company reviews its foreign exchange management processes on a regular basis and ensures that fund flow position is maintained in a manner to minimize foreign exchange fluctuations.

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.

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, 2018 and 1st April, 2017 as indicated below:

	2018 and 2017 Ordinary Shares
Y. C. Deveshwar	–
S. Puri (effective 17th August, 2017)	–
S. Sivakumar	–
B. B. Chatterjee	–
S. Rajagopalan	–
R. Tandon	–

Mr. S. Sivakumar, Vice Chairman and Mr. R. Tandon, Director, will retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 2nd May, 2018 and signed on behalf of the Board by

ITC Infotech Limited
Norfolk House
118 Saxon Gate West
Milton Keynes
MK9 2DN

S. Rajagopalan
Director

S. Sivakumar
Vice Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITC INFOTECH LIMITED

Report on the Audit of the financial statements

Our opinion

In our opinion, ITC Infotech Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2018, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jas Khela (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
2nd May, 2018

Income Statement

	Note	Year ended March 31, 2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Revenue	13	42,440,931	3,916,449,112	36,996,275	2,992,998,648
Cost of sales	14	36,006,084	3,322,641,431	29,779,889	2,409,193,023
Gross Profit		6,434,847	593,807,681	7,216,386	583,805,625
Selling, general and administrative expenses	14	5,204,896	480,307,804	6,295,975	509,344,383
Operating Profit		1,229,951	113,499,877	920,411	74,461,242
Foreign exchange gain		114,897	10,602,695	207,070	16,751,963
Finance and other income	16	967	89,235	2,315	187,283
Profit before income tax		1,345,815	124,191,807	1,129,796	91,400,488
Income tax expense	11	73,717	6,802,605	(43,140)	(3,490,026)
Profit for the year		1,272,098	117,389,202	1,172,936	94,890,514

All the above results relate to continuing activities. The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Profit for the year	1,272,098	117,389,202	1,172,936	94,890,514
Translation reserve	(166,251)	(15,341,642)	(120,588)	(9,755,560)
Total other comprehensive expense, net of tax	(166,251)	(15,341,642)	(120,588)	(9,755,560)
Total comprehensive income for the year	1,105,847	102,047,560	1,052,348	85,134,954
Attributable to:				
Owners of the Company	1,105,847	102,047,560	1,052,348	85,134,954
	1,105,847	102,047,560	1,052,348	85,134,954

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Assets					
Property, plant and equipment	4	8,324	768,137	13,533	1,094,820
Deferred income tax asset	11	102,032	9,415,513	572	46,275
Other non-current assets	7	9,898	913,387	6,983	564,925
Total non-current assets		120,254	11,097,037	21,088	1,706,020
Trade receivables	5	5,919,352	546,237,803	3,523,048	285,014,583
Unbilled revenue		5,293,349	488,470,246	2,977,172	240,853,215
Current tax Assets		–	–	251,974	20,384,697
Other current assets	7	79,540	7,339,951	6,541	529,166
Cash and cash equivalents	6	359,446	33,169,677	1,879,388	152,042,490
Total current assets		11,651,687	1,075,217,676	8,638,123	698,824,151
Total assets		11,771,941	1,086,314,713	8,659,211	700,530,171
Equity					
Share Capital		685,815	63,287,008	685,815	55,482,434
Retained earnings		2,978,497	274,855,701	1,872,650	151,497,386
Equity attributable to owners of the company		3,664,312	338,142,709	2,558,465	206,979,820
Non-controlling interests		–	–	–	–
Total equity		3,664,312	338,142,709	2,558,465	206,979,820
Loans and borrowings and bank overdraft	6	482,917	44,563,581	–	–
Trade payables and accrued expenses	8	5,157,537	475,937,514	3,854,143	311,800,168
Unearned revenue		154,789	14,283,929	412,828	33,397,785
Current tax Liabilities		76,240	7,035,427	–	–
Other current liabilities	9	2,236,146	206,351,553	1,833,775	148,352,398
Total current liabilities		8,107,629	748,172,004	6,100,746	493,550,351
Total liabilities		8,107,629	748,172,004	6,100,746	493,550,351
Total equity and liabilities		11,771,941	1,086,314,713	8,659,211	700,530,171

These financial statements were approved by the directors on 2nd May, 2018 and are signed on their behalf by:

H. S. Garewal	**Karan Shukla**	**S. Rajagopalan**	**S. Sivakumar**
President	Financial Controller	Director	Vice Chairman

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2018

	No. of Shares	Share Capital		Retained Earnings		Total equity	
		£	₹	£	₹	£	₹
			Unaudited		Unaudited		Unaudited
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**
Balance as at April 1, 2017	**685,815**	**685,815**	**63,287,008**	**1,872,650**	**172,808,141**	**2,558,465**	**236,095,149**
Profit for the year	–	–	–	1,272,098	117,389,202	1,272,098	117,389,202
Other comprehensive income	–	–	–	(166,251)	(15,341,642)	(166,251)	(15,341,642)
Total comprehensive income for the year	–	–	–	**1,105,847**	**102,047,560**	**1,105,847**	**102,047,560**
Transactions with owners in their capacity as owners:							
Cash dividend paid	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Balance as at March 31, 2018	**685,815**	**685,815**	**63,287,008**	**2,978,497**	**274,855,701**	**3,664,312**	**338,142,709**

For simplicity, the unaudited 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 notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended March 31,			
	2018	**2018**	**2017**	**2017**
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Cash flows from operating activities				
Profit for the year	**1,272,098**	**117,389,202**	1,172,936	94,890,514
Adjustment for:				
Depreciation	**8,570**	**790,844**	13,466	1,089,400
Loss on disposal of asset	**327**	**30,180**	-	-
Interest income	**(884)**	**(81,576)**	(837)	(67,713)
Income tax expense	**73,717**	**6,802,605**	(43,140)	(3,490,026)
Effect of exchange differences on translation	**(166,251)**	**(15,341,642)**	(120,588)	(9,755,560)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**18,266**	**1,685,586**	(123,940)	(10,026,746)
Changes in operating assets and liabilities				
Trade receivables	**(2,396,304)**	**(221,130,933)**	488,775	39,541,898
Unbilled revenues	**(2,316,177)**	**(213,736,814)**	517,914	41,899,243
Other assets	**(75,914)**	**(7,005,344)**	66,028	5,341,665
Trade payables and accrued expenses	**1,303,394**	**120,277,198**	330,080	26,703,472
Unearned revenues	**(258,039)**	**(23,811,839)**	(17,538)	(1,418,824)
Other liabilities	**402,371**	**37,130,796**	300,897	24,342,567
Net cash provided by operating activities before taxes	**(2,134,826)**	**(197,001,737)**	2,584,053	209,049,890
Income tax paid	**153,037**	**14,122,252**	(221,273)	(17,900,987)
Net cash (utilised by)/generated from operating activities	**(1,981,789)**	**(182,879,485)**	2,362,780	191,148,903
Cash flows from investing activities				
Purchases of property, plant and equipment	**(3,688)**	**(340,334)**	(3,778)	(305,640)
Interest received	**884**	**81,576**	837	67,713
Net cash used in investing activities	**(2,804)**	**(258,758)**	(2,941)	(237,927)
Cash flows from financing activities				
Dividends paid to owners of the parent	–	–	(1,714,538)	(138,706,124)
Net cash used in financing activities	–	–	(1,714,538)	(138,706,124)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	**(18,266)**	**(1,685,586)**	123,940	10,026,746
Net (decrease)/increase in cash and cash equivalents	**(1,984,593)**	**(183,138,243)**	645,301	52,204,852
Cash and cash equivalents at beginning of the year	**1,879,388**	**173,429,925**	1,110,147	89,810,892
Cash and cash equivalents at end of the year (Note 6)	**(123,471)**	**(11,393,904)**	1,879,388	152,042,490

For simplicity, the unaudited 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 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 = ₹ 92.28 (2017: GBP 1 = ₹ 80.90) as provided by the parent company. The supplementary information has not been audited.

1. Company overview

The Company is engaged in marketing, sales and delivery of IT services.

The Company is a private limited company incorporated and registered 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, 2018 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 judgment

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 judgments 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. Unbilled revenues represent cost and earnings in excess of billings as at the end of reporting period.

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 Benefits

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:** The FASB and IASB issued their converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. The company recognizes the revenue based on the satisfaction of performance obligations, which occurs when control of goods or services are transferred to a customer.

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 1st 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 1st 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**
Gross carrying value:								
As at 1st April 2017	52,300	4,826,244	103,502	9,551,166	39,948	3,686,401	195,750	18,063,811
Additions	–	–	3,688	340,334	–	–	3,688	340,334
Disposal / adjustments	–	–	(21,214)	(1,957,632)	(2,795)	(257,923)	(24,009)	(2,215,555)
As at March 31, 2018	52,300	4,826,244	85,976	7,933,868	37,153	3,428,478	175,429	16,188,590
Accumulated depreciation:								
As at 1st April 2017	52,300	4,826,244	91,098	8,406,523	38,819	3,582,217	182,217	16,814,984
Depreciation	–	–	8,476	782,165	94	8,679	8,570	790,844
Disposal / adjustments	–	–	(20,887)	(1,927,452)	(2,795)	(257,923)	(23,682)	(2,185,375)
As at March 31, 2018	**52,300**	**4,826,244**	**78,687**	**7,261,236**	**36,118**	**3,332,973**	167,105	15,420,453
Net carrying value as at March 31, 2018	**–**	**–**	**7,289**	**672,632**	**1,035**	**95,505**	**8,324**	**768,137**

For simplicity, the unaudited 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 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Trade receivables	**5,919,352**	**546,237,803**	4,270,629	345,493,886
Allowance for doubtful accounts receivable	**–**	**–**	(747,581)	(60,479,303)
Total	**5,919,352**	**546,237,803**	3,523,048	285,014,583

6. Cash and cash equivalents

Cash and Cash equivalents consists of the following:	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Cash balances	**41**	**3,783**	–	–
Cash at bank	**359,405**	**33,165,893**	1,879,388	152,042,490
Cash and Cash equivalents on statement of financial position	**359,446**	**33,169,677**	**1,879,388**	**152,042,490**
Bank overdrafts used for cash management purpose	**(482,917)**	**(44,563,581)**	–	–
Cash and Cash equivalents in the cash flow statement	**(123,471)**	**(11,393,904)**	**1,879,388**	**152,042,490**

7. Other Assets

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Non-current				
Security deposits	**198**	**18,271**	198	16,018
Loans and Advances to employees	**9,700**	**895,116**	6,785	548,907
	9,898	**913,387**	6,983	564,925
Current				
Security deposits	**1,362**	**125,685**	1,433	115,930
Prepaid Expenses	**29,564**	**2,728,166**	31,148	2,519,873
Loans and Advances to Employees	**47,138**	**4,349,895**	(27,516)	(2,226,045)
Others	**1,476**	**136,205**	1,476	119,408
	79,540	**7,339,951**	**6,541**	**529,166**
Total	**89,438**	**8,253,338**	**13,524**	**1,094,091**

8. Trade payables and accrued expenses

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Trade payables	**4,062,798**	**374,914,999**	3,295,134	266,576,340
Accrued expenses	**1,094,739**	**101,022,515**	559,009	45,223,828
Total	**5,157,537**	**475,937,514**	**3,854,143**	**311,800,168**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

9. Other liabilities

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Current				
Employee and other liabilities	**1,418,960**	**130,941,629**	1,212,366	98,080,409
Statutory dues payable	**817,186**	**75,409,924**	621,409	50,271,989
Total	**2,236,146**	**206,351,553**	**1,833,775**	**148,352,398**

10. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2018 are as follows:

	Loans and receivables		Financial liabilities measured at amortized cost		Total carrying amount		Fair value	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Assets:								
Trade receivables	**5,919,352**	**546,237,803**	–	–	**5,919,352**	**546,237,803**	**5,919,352**	**546,237,803**
Unbilled revenue	**5,293,349**	**488,470,246**	–	–	**5,293,349**	**488,470,246**	**5,293,349**	**488,470,246**
Cash and cash equivalents	**359,446**	**33,169,677**	–	–	**359,446**	**33,169,677**	**359,446**	**33,169,677**
Other Assets	**89,438**	**8,253,338**	–	–	**89,438**	**8,253,338**	**89,438**	**8,253,338**
Total assets	**11,661,585**	**1,076,131,064**	–	–	**11,661,585**	**1,076,131,064**	**11,661,585**	**1,076,131,064**
Liabilities:								
Loans and borrowings and bank overdraft	–	–	**482,917**	**44,563,581**	**482,917**	**44,563,581**	**482,917**	**44,563,581**
Trade payables and accrued expenses	–	–	**5,157,537**	**475,937,514**	**5,157,537**	**475,937,514**	**5,157,537**	**475,937,514**
Unearned revenue	–	–	**154,789**	**14,283,929**	**154,789**	**14,283,929**	**154,789**	**14,283,929**
Total liabilities	–	–	**5,795,243**	**534,785,024**	**5,795,243**	**534,785,024**	**5,795,243**	**534,785,024**

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	152,042,489	–	–	1,879,388	152,042,489	1,879,388	152,042,489
Other Assets	13,524	1,094,092	–	–	13,524	1,094,092	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	311,800,169	3,854,143	311,800,169	3,854,143	311,800,169
Unearned revenue	–	–	412,828	33,397,785	412,828	33,397,785	412,828	33,397,785
Total liabilities	–	–	**4,266,971**	**345,197,954**	**4,266,971**	**345,197,954**	**4,266,971**	**345,197,954**

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,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Revenue from top customer	**12,353,583**	**1,139,988,639**	13,000,089	1,051,707,200
Revenue from top 5 customer	**31,118,478**	**2,871,613,150**	25,064,166	2,027,691,029

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 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Past due 0-30 days	**2,211,583**	**204,084,879**	498,665	40,341,960
Past due 30-60 days	**189,531**	**17,489,921**	63,393	5,128,519
Past due 60-90 days	**23,821**	**2,198,202**	53,684	4,343,023
Past due over 90 days	**104,531**	**9,646,121**	92,800	7,507,529
Total past due and not impaired	**2,529,466**	**233,419,123**	**708,542**	**57,321,031**

The allowance for impairment in respect of trade receivables for the year ended March 31, 2018 and March 31, 2017 was GBP Nil and GBP 747,581 respectively. The movement in the allowance for impairment in respect of trade receivables is as follows:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Balance at the beginning of the year	**747,581**	**68,986,775**	667,525	54,002,773
Less: Opening forex reinstatement	**(145,657)**	**(13,441,228)**	(67,581)	(5,467,303)
Additions during the year	**–**	**–**	1,980	160,182
Received during the year	**(1,112)**	**(102,615)**	–	–
Written off during the year	**(600,812)**	**(55,442,932)**	–	–
Add: Closing forex reinstatement	**–**	**–**	145,657	11,783,651
Balance at the end of the year	**–**	**–**	**747,581**	**60,479,303**

For simplicity, the unaudited 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 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Cash and cash equivalents	**(123,471)**	**(11,393,904)**	1,879,388	152,042,490
Total	**(123,471)**	**(11,393,904)**	**1,879,388**	**152,042,490**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018 and March 31, 2017:

	As At 31st March 2018					
	Less than 1 year		1–2 years		2 years and above	
	£	₹ Unaudited	£	₹ Unaudited	£	₹ Unaudited
Loans and borrowings and bank overdraft	**482,917**	**44,563,581**	**–**	**–**	**–**	**–**
Trade payables and accrued expenses	**5,157,537**	**475,937,514**	**–**	**–**	**–**	**–**
Other liabilities	**2,236,146**	**206,351,553**	**–**	**–**	**–**	**–**

	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	–	–	–	–

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, 5% (2017: 3%) of its sales in the year under review were in US dollars and 8% (2017: 16%) 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, 2018 and March 31, 2017.

As at 31st March 2018

	EUR		USD		Other Currencies*		Total	
	£	₹	£	₹	£	₹	£	₹
		Unaudited		Unaudited		Unaudited		Unaudited
Asset								
Trade Receivables	271,748	25,076,905	250,883	23,151,483	65,836	6,075,346	588,467	54,303,734
Unbilled Revenue	471,859	43,543,149	691,469	63,808,759	30,753	2,837,887	1,194,081	110,189,795
Cash and cash equivalents	343,890	31,734,169	315,366	29,101,974	26,100	2,408,508	685,356	63,244,651
Other assets	–	–	–	–	(344)	(31,744)	(344)	(31,744)
Liabilities								
Trade payables and accrued expenses	106,530	9,830,588	(148,209)	(13,676,727)	38,382	3,541,891	(3,297)	(304,248)
Unearned Sales	83,766	7,729,926	71,023	6,554,002	–	–	154,789	14,283,928
Other liabilities	5,329	491,760	–	–	3,498	322,795	8,827	814,555
Net assets/liabilities	891,872	82,301,949	1,334,904	123,184,941	80,465	7,425,311	2,307,241	212,912,201

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

* 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, 2018 and 2017 respectively, every 1% appreciation/depreciation of the respective foreign currencies compared to functional currency of the Company would increase/ decrease operating margins by £23,072 and £17,159 respectively.

11. Income tax expense

Income tax expense in the statement of income consists of:

	Year ended March 31,			
	2018	2018	2017	2017
	£	₹	£	₹
		Unaudited		Unaudited
Current taxes				
UK Corporation tax on profits of the year	43,060	3,973,577	47,523	3,844,611
Adjustment in respect of previous years	132,117	12,191,757	(107,436)	(8,691,573)
Withholding tax	–	–	18,012	1,457,171
Total	175,177	16,165,334	(41,901)	(3,389,791)
Deferred taxes				
Origination and reversal of timing differences	(101,460)	(9,362,729)	(1,239)	(100,235)
Total	(101,460)	(9,362,729)	(1,239)	(100,235)
Grand Total	73,717	6,802,605	(43,140)	(3,490,026)

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,			
	2018	2018	2017	2017
	£	₹	£	₹
		Unaudited		Unaudited
Profit before income tax	1,345,815	124,191,807	1,129,796	91,400.488
Profit on ordinary activities multiplied by rate of tax	255,705	23,596,457	225,959	18,280,083
Expenses not deductible for tax purposes	(11,308)	(1,043,502)	112,194	9,076,495
Movement in capital allowances	113,396	10,464,183	1,380	111,642
Tax credit on employee share based payments	(314,733)	(29,043,561)	(292,010)	(23,623,609)
Adjustment in respect of previous years	132,117	12,191,757	(107,436)	(8,691,573)
Withholding tax	–	–	18,012	1,457,171
Total income tax expense	175,177	16,165,334	(41,901)	(3,389,791)

The standard rates of UK corporation tax, for the year ended March 31, 2018 and March 31, 2017 are 19% and 20% respectively.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The components of deferred tax assets are as follows:

	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 01 April 2016 £
Property, Plant and Equipments	816	75,300	(139)	(11,245)	(1,420)
Provision	101,216	9,340,213	711	57,520	753
Net deferred tax assets	102,032	9,415,513	572	46,275	(667)

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

Deferred Tax assets	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Deferred tax assets	102,032	9,415,513	572	46,275
Balance brought forward	572	52,784	(667)	(53,960)
Profit and loss account movement arising during the year	101,460	9,362,729	1,239	100,235
Total deferred tax assets	102,032	9,415,513	572	46,275

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 (2017: 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 (2017: 685,815) equity shares of £1 each amounting to £685,815 (2017: 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.

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 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Total equity attributable to the equity share holders of the company	3,664,312	338,142,709	2,558,465	206,979,820
As percentage of total capital	100%	100%	100%	100%
Total capital	3,664,312	338,142,709	2,558,465	206,979,820

The Company is equity financed which is evident from the capital structure table.

13. Revenue

The Company derives revenue primarily from delivery of IT services. The Company recognises 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,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Country				
United Kingdom	37,856,873	3,493,432,240	31,857,382	2,577,262,203
Europe	4,374,838	403,710,050	4,955,145	400,871,231
Singapore	89,511	8,260,075	100,012	8,090,971
US	93,785	8,654,480	71,100	5,751,990
India	–	–	8,212	664,351
Others	25,924	2,392,267	4,424	357,902
Total	42,440,931	3,916,449,112	36,996,275	2,992,998,648

14. Expenses by nature

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
Employee benefits	19,429,965	1,792,997,169	16,207,363	1,311,175,668
Sub-contractor charges/Outsourced charges	19,147,898	1,766,968,027	16,329,656	1,321,069,171
Travel and conveyance	1,318,974	121,714,921	1,218,832	98,603,511
Sales & Marketing expenses	386,058	35,625,432	320,863	25,957,816
Staff welfare	248,629	22,943,485	253,094	20,475,304
Legal, Professional and Consultancy Expenses	165,325	15,256,191	179,793	14,545,255
Communication expenses	159,883	14,754,004	180,201	14,578,262
Lease rentals/charges	81,713	7,540,476	82,906	6,707,095
Recruitment	62,442	5,762,148	149,329	12,080,716
Audit Fees	26,844	2,477,164	26,250	2,123,625
Depreciation charges	8,570	790,840	13,466	1,089,401
Provision for doubtful trade receivables	(1,112)	(102,615)	1,980	160,182
Purchase of Software and Hardware for resale	-	-	987,272	79,870,305
Others	175,791	16,221,993	124,859	10,101,095
Total cost of sales, selling, general and administrative expenses	41,210,980	3,802,949,235	36,075,864	2,918,537,406

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:

	2018	2017
By Activity	**No**	No
Delivery	**302**	260
Marketing	**22**	24
Administration	**10**	9
	334	**293**

Employee benefits include:

	Year ended March 31,			
	2018	**2018**	**2017**	**2017**
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Wages and salaries	**16,964,519**	**1,565,485,813**	14,353,938	1,161,233,599
Social security costs	**2,043,738**	**188,596,142**	1,460,540	118,157,686
ESOS Cost	**421,708**	**38,915,214**	392,885	31,784,383
Total	**19,429,965**	**1,792,997,169**	**16,207,363**	**1,311,175,668**

The employee benefit cost is recognised in the following line items in the statement of income:

	Year ended March 31,			
	2018	**2018**	**2017**	**2017**
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Cost of sales	**15,787,729**	**1,456,891,633**	11,651,062	942,570,915
Selling, general and administrative expenses	**3,642,236**	**336,105,536**	4,556,301	368,604,753
Total	**19,429,965**	**1,792,997,169**	**16,207,363**	**1,311,175,668**

16. Finance and other income

	Year ended March 31,			
	2018	**2018**	**2017**	**2017**
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Interest Income	**884**	**81,576**	837	67,713
Others	**83**	**7,659**	1,478	119,570
Total	**967**	**89,235**	**2,315**	**187,283**

17. Operating leases

Lease rental expense under non-cancellable operating lease during year ended March 31, 2018 and March 31, 2017 amounted to GBP 1,929 and GBP 1,953 respectively. Future minimum lease payments under non-cancellable operating lease as at March 31, 2017 is as below:

Minimum lease payments

	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017	As at 31 March 2017
	£	**₹**	**£**	**₹**
		Unaudited		**Unaudited**
Payable – Not later than one year	**1,912**	**176,439**	1,953	157,998
Payable – Later than one year and not later than five years	**4,349**	**401,326**	3,653	295,528
Payable – Later than five years	**–**	**–**	–	–

The rental expense under cancellable operating lease during year ended March 31, 2018 and March 31, 2017 amounted to GBP 79,784 and GBP 80,953 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) **Subsidiaries of Immediate Parent Company:**
ITC Infotech (USA), Inc.
Indivate Inc.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Transactions with the above related parties during the year were:

	Holding Company				Fellow Subsidiaries			
	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited	As at 31 March 2018 £	As at 31 March 2018 ₹ Unaudited	As at 31 March 2017 £	As at 31 March 2017 ₹ Unaudited
Sale of goods/Services	**74,268**	**6,853,451**	88,893	7,191,444	**83,831**	**7,735,925**	74,202	6,002,942
Purchase of goods/Services	**14,959,722**	**1,380,483,146**	13,920,390	1,126,159,551	–	–	–	–
Dividend	–	–	1,714,538	138,706,124	–	–	–	–
Balance as on 31st March								
Trade receivables	**121,861**	**11,245,333**	47,592	3,850,193	**72,770**	**6,715,216**	–	–
Trade-Payables	**2,942,664**	**271,549,034**	2,764,530	223,650,477	–	–	–	–

Key Managerial Personnel:

Non-Executive Directors

Y. C. Deveshwar	Chairman
Sanjiv Puri	Sr. Vice 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, 2018 and March 31, 2017 have been detailed below:

	Year ended March 31,			
	2018 £	2018 ₹ Unaudited	2017 £	2017 ₹ Unaudited
President:				
Salaries	**155,588**	**14,357,661**	154,430	12,493,387
Social security contribution	**20,814**	**1,920,716**	23,442	1,896,458
Incentives	–	–	23,551	1,905,276
Total	**176,402**	**16,278,377**	201,423	16,295,121

None of the directors received any emoluments for their services to the company, nor were any amounts recharged by or payable to any other organisation or company for the directors' services to the company.

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, 2018.

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

Principal Activities

The Corporation is engaged in providing marketing, sales and delivery of IT services.

Financial Results (*)

(US$ million)

	ITC Infotech (USA), Inc.	
Year Ended March 31,	2018	2017
Total Revenue	88.11	91.44
Operating Income before Amortization	4.00	4.00
Profit/(Loss) After Tax	1.97	1.21

(*) including Indivate Inc., a wholly owned subsidiary of the Corporation.

For the year under review, the Corporation declared and paid a maiden dividend of US$ 8 per share on 1,82,000 Common Shares-without par value aggregating US$ 1.46 million.

Business Review

Corporation

In 2017-18, the Corporation's total revenue was US$ 87.64 million while the net profit was US$ 1.94 million. The Corporation witnessed a slowdown in 2017-18 primarily due to depreciation in the US Dollar and weakness in some existing accounts, which was partly offset by strong growth in other existing accounts in the Retail, Consumer Products, Manufacturing, Hi-tech and Healthcare verticals. Significant growth was also seen in the Hi-tech, Retail, Financial services and Manufacturing verticals and in some of the existing and new clients in the area of Product Lifecycle Management. Data, Digital Customer experience and Infrastructure services saw good demand from clients in the USA.

In the coming year, the Corporation focuses on acquiring a select set of new clients aligned to specific industries in addition to deepening relationships and scaling key existing accounts. The Corporation will continue to elevate it's positioning in the USA market by effectively leveraging the Business and Technology Consulting offerings and by demonstrating the capabilities of the Innoruption lab in emerging technologies. The Corporation will continue to focus on strengthening alliances with large scale technology vendors while forming and nurturing new partnerships with emerging, future ready Independent Software Vendors.

Primary challenges seen by the Corporation are the uncertainties resulting from new protectionist regulatory changes and fluctuations in the US Dollar. The Corporation will continue to execute on the focus areas of the strategy to deliver strong traction and financial results in the coming year.

Wholly owned subsidiary- Indivate Inc.

Indivate Inc. ("Indivate") provides market research, consulting and business development services. During the year under review, Indivate recorded Revenue of US$ 475,267 and Net Profit of US$ 26,902.

Directors

Messrs. Y. C. Deveshwar, S. Puri, S. Sivakumar, B. B. Chatterjee, (Ms.) B. Parameswar, (Ms.) S. Rajagopalan and R. Tandon, Directors of the Corporation, will retire at the next Annual Meeting, and, being eligible, offer themselves for re-appointment.

On behalf of the Board

S. Rajagopalan — **Director**

S. Sivakumar — **Vice Chairman**

2nd May, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ITC Infotech (USA), Inc.

We have audited the accompanying special-purpose financial statements of ITC Infotech (USA), Inc. (the "Company"), which comprise the special-purpose balance sheet as of March 31, 2018 and the related special-purpose statements of operations and retained earnings and cash flows for the year 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 [1] 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 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 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 Company'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 Company'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 on the 2018 Special-Purpose Financial Statements

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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with the Basis of Presentation as described in Note B [1].

Basis of Accounting

We draw attention to Note B [1] of the special–purpose financial statements, which describes the basis of accounting. For the purpose of the special–purpose financial statements, the Company did not consolidate Indivate Inc., a wholly owned subsidiary. Accordingly, the accompanying special-purpose financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

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 ITC Infotech (USA), Inc. for informational purposes only, and is not a representation in conformity with principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Predecessor Auditor's Opinion on 2017 Special-Purpose Financial Statements

The special-purpose financial statements of the Company as of and for the year ended March 31, 2017 were audited by other auditors whose report, dated May 5, 2017 expressed an unmodified opinion on those statements and included an emphasis-of-matter paragraph that described the inclusion of Indian Rupee equivalent figures as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only as discussed in Note B [1] to the Special-Purpose financial statements.

Restriction on Use

Our 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.

Deloitte Haskins & Sells LLP
Bengaluru, India
May 2, 2018

BALANCE SHEET AS OF MARCH 31

	2018 $	2018 ₹	2017 $	2017 ₹
Assets				
Current assets				
Cash and cash equivalents	**1,400,138**	**91,260,996**	4,074,442	264,227,497
Accounts receivable, net of allowance for doubtful accounts of $1,292,377 (₹ 84,237,130) and $1,188,158 (₹ 77,052,046) for 2018 and 2017, respectively	**29,071,882**	**1,894,905,271**	22,929,981	1,487,009,270
Receivable from Indivate	**134,588**	**8,772,444**	43,467	2,818,833
Advances to employees	**85,517**	**5,573,998**	135,763	8,804,231
Total current assets	**30,692,125**	**2,000,512,709**	27,183,653	1,762,859,831
Property and Equipment	**1,113,041**	**72,548,012**	985,511	63,910,388
Less: Accumulated depreciation and amortization	**893,619**	**58,246,086**	779,967	50,580,860
	219,422	**14,301,926**	205,544	13,329,528
Intangible assets and goodwill	**12,574,566**	**819,610,212**	12,574,566	815,460,582
Less: Accumulated amortization	**12,574,566**	**819,610,212**	12,574,566	815,460,582
	–	–	–	–
Investment in subsidiary (Indivate Inc.)	**100,000**	**6,518,000**	100,000	6,485,000
Deferred income taxes	**2,350,747**	**153,221,689**	3,317,383	215,132,288
Other assets, principally unsecured advances	**2,442,425**	**159,197,262**	901,109	58,436,919
	35,804,719	**2,333,751,586**	31,707,689	2,056,243,566
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	**335,528**	**21,869,715**	1,126,821	73,074,342
Accrued expenses and other current liabilities	**7,147,934**	**465,902,411**	5,003,752	324,493,253
Accrued payroll and payroll taxes	**1,149,482**	**74,923,237**	1,214,884	78,785,227
Due to ITC Infotech Ltd., (UK), net	**101,248**	**6,599,334**	–	–
Due to ITC Infotech India Ltd., net	**6,721,553**	**438,110,765**	4,475,712	290,249,923
Total current liabilities	**15,455,745**	**1,007,405,462**	11,821,169	766,602,745
Non-current liabilities				
Deferred income taxes	**43,519**	**2,836,568**	63,879	4,142,553
Stockholder's equity				
Paid up Share Capital	**200,000**	**13,036,000**	200,000	12,970,000
Additional paid-in capital	**18,000,000**	**1,173,240,000**	18,000,000	1,167,300,000
Retained earnings	**2,105,455**	**137,233,556**	1,622,641	105,228,268
Total stockholder's equity	**20,305,455**	**1,323,509,556**	19,822,641	1,285,498,268
	35,804,719	**2,333,751,586**	31,707,689	2,056,243,566

On behalf of the Board

Date: May 2, 2018	Soumyarup Roy	L N Balaji	S Rajagopalan	S Sivakumar
	Financial Controller	President	Director	Vice Chairman

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED MARCH 31

	2018 $	2018 ₹	2017 $	2017 ₹
Revenues				
Service fees	**50,860,897**	**3,315,113,266**	48,118,777	3,120,502,688
Project fees	**36,774,538**	**2,396,964,387**	43,242,244	2,804,259,523
Total revenues	**87,635,435**	**5,712,077,653**	91,361,021	5,924,762,211
Cost of revenues, principally employment costs and fees charged by affiliates	**70,340,373**	**4,584,785,512**	72,965,322	4,731,801,132
Gross profit	**17,295,062**	**1,127,292,141**	18,395,699	1,192,961,079
General and administrative expenses	**13,323,116**	**868,400,701**	14,327,710	929,151,994
Operating income before amortization	**3,971,946**	**258,891,440**	4,067,989	263,809,085
Amortization of intangible assets and goodwill	–	–	2,422,917	157,126,167
Operating income / (Loss)	**3,971,946**	**258,891,440**	1,645,072	106,682,918
Other income	**12,287**	**800,867**	74	4,799
Income before income tax expense	**3,984,233**	**259,692,307**	1,645,146	106,687,717
Income tax expense / (benefit)				
Current	**1,099,144**	**71,642,206**	900,649	58,407,088
Deferred	**946,275**	**61,678,205**	(561,543)	(36,416,064)
Total income tax expense	**2,045,419**	**133,320,411**	339,106	21,991,024
Net income / (Loss)	**1,938,814**	**126,371,896**	1,306,040	84,696,693
Retained earnings at beginning of year	**1,622,641**	**105,763,740**	316,601	20,531,575
Less : Dividend Paid	**1,456,000**	**94,902,080**	–	–
Retained earnings at end of year	**2,105,455**	**137,233,556**	1,622,641	105,228,268

On behalf of the Board

Date: May 2, 2018	Soumyarup Roy	L N Balaji	S Rajagopalan	S Sivakumar
	Financial Controller	President	Director	Vice Chairman

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR END MARCH 31

	2018 $	2018 ₹	2017 $	2017 ₹
Cash flows from operating activities				
Net income	**1,938,814**	**126,371,897**	1,306,040	84,696,693
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**118,682**	**7,735,693**	2,535,594	164,433,271
Deferred income taxes	**946,275**	**61,678,205**	(561,543)	(36,416,064)
Write off of Fixed Assets	**2,668**	**173,900**	–	–
Bad debt expense	**104,219**	**6,792,994**	283,550	18,388,218
(Increase) decrease in assets				
Accounts receivable	**(6,246,120)**	**(407,122,102)**	19,397	1,257,893
Receivable from Indivate	**(91,121)**	**(5,939,267)**	(43,467)	(2,818,833)
Advances to employees	**50,246**	**3,275,034**	(9,091)	(589,551)
Trade advances				
Other assets, principally unsecured advances	**(1,541,316)**	**(100,462,977)**	(7,668)	(497,270)
Increase (decrease) in liabilities				
Accounts payable	**(791,293)**	**(51,576,478)**	309,758	20,087,806
Accrued expenses and other liabilities	**2,144,183**	**139,757,848**	(167,375)	(10,854,269)
Accrued payroll and payroll taxes	**(65,402)**	**(4,262,902)**	39,929	2,589,396
Due to ITC Infotech Ltd. (UK), net	**101,248**	**6,599,345**	–	–
Due to ITC Infotech India Ltd., net	**2,245,841**	**146,383,916**	(1,271,926)	(82,484,401)
Net cash provided by / (used in) operating activities	**(1,083,076)**	**(70,594,894)**	2,433,198	157,792,889
Cash flows from investing activities				
Capital expenditures	**(135,228)**	**(8,814,161)**	(46,116)	(2,990,623)
Net cash used in investing activities	**(135,228)**	**(8,814,161)**	(46,116)	(2,990,623)
Payout of Dividend	**(1,456,000)**	**(94,902,080)**	–	–
Investment in Subsidiary	–	–	(100,000)	(6,485,000)
Net cash used in financing activities	**(1,456,000)**	**(94,902,080)**	(100,000)	(6,485,000)
Net increase (decrease) in cash and cash equivalents	**(2,674,304)**	**(174,311,135)**	2,287,083	148,317,266
Cash and cash equivalents at beginning of year	**4,074,442**	**265,572,130**	1,787,359	115,910,231
Cash and cash equivalents at end of year	**1,400,138**	**91,260,995**	4,074,442	264,227,497

On behalf of the Board

Date: May 2, 2018	Soumyarup Roy Financial Controller	L N Balaji President	S Rajagopalan Director	S Sivakumar Vice Chairman

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018 AND 2017

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., an Indian company. There are 185,000 common shares authorized of which 182,000 have been issued, and are outstanding, to ITC Infotech India Ltd. ITC Infotech Ltd. is also a wholly-owned subsidiary of ITC Infotech India Ltd.

The Company has entered into an agreement with its parent company ITC Infotech India Ltd. on April 1, 2014 wherein the Company has agreed to sub-contract the execution and management of customer contracts to ITC Infotech India Ltd. Under the terms of this agreement, ITC Infotech India Ltd. 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 ITC Infotech India Ltd. based on actual financial performance of the Company.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

As required by its parent company ITC Infotech India Ltd. the financial statements of the Company are not prepared in accordance with accounting principles generally accepted in the United States of America 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 ITC Infotech India Ltd. the Indian Rupee equivalent figures, arrived at by applying the average interbank exchange rate of US$1 = ₹ 65.18 for fiscal year ended March 31, 2018 (2017 US$1 = ₹ 64.85) as provided by ITC Infotech India Ltd., have been included solely for informational purposes and is not in conformity with the provisions of FASB ASC 830-30 – *Foreign Currency Matters – Translation of Financial Statements and U.S. GAAP.*

Figures for year ended March 31, 2017 were audited by the previous auditors M/s EisnerAmper LLP.

[2] 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.

[3] Recognition of revenue:

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.

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.

[4] Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

deposits in cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original 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] Property and Equipment:

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 recorded.

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, 2018. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2015 and after.

The Federal Income Tax rate structure in the United States of America was revised with effect from 1st January, 2018. Consequently, the Federal income tax rate applicable to the Company has reduced from 34% to 21%. Accordingly, a weighted average Federal tax rate of 30.75% has been applied in the current year. Further, due to the decrease in the Federal income tax rate, the Deferred Tax Assets of the Company have been suitably revalued.

[8] Advertising costs:

Advertising costs are expensed as incurred.

[9] 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. Based on our evaluation, no impairment charge has been recorded in fiscal years ended March 31, 2018 or 2017.

[10] 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.

[11] 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. There were no such costs capitalized in fiscal years ended March 31, 2018 or 2017.

[12] 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 No. 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 the 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 is currently evaluating the impact that the adoption of this ASU will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the financial statements. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses, which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment should be applied through a modified retrospective approach. Early adoption as of the fiscal years beginning after December 15, 2018 is permitted. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In August 2016, FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods and should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In November 2016, FASB issued ASU No. 2016-18, Statement of cash flows - Restricted cash. The amendments apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this update require that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods. The Company does not expect the adoption of this ASU to have a material effect on the presentation of its statement of cash flows.

[14] 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 :

	2018 $	2018 ₹	2017 $	2017 ₹
Transactions with ITC Infotech India Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	27,046,677	1,762,902,427	30,051,155	1,948,817,402
Transactions with ITC Infotech Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	113,963	7,428,084	96,828	6,279,301
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	141,557	9,226,684	135,442	8,783,394
Transactions with ITC Limited				
Reimbursement of advances paid	932,949	60,809,607	827,372	53,655,066
Transactions with Indivate Inc.				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	91,121	5,939,267	43,467	2,818,833

Amount payable to Technico Technologies was $ 32,722 (₹ 2,132,848) and $ 10,930 (₹ 708,801) as on 31st March, 2018 and 31st March, 2017 respectively. The receivable/ payable amount as on 31st March, 2018 and 31st March, 2017 for the other related parties have been disclosed on the Balance Sheet.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2018 of $ 29,206,470 (₹ 1,903,677,715) and March 31, 2017 of $ 22,973,448 (₹ 1,489,828,103) includes both billed and unbilled receivables. Unbilled receivables were approximately $ 10,427,395 (₹ 679,657,631) and $ 7,223,936 (₹ 468,472,256) as of March 31, 2018 and 2017, respectively.

Changes in the allowance for doubtful accounts in 2018 and 2017 are as follows:

	2018 $	2018 ₹	2017 $	2017 ₹
Beginning balance	1,188,158	77,444,143	904,608	58,663,833
Increase to allowance	104,219	6,792,994	283,550	18,388,218
Accounts written off	—	—	—	—
Ending balance	1,292,377	84,237,137	1,188,158	77,052,051

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	31-Mar-18 $	31-Mar-18 ₹	31-Mar-17 $	31-Mar-17 ₹
Leasehold Improvements	4	26,074	1,699,503	26,074	1,690,899
Office Equipments	4	81,958	5,342,022	71,637	4,645,668
Computers etc.	4	751,466	48,980,554	636,417	41,271,654
Furniture and Fixtures	4	251,900	16,418,842	249,739	16,195,587
Capitalised Software	5	1,643	107,091	1,643	106,581
		1,113,041	72,548,012	985,511	63,910,388
Less: Accumulated depreciation		(893,619)	(58,246,086)	(779,967)	(50,580,860)
Property and Equipment, net		219,422	14,301,926	205,544	13,329,528

The depreciation expense recognized in the Statement of Operations is as follows:

	FY 2017-18 $	FY 2017-18 ₹	FY 2016-17 $	FY 2016-17 ₹
Depreciation expense	118,682	7,735,660	112,676	7,307,018

NOTE F - INTANGIBLE ASSETS AND NET ASSETS IN PYXIS SOLUTIONS, LLC

The Company had intangible assets arising from the acquisition of 100% membership interest of Pyxis Solutions, LLC in 2008. The components of intangible assets (including goodwill) as at March 31, 2018 and 2017, are as follows:

Identifiable intangible assets	Estimated useful life	Currency	2018 Gross carrying amount	2018 Accumulated amortization	2018 Net carrying amount	2017 Gross carrying amount	2017 Accumulated amortization	2017 Net carrying amount
Trade name	8	$	300,000	300,000	–	300,000	300,000	–
		₹	19,554,000	19,554,000	–	19,455,000	19,455,000	–
Non-compete agreement	4	$	90,000	90,000	–	90,000	90,000	–
		₹	5,866,200	5,866,200	–	5,836,500	5,836,500	–
Customer relationship	8	$	3,900,000	3,900,000	–	3,900,000	3,900,000	–
		₹	254,202,000	254,202,000	–	252,915,000	252,915,000	–
Know how	5	$	1,100,000	1,100,000	–	1,100,000	1,100,000	–
		₹	71,698,000	71,698,000	–	71,335,000	71,335,000	–
Total intangible assets		$	5,390,000	5,390,000	–	5,390,000	5,390,000	–
		₹	351,320,200	351,320,200	–	349,541,500	349,541,500	–
Goodwill	4	$	7,184,566	7,184,566	–	7,184,566	7,184,566	–
		₹	468,289,989	468,289,989	–	465,919,105	465,919,105	–
Total intangible assets and goodwill		$	12,574,566	12,574,566	–	12,574,566	12,574,566	–
		₹	819,610,189	819,610,189	–	815,460,605	815,460,605	–

Amortization of identifiable intangible assets and goodwill for the years ended March 31, 2018 and 2017 was $ 0 (₹ 0) and $2,422,917 (₹ 157,126,167), respectively. As of March 31, 2018, amortization has been fully recognized in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

NOTE G - 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 such leases was approximately $ 410,791 (₹ 26,775,361) and $ 481,136 (₹ 31,201,670) for the fiscal years ended March 31, 2018 and 2017, 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, 2018 are as follows:

FY	Office		Equipment		Total	
	$	₹	$	₹	$	₹
2018-19	**380,731**	**24,816,070**	**2,430**	**158,403**	**383,161**	**24,974,473**
2019-20	331,819	21,627,964	810	52,801	332,629	21,680,765
2020-21	151,636	9,883,636	–	–	151,636	9,883,636
2021-22	154,669	10,081,309	–	–	154,669	10,081,309
2022-23	39,309	2,562,193	–	–	39,309	2,562,193

NOTE H - INCOME TAXES

The income taxes expenses consists of the following:

	Year ended March 31,			
	2018	**2018**	2017	2017
	$	**₹**	$	₹
Federal Taxes				
Current	**958,731**	**62,490,107**	745,740	48,361,250
Deferred	**960,817**	**62,626,052**	(563,994)	(36,574,982)
State and local taxes				
Current	**129,586**	**8,446,408**	89,917	5,831,126
Deferred	**(14,542)**	**(947,860)**	2,451	158,944
Foreign Taxes	**10,827**	**705,704**	64,991	4,214,686
Total current expense	**2,045,419**	**133,320,411**	339,105	21,991,024
Deferred tax assets and liabilities consist of the following:				
Non-current assets				
Accounts Receivable Reserve	**311,447**	**20,300,110**	434,631	28,185,839
Equipment, software, furniture and fixtures & leasehold improvements	**1,003**	**65,368**	474	30,711
Accrued vacation	**421,552**	**27,476,771**	363,958	23,602,689
Accrued bonus	**318,065**	**20,731,453**	591,212	38,340,142
Amortization of intangible assets and goodwill	**878,643**	**57,269,972**	1,688,240	109,482,339
ESOS Expense	**177,370**	**11,560,996**	–	–
Foreign tax credit carry-over	**242,667**	**15,817,019**	138,868	15,490,568
	2,350,747	**153,221,689**	3,317,383	215,132,288
Non-current (liability)				
Depreciation	**(43,519)**	**(2,836,556)**	(63,879)	(4,142,555)

NOTE I - 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 16% (6%, 5% and 5%) and approximately 28% (12%, 9% and 7%) of the Company's revenues for the years ended March 31, 2018 and 2017, respectively. Accounts receivable from these customers approximated 9% (3%, 6%, 0%) and 17% (4%, 7% and 9%) of total accounts receivable as at March 31, 2018 and 2017, respectively. Additionally, one customer accounted for 8% of the accounts receivables as of March 31, 2018 that did not account under 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 J – EMPLOYEES STOCK BASED COMPENSATION

Certain employees of the Company are covered under the stock option plans of the Company's ultimate Parent, ITC Limited. These plans are assessed, managed and administered by the Holding Company of ITC Infotech India Ltd. Fair value of such stock options is calculated using the Black Scholes pricing model at the grant date. Expense related to these stock options have been reflected in the statement of operations in the amount of $ 644,893 (₹ 42,034,126) and $ 771,311 (₹ 50,019,536) for the Fiscal Year 2017-18 and 2016-17 respectively.

NOTE K - EMPLOYEE BENEFIT PLANS

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, 2018 and 2017 was $ 467,478 (₹ 30,468,253) and $ 491,188 (₹ 31,853,542), respectively.

NOTE L - 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 (₹ 32,590,000). Interest on this line of credit is chargeable at London Interbank Offered Rate plus 1.35%. There were no amounts outstanding as at March 31, 2018 and March 31, 2017 on account of this credit facility.

NOTE M - SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 2, 2018 which is the date on which the Financial Statements are issued.

REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2018.

The Corporation is a wholly owned subsidiary of ITC Infotech (USA), Inc., incorporated in the USA.

Principal Activities

The Corporation is engaged in providing business development, consulting and other advisory services.

Financial Results

(US$)

Year Ended March 31,	2018	2017 (#)
Total Revenue	**475,267**	78,010
Operating Income/(loss)	**26,902**	(92,691)
Profit/(Loss) After Tax	**26,902**	(92,691)

for the period from November 16, 2016 through March 31, 2017.

Business Review

The Corporation continues to provide business consulting and other advisory services to ITC Limited (ITC) pursuant to the Business Services Agreement dated February 1, 2017.

2017-18 was the first full year of operation for the Corporation. The services provided to ITC primarily include trendspotting, market evaluation and research, analysis of emerging regulatory frameworks and consumer preferences in identified business segments. The Corporation also undertakes business development activities towards enhancing the sales for the goods and services of ITC in the US market.

Directors

M/s. L. N. Balaji, S. Dutta and (Ms.) B. Parameswar, Directors of the Corporation, will retire at the next Annual Meeting, and, being eligible, offer themselves for reappointment.

On behalf of the Board

Bhavani Parameswar
Director & President

May 2, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ITC Infotech (USA), Inc., Parent Company of Indivate Inc.

We have audited the accompanying financial statements of Indivate Inc., (a wholly owned subsidiary of ITC Infotech (USA), Inc.) which comprise the balance sheet as of March 31, 2018 and the related statement of operations and retained earnings and cash flows for the year then ended, 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 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 Company'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 Company'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 on the 2018 Financial Statements

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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B [1] to the financial statements, the Indian Rupee equivalent figures have been included in the financial statements as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only, and is not a representation in conformity with principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Predecessor Auditor's Opinion on 2017 Financial Statements

The financial statements of Indivate Inc. as of and for the year ended March 31, 2017 were audited by other auditors whose report, dated May 5, 2017 expressed an unmodified opinion on those statements and included an emphasis-of-matter paragraph that described the inclusion of Indian Rupee equivalent figures as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only as discussed in Note B [1] to the financial statements.

Deloitte Haskins & Sells LLP
Bengaluru, India
May 2, 2018

INDIVATE INC.
BALANCE SHEET AS OF MARCH 31

	2018 ($)	2018 (₹)	2017 ($)	2017 (₹)
Assets				
Current assets				
Cash and cash equivalents	**85,725**	**5,587,557**	17,411	1,129,080
Due from ITC Limited	**142,545**	**9,291,083**	53,348	3,459,610
Advances to employees	**–**	**–**	–	–
Total current assets	**228,270**	**14,878,640**	70,759	4,588,690
Equipment, software, furniture and fixtures and leasehold improvements	**3,859**	**251,530**	3,859	250,260
Less: Accumulated depreciation and amortization	**1,191**	**77,629**	226	14,667
	2,668	**173,901**	3,633	235,593
Other assets, principally unsecured advances	**5,680**	**370,222**	–	–
	236,618	**15,422,763**	74,392	4,824,283
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	**5,705**	**371,852**	–	–
Accrued expenses and other current liabilities	**9,532**	**621,296**	13,112	850,295
Accrued payroll and payroll taxes	**52,582**	**3,427,293**	10,504	681,160
Due to ITC Infotech (USA), Inc., net	**134,588**	**8,772,444**	43,467	2,818,833
Total current liabilities	**202,407**	**13,192,885**	67,082	4,350,288
Stockholder's equity				
Paid up Capital	**100,000**	**6,518,000**	100,000	6,485,000
Additional paid-in capital	**–**	**–**	–	–
Retained earnings	**(65,789)**	**(4,288,122)**	(92,691)	(6,011,005)
Total Stockholder's equity	**34,211**	**2,229,878**	7,309	473,995
	236,618	**15,422,763**	74,392	4,824,283

On behalf of the Board

Bhavani Parameswar
Director and President

LN Balaji
Director

Date: May 2, 2018

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED MARCH 31

	2018 ($)	2018 (₹)	2017 ($)	2017 (₹)
Revenue				
Service income- Related party	475,267	30,977,903	78,010	5,058,956
Total Service income	475,267	30,977,903	78,010	5,058,956
Cost of revenues, principally employment costs	448,365	29,224,431	170,701	11,069,961
Gross profit	26,902	1,753,472	(92,691)	(6,011,005)
General and administrative expenses	–	–	–	–
Operating Income/(loss)	26,902	1,753,472	(92,691)	(6,011,005)
Less: Income tax	–	–	–	–
Net Income/(loss)	26,902	1,753,472	(92,691)	(6,011,005)
Retained earnings at beginning of year	(92,691)	(6,041,594)	–	–
Retained earnings at end of year	(65,789)	(4,288,122)	(92,691)	(6,011,005)

On behalf of the Board

Date: May 2, 2018

Bhavani Parameswar
Director and President

LN Balaji
Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS YEARS ENDED MARCH 31

	2018 ($)	2018 (₹)	2017 ($)	2017 (₹)
Cash flows from operating activities				
Net income	26,902	1,753,472	(92,691)	(6,011,005)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	965	62,899	226	14,667
(Increase) decrease in assets				
Accounts receivable	(89,197)	(5,813,860)	(53,348)	(3,459,610)
Advances to employees	–	–	–	–
Trade advances				
Other assets, principally unsecured advances	(5,680)	(370,222)	–	–
Increase (decrease) in liabilities				
Accounts payable	5,705	371,852	–	–
Accrued expenses and other liabilities	(3,580)	(233,344)	13,112	850,296
Accrued payroll and payroll taxes	42,078	2,742,644	10,504	681,160
Due to ITC Infotech Ltd. (UK), net	–	–	–	–
Due to ITC Infotech (USA), Inc., net	91,121	5,939,267	43,467	2,818,833
Net cash provided by / (used in) operating activities	68,314	4,452,708	(78,730)	(5,105,659)
Cash flows from investing activities				
Capital expenditures	–	–	(3,859)	(250,260)
Net cash used in investing activities	–	–	(3,859)	(250,260)
Capital contribution from parent	–	–	100,000	6,485,000
Net cash used in financing activities	–	–	100,000	6,485,000
Net increase (decrease) in cash and cash equivalents	68,314	4,452,708	17,411	11,29,080
Cash and cash equivalents at beginning of year	17,411	1,134,849	–	–
Cash and cash equivalents at end of year	85,725	5,587,557	17,411	1,129,080

On behalf of the Board

Date: May 2, 2018

Bhavani Parameswar
Director and President

LN Balaji
Director

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018 AND 2017

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 sole shareholder of the Parent Company, the Indian Rupee equivalent figures, arrived at by applying the year end interbank exchange rate of US $1 = ₹ 65.18 for the fiscal year ended March 31, 2018 (2017: US$1 = ₹ 64.85) as provided by the Sole shareholder of 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.

Figures for year ended March 31, 2017 were audited by the previous auditors M/s EisnerAmper LLP.

[2] 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.

[3] Recognition of revenue:

Service revenue

Service revenue is based upon services provided by the Company on customer assignments and is recognized when the work is performed. Substantially, the customers are invoiced on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

[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 original maturities of ninety days or less, when purchased, to be cash or cash equivalents.

[5] 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.

[6] 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.

[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 No. 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 the 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, based on current operations, does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses, which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment should be applied through a modified retrospective approach. Early adoption as of the fiscal years beginning after December 15, 2018 is permitted. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In August 2016, FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods and should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In November 2016, FASB issued ASU No. 2016-18, Statement of cash flows - Restricted cash. The amendments apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this update require that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods. The Company does not expect the adoption of this ASU to have a material effect on the presentation of its statement of cash flows.

[8] Employees stock based compensation:

Employee of the Company is covered under the stock option plans of the Company's ultimate Parent, ITC Limited. These plans are assessed, managed and administered by ITC Limited. Fair value of such stock options is calculated using the Black Scholes pricing model at the grant date. Expense related to these stock options have been reflected in the statement of operations aggregating $91,121 (₹ 5,939,267) and $43,467 (₹ 2,818,833) for the Financial Year 2017-18 and 2016-17 respectively.

NOTE C – RELATED PARTY TRANSACTIONS

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

	2018 ($)	2018 (₹)	2017 ($)	2017 (₹)
Transactions with ITC Limited				
Service / Account Management fees / others recognized as revenue by indivate	**475,267**	**30,977,891**	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 $142,545 (₹ 9,291,064) and $ 53,348 (₹ 3,459,610) as of March 31, 2018 and 2017, respectively.

Transactions with Parent Company				
Payroll related expenditure	**91,121**	**5,939,267**	43,467	2,818,833

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

		As of			
	Estimated useful lives (Years)	31-Mar-18		31-Mar-17	
		($)	(₹)	($)	(₹)
Computers etc.	4	**1,138**	**74,175**	1,138	73,800
Furniture and Fixtures	4	**2,721**	**177,355**	2,721	176,460
		3,859	**251,530**	3,859	250,260
Less: Accumulated depreciation		**(1,191)**	**(77,629)**	(226)	(14,667)
Property and Equipment, net		**2,668**	**173,900**	3,633	235,593

The depreciation expense recognized in the Statement of Operations is as follows:

	FY 2017-18		FY 2016-17	
	($)	(₹)	($)	(₹)
Depreciation expense	**965**	**62,886**	226	14,667

NOTE E – SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 2, 2018 which is the date on which the Financial Statements are issued.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Board of Directors ('the Board') hereby submits their Report for the financial year ended 31st March, 2018.

2. **FINANCIAL PERFORMANCE**

During the year under review, your Company recorded an Operating Income of ₹ 5,701 lakhs (previous year: ₹ 5,219 lakhs) showing a growth of 9%. The Other Income of the Company was ₹ 136 lakhs (previous year: ₹ 224 lakhs). Profit for the year was ₹ 48.04 lakhs (previous year: loss of ₹ 151.92 lakhs).

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

	For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
Profits		
a. Profit Before Tax	**(49.41)**	(253.18)
b. Less : Tax Expense		
Current Tax	–	–
Deferred Tax	**(97.45)**	(101.26)
c. Profit for the year	**48.04**	(151.92)
d. Add : Other Comprehensive Income / (Loss)	**(8.11)**	1.83
e. Total Comprehensive Income	**39.93**	(150.10)
Retained Earnings		
a. At the beginning of the year	**6,467.13**	6,617.22
b. Add : Profit for the year	**48.04**	(151.92)
c. Add : Other Comprehensive Income / (Loss)	**(8.11)**	1.83
d. At the end of the year	**6,507.06**	6,467.13

3. **OPERATIONAL PERFORMANCE**

Your Company's hotel 'ITC Kakatiya' in Hyderabad improved its performance during the year on the back of higher room occupancy rates and robust growth in Food and Beverages revenue. However, overall room rates remained under pressure.

Your Company's 101-key full service hotel in Amritsar, located on a land parcel assigned to the Company by ITC Limited, the Holding Company, is under development. Civil works are nearing completion and interior work is underway.

During the year, the Times Food Guide award for 'Dakshin' (Best South Indian Fine Dining) and 'Marco Polo' (Best Resto Bar) were bagged by ITC Kakatiya. TripAdvisor rated ITC Kakatiya as No. 1 in the city cluster hotels and No. 3 in the city. The hotel's restaurant Kebabs & Kurries and Dakshin were adjudged as the best restaurants in Hyderabad by TripAdvisor, ranking them No. 1 and No. 3 respectively.

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

The Board on the recommendation of the erstwhile Nomination and Remuneration Committee, appointed Mr. Anil Chadha (DIN: 08073567) and Mr. Ramanapradeep Reddy Nallari (DIN: 00096144), as Additional Directors of the Company with effect from 6th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 138 of Articles of Association of the Company, Mr. Chadha and Mr. Reddy will vacate office at the ensuing Annual General Meeting ('AGM') and are eligible for appointment as Director of the Company. Your Board at the meeting held on 21st April, 2018 recommended for the approval of the Members, the appointment of Mr. Chadha and Mr. Reddy as Non-Executive Directors of the Company, liable to retire by rotation. Requisite Notice under Section 160 of the Act have been received by the Company for appointment of Mr. Chadha and Mr. Reddy, who have filed their consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to the aforesaid appointments is appearing in the Notice convening the ensuing AGM of your Company.

During the year under review, Mr. Subba Rao Tulasi and Mr. Raghavaiah Veera Kolamala, ceased to be Independent Directors of your Company with effect from 17th March, 2018, on completion of term. Your Directors place on record their appreciation for the contributions made by Mr. Tulasi and Mr. Kolamala during their respective tenure.

b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Articles 151 and 152 of the Articles of Association of the Company, Mr. G. V. Pranav Reddy (DIN: 06381368) and Mr. G. Sivakumar Reddy (DIN: 00439812), Directors, will retire by rotation at the ensuing AGM of the Company, and being eligible, offers themselves for re-appointment. Your Board has recommended their re-appointment.

5. **BOARD AND BOARD COMMITTEES**

Your Company, being a wholly owned subsidiary, is no longer required to constitute Audit Committee and Nomination and Remuneration Committee, in terms of Notification dated 13th July, 2017, issued by the Ministry of Corporate Affairs, Government of India. Accordingly, your Board dissolved the Nomination and Remuneration Committee of the Company with effect from 17th March, 2018.

The present composition of the Audit Committee is given below:

Mr. J. Singh	-	Chairman
Mr. D. Haksar	-	Member
Mr. N. R. Pradeep Reddy	-	Member

The present composition of the Corporate Social Responsibility Committee is given below:

Mr. G. S. Reddy	-	Chairman
Mr. J. Singh	-	Member
Mr. D. Haksar	-	Member

Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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 and 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. **PARTICULARS OF EMPLOYEES**

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.

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.

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 Audit Department of ITC Limited, 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. As required under the Risk Management Policy of the Company, a Risk Mitigation Report back is prepared on half-yearly basis and reviewed by the Managing Director of the Company. Further, an annual update is 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

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. 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 2 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 2017-18.

12. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2018, 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, 2018, 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. 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 3** to this Report.

16. STATUTORY AUDITORS

The Company's Statutory Auditors, Messrs Deloitte Haskins & Sells LLP ('DHS'), Chartered Accountants, were appointed with your approval at the Thirty-Second AGM to hold such office till the conclusion of the Thirty-Seventh AGM. On the recommendation of the Audit Committee, 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 Thirty-Fourth AGM. On the recommendation of the Audit Committee, the Board, has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of your Company.

17. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

18. 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.	Revamping of Cooling Towers
2.	Procurement of New Cooling Towers (CTI) Certified

Steps taken by the Company for utilising alternate sources of energy: Nil

Capital investment on energy conservation equipment:

S. No.	Description	₹ in Lakhs
1.	Procurement of New Cooling Towers (CTI) Certified	₹ 29.33

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.	Installation of CTI (Cooling Technology Institute) Certified Cooling Tower	Energy Saving
2.	Installation of New Crash Resistant Barriers for In Gate & Out Gate	Safety Enhancement
3.	Installation of Sound proof Windows for Road facing rooms	Guest Experience
4.	Fire pump room pipe line modification work	Safety Enhancement
5.	Soft refurbishment of rooms in 11th & 12th floor	Guest Experience

ii) The Company neither imported any technology during the year nor incurred any expenditure on research and development.

Foreign Exchange Earnings and Outgo

The foreign exchange earnings of your Company during the year aggregated ₹ 1359.37 lakhs (previous year: ₹ 930.58 lakhs) while the foreign exchange outflows aggregating ₹ 135.43 lakhs (previous year: ₹ 131.90 lakhs).

On behalf of the Board

Date: 21st April, 2018
Place: New Delhi

G. S. Reddy
Chairman

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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
Virender Razdan*	53	Managing Director	52,66,136/-	21,16,087/-	B.S.C, Hotel Management	30	29.08.2016	ITC Limited, General Manager
Rakshit Kapoor*	33	Chief Financial officer	28,98,970/-	21,63,922/-	A.C.A	10	24.03.2017	ITC Limited, Finance Manager
Srinivas Rao Mortha	51	Jr. Executive	7,23,005/-	5,72,931/-	Graduate	23	31.07.1995	Marriot Hotel & Convention Centre, Hyderabad, F & B Production Associate
Akkem Shiva Kumar	39	F&B Executive	6,23,468/-	5,60,708/-	Intermediate	19	10.08.1998	Holiday Inn Krishna, Assistant Steward
Venu Gopal	45	Laundry Incharge	6,20,100/-	5,76,238/-	Matriculate	2	11.07.2016	The Park, Hyderabad, Laundry Manager
Ammisetti Lakshman Raja	48	Jr. Executive	5,75,636/-	5,45,780/-	Graduate	23	06.06.1995	APSIDC Ltd, Executive Secretary
Teja Sundar Raj	51	Executive Secretary	5,61,175/-	5,35,430/-	Graduate	17	11.10.1999	Orbit Technologies Pvt. Ltd, Executive Secretary
Sambasiva Rao Bhimavarapu	50	Jr. Executive	5,49,286/-	4,93,598/-	Matriculate	23	01.10.1995	J.J Associates, Electrical Supervisor
Kandadi Subramanaim Ravi Kumar	57	Jr. Executive	5,46,275/-	4,83,546/-	Matriculate	23	01.09.1995	The Krishna Oberoi, Hyderabad, Kitchen Stewarding Associate
Archana Koul	37	Head - Customer Relations	5,28,738/-	4,92,773/-	Graduate	1	23.03.2017	Spice Jet Airlines, Cabin Crew

* 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 Managing Director 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 deputed employees) are / were contractual in accordance with terms and conditions as per Company's rules.

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

Dated : 21st April, 2018
Place: New Delhi

On behalf of the Board

G. S. Reddy — **Chairman**
V. Razdan — **Managing Director**

Annexure 2 to the Report of the Board of Directors

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2018

[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. S. Reddy (Chairman) Mr. D. Haksar Mr. J. Singh
3.	Average net profit of the Company for last three financial years	₹ (3,34,41,261)/- [Loss]
4.	Prescribed CSR expenditure (two percent of the amount stated under 3 above)	Nil
5.	Details of CSR spent during the financial year 2017-18: Total amount spent for the financial year Total amount unspent	 Nil Nil

Manner in which the amount spent during the financial year 2017-18 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 2017-18.			
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. S. Reddy
Chairman - CSR Committee

V. Razdan
Managing Director

Dated : 21st April, 2018
Place : New Delhi

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, 2018

[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 ₹ 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. 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 Pranab 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 S. 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. P. 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,Jagdish Singh, Virender Razdan, Anil Chadha, N. R. Pradeep Reddy, Directors, Mr. Rakshit Kapoor, Chief Financial Officer and Ms. Sonali Grover, Company Secretary, did not hold any share 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	V. Razdan (Managing Director) (refer Note 1)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	38,53,848
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	7,90,249
	(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)		**46,44,097**
Ceiling as per the Companies Act, 2013		**84,00,000 per annum** (refer Note 2)

Note 1: Mr. V. 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. Further, the appointment of Mr. Razdan 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, 2018 are inadequate.

B. Remuneration to other Directors:

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**				
	Total Amount (B) (1)				**Nil**
2.	**Other Non-Executive Directors**				
	N. Anand	Nil	Nil	Nil	Nil
	B. N. Reddy				
	G. S. Reddy				
	D. Haksar				
	G. V. P. Reddy				
	J. Singh				
	A. Chadha*				
	N. R. Pradeep Reddy*				
	Total Amount (B) (2)				**Nil**
Total Amount (B) = (B) (1) + (B) (2)					**Nil**
Total Managerial Remuneration (A+B)					**46,44,097**
Overall ceiling as per the Companies Act, 2013					84,00,000 per annum (refer Note 1)

*Appointed with effect from 6th March, 2018

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, 2018 are inadequate.

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

Sl. No.	Particulars of Remuneration per Annum	R. Kapoor (Chief Financial Officer) (refer Note 1)	S. Grover (Company Secretary)
1.	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	28,87,986	1,80,000
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	4,28,006	
	(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		**33,15,992**	**1,80,000**

Note 1: Mr. R. Kapoor is on deputation from ITC Limited (ITC), the Holding Company, and has been granted Stock Options by ITC under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities 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

Dated : 21st April, 2018
Place: New Delhi

G. S. Reddy **Chairman**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SRINIVASA RESORTS LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Srinivasa Resorts Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and 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 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 of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 Investor Education and Protection Fund 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 LLP
Chartered Accountants
(Firm's Registration No. 117366W/W - 100018)

Sumit Trivedi
Partner
Membership No. 209354

Hyderabad, April 21, 2018

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 Srinivasa Resorts Limited ("the Company") as of March 31, 2018 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 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, 2018, based on the internal financial 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)

Sumit Trivedi
Partner
Membership No. 209354

Hyderabad, April 21, 2018

ANNEXURE B TO 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 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 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 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 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 falling within the purview of the provisions of Section 73 to 76 of the Companies Act, 2013. There are no 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 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, cess 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, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) Details of dues of, Service Tax and Value Added Tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹)	Amount Unpaid (₹)
VAT Laws	VAT	High Court	2005-06 to 2007-08	30,00,031	21,04,852
Finance Act, 1994	Service Tax	Joint Commissioner (Service Tax)	2011-12 to 2014-15	3,46,64,236	3,46,64,236

Out of the total disputed dues aggregating ₹ 3,76,64,267 as above, ₹ 3,76,64,267 has been stayed for recovery by the relevant authorities.

There are no dues of Income-tax, Sales Tax, Excise Duty and Customs Duty as at March 31, 2018 on account of disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and Government and 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 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 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 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)

Sumit Trivedi
Partner
Membership No. 209354

Hyderabad, April 21, 2018

BALANCE SHEET AS AT MARCH 31, 2018

	Note	As at March 31, 2018 (₹)		As at 31 March, 2017 (₹)	
ASSETS					
Non-current assets					
(a) Property, plant and equipment	3A		45,93,83,459		47,26,29,944
(b) Capital work-in-progress	3B		39,96,26,357		23,61,87,706
(c) Intangible assets	3C		8,26,647		12,29,405
(d) Other non-current assets	10		12,94,59,105		14,34,18,364
Total Non-current assets			98,92,95,568		85,34,65,419
Current assets					
(a) Inventories	4		1,49,57,038		1,61,21,101
(b) Financial assets					
(i) Investments	5	7,62,25,778		19,75,66,313	
(ii) Trade receivables	6	3,41,98,119		2,96,09,171	
(iii) Cash and cash equivalents	7	2,37,29,848		35,40,636	
(iv) Bank balances, other than (iii) above	8	67,73,392		11,00,000	
(v) Others	9	28,78,763		30,35,012	
			14,38,05,900		23,48,51,132
(c) Other current assets	10		1,19,00,855		1,64,33,292
Total Current assets			17,06,63,793		26,74,05,525
Total Assets			1,15,99,59,361		1,12,08,70,944
EQUITY AND LIABILITIES					
Equity					
(a) Equity share capital	11	24,00,00,000		24,00,00,000	
(b) Other equity		73,14,43,221		72,74,50,326	
			97,14,43,221		96,74,50,326
Total Equity			97,14,43,221		96,74,50,326
LIABILITIES					
Non-current liabilities					
(a) Financial liabilities					
(i) Other financial liabilities	12		12,15,000		9,30,000
(b) Provisions	13		16,92,470		12,86,185
(c) Deferred tax liabilities (net)	15		4,66,45,935		5,67,03,203
Total Non-current liabilities			4,95,53,405		5,89,19,388
Current liabilities					
(a) Financial liabilities					
(i) Trade payables	26	8,67,36,640		5,92,78,031	
(ii) Other financial liabilities	12	4,05,90,077		1,81,94,739	
			12,73,26,717		7,74,72,770
(b) Other current liabilities	14		76,87,508		1,34,37,358
(c) Provisions	13		39,48,510		35,91,102
Total Current liabilities			13,89,62,735		9,45,01,230
Total Equity and Liabilities			1,15,99,59,361		1,12,08,70,944

The accompanying notes 1 to 35 are an integral part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 21, 2018

On behalf of the Board

Gunupati Sivakumar Reddy
Chairman

Rakshit Kapoor
Chief Financial Officer

Place: New Delhi
Date: April 21, 2018

Virender Razdan
Managing Director

Sonali Grover
Company Secretary

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

		Note	For the Year ended March 31, 2018 (₹)	For the Year ended March 31, 2017 (₹)
I	**Revenue from operations**	16	**57,00,59,610**	52,19,45,767
II	**Other income**	17	**1,36,73,115**	2,23,14,678
III	**Total income (I+II)**		**58,37,32,725**	54,42,60,445
IV	**Expenses**			
	Cost of materials consumed		**8,65,18,503**	7,80,92,030
	Changes in inventories of stock-in-trade		**(718)**	21,813
	Employee benefits expense	18	**14,72,70,441**	14,22,92,755
	Depreciation and amortization expense	19	**3,33,41,441**	3,58,38,898
	Other expenses	20	**32,15,44,054**	31,33,33,315
	Total expenses (IV)		**58,86,73,721**	56,95,78,811
V	**Profit / (Loss) before tax (III- IV)**		**(49,40,996)**	(2,53,18,366)
VI	**Tax expense:**			
	Deferred tax	15	**(97,44,745)**	(1,01,26,007)
VII	**Profit /(Loss) for the year (V - VI)**		**48,03,749**	(1,51,92,359)
	Other Comprehensive Income			
	Items that will not be reclassified to profit or loss:			
	(i) Remeasurements of defined benefit plans	27	**(11,23,377)**	2,72,954
	(ii) Income tax relating to items that will not be reclassified to profit or loss	15	**3,12,523**	(90,239)
VIII	**Other Comprehensive Income / (Loss) for the year (i+ii)**		**(8,10,854)**	1,82,715
IX	**Total Comprehensive Income / (Loss) for the year (VII+VIII)**		**39,92,895**	(1,50,09,644)
X	**Earnings per equity share (Face Value of ₹ 10 each)**	21		
	Basic		**0.20**	(0.63)
	Diluted		**0.20**	(0.63)

The accompanying notes 1 to 35 are an integral part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 21, 2018

On behalf of the Board

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Rakshit Kapoor
Chief Financial Officer

Place: New Delhi
Date: April 21, 2018

Virender Razdan
Managing Director

Sonali Grover
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

		For the year ended March 31, 2018 (₹)		For the year ended March 31, 2017 (₹)
A. Cash flow from Operating Activities				
Net Profit / (Loss) Before Tax		**(49,40,996)**		(2,53,18,366)
Adjustments for:				
- Depreciation and amortization expense	**3,33,41,441**		3,58,38,898	
- Interest Income	**(18,52,967)**		(33,65,163)	
- (Gain) / Loss on sale of property, plant and equipment - Net	**10,01,927**		8,58,404	
- Net (gain) / loss on foreign currency transactions and translations	**66,073**		2,82,371	
- Employee share based payments (Refer Note 18)	**–**		29,59,189	
- Prepayment of leasehold land	**6,57,307**		6,56,727	
- Net (gain)/loss arising on investments mandatorily measured at Fair value through Profit or Loss	**(87,86,817)**		(1,40,47,468)	
		2,44,26,964		2,31,82,958
Operating Profit Before Working Capital Changes		**1,94,85,968**		(21,35,408)
Adjustments for:				
- Trade receivables	**(45,88,949)**		(40,79,957)	
- Inventories	**11,64,064**		(31,59,044)	
- Other assets	**40,99,106**		(83,02,524)	
- Trade payables	**2,73,92,537**		1,05,10,881	
- Other payables	**18,59,462**		(4,51,163)	
		2,99,26,220		(54,81,807)
Cash generated from operations		**4,94,12,188**		(76,17,215)
Income tax paid (net)		**1,04,37,576**		(15,87,478)
Net Cash from / (used in) Operating Activities		**5,98,49,764**		(92,04,693)
B. Cash Flow from Investing Activities				
- Purchase of property, plant and equipment	**(16,60,70,564)**		(11,50,68,364)	
- Sale of property, plant and equipment	**1,25,001**		–	
- Purchase of current investments	**(27,43,68,562)**		(2,03,37,41,080)	
- Sale/redemption of current investments	**40,44,95,915**		1,97,51,30,759	
- Redemption / proceeds from bank deposits (original maturity more than 3 months)	**36,00,000**		13,46,00,000	
- Investment in bank deposits (original maturity more than 3 months)	**(92,73,392)**		(11,00,000)	
- Interest income	**18,31,052**		86,40,697	
Net cash used in Investing Activities		**(3,96,60,550)**		(3,15,37,988)
C. Cash Flow from Financing Activities		**–**		–
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		**2,01,89,214**		(4,07,42,681)
Opening Cash and cash equivalents		**35,40,634**		4,42,83,315
Closing Cash and cash equivalents		**2,37,29,848**		35,40,634

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Ind AS - 7 "Statement of Cash Flow".
2. Cash and Cash Equivalents (Refer Note 7)

	As at March 31, 2018	As at March 31, 2017
- Balances with banks in current accounts	**2,28,33,731**	18,63,622
- Cheques on hand	**3,93,848**	13,76,189
- Cash on hand	**5,02,269**	3,00,825
Total	**2,37,29,848**	35,40,636

The accompanying notes 1 to 35 are an integral part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 21, 2018

On behalf of the Board

Gunupati Sivakumar Reddy
Chairman

Rakshit Kapoor
Chief Financial Officer

Place: New Delhi
Date: April 21, 2018

Virender Razdan
Managing Director

Sonali Grover
Company Secretary

Statement of changes in equity for the year ended March 31, 2018

A. Equity share capital

	Balance at the beginning of the year	Changes in equity share capital during the year	Balance at the end of the year
For the year ended March 31, 2017	24,00,00,000	–	24,00,00,000
For the year ended March 31, 2018	24,00,00,000	–	24,00,00,000

B. Other equity

	Reserves and surplus				Total
	Capital Contribution for share based payments (Refer note 1)	Capital reserve (Refer note 2)	Retained earnings (Refer note 3)	General reserve (Refer note 4)	
	₹	₹	₹	₹	₹
Balance as at March 31, 2016 (A)	**24,96,307**	**94,603**	**66,17,22,250**	**8,06,43,117**	**74,49,56,277**
Profit / (Loss) 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 (B)	**–**	**–**	**(1,50,09,644)**	**–**	**(1,50,09,644)**
Value of share based payment reimbursable (C)	(24,96,307)	–	–	–	(24,96,307)
Balance as at April 1, 2017 (A+B+C=D)	**–**	**94,603**	**64,67,12,606**	**8,06,43,117**	**72,74,50,326**
Profit / (Loss) for the year	–	–	48,03,749	–	48,03,749
Other comprehensive income / (loss) (net of tax)	–	–	(8,10,854)	–	(8,10,854)
Total comprehensive income (E)	**–**	**–**	**39,92,895**	**–**	**39,92,895**
Balance as at March 31, 2018 (D+E)	**–**	**94,603**	**65,07,05,501**	**8,06,43,117**	**73,14,43,221**

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 of the Company and effects of remeasurement of defined benefit obligations. This reserve can be utilised in accordance with the provisions of Companies Act, 2013.
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 can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 35 are an integral part of the Financial Statements.

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 21, 2018

On behalf of the Board

Gunupati Sivakumar Reddy
Chairman

Rakshit Kapoor
Chief Financial Officer

Place: New Delhi
Date: April 21, 2018

Virender Razdan
Managing Director

Sonali Grover
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

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. 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 –Share-based Payment, leasing transactions that are within the scope of Ind AS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 – Inventories or value in use in Ind AS 36 – Impairment of Assets.

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 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 April 1, 2015 measured as per previous GAAP.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 amortizes the cost (or other amount substituted for cost) of the assets after commissioning, 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.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	60 years
Plant and Equipment	15 years
Furniture and Fixtures	8 years
Vehicles	8 years
Office Equipment	5 years
Computers	3 years
Computer servers and networks	6 years

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.

Intangible Assets

Intangible Assets that the Company controls and from which it expects future economic benefits are capitalised upon acquisition and measured initially at cost comprising the purchase price (including non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

The carrying value of intangible assets includes deemed cost which represents the carrying value of intangible assets recognised as at April 1, 2015 measured as per the previous GAAP.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit and Loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and/or impairment losses.

The useful lives of intangible assets are reviewed annually to determine if a reset of such useful life is required for assets with finite lives and to confirm that business circumstances continue to support an indefinite useful life assessment for assets so classified. Based on such review, the useful life may change or the useful life assessment may change from indefinite to finite. The impact of such changes is accounted for as a change in accounting estimate.

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.

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. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

Foreign Currency Transactions

The functional and presentation currency of the Company is Indian Rupees.

Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Gains/Losses arising on settlement as also on translation of monetary items are recognized in the Statement of Profit and Loss.

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 the Statement of 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 / inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

Financial instruments, Financial assets and Financial liabilities

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 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

Recognition: Financial assets includes investment, trade receivables, advances, security deposits, cash and cash equivalents. Such assets are initially recognized at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the cost is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

- amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest
- fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealized gains and losses arising from changes in the fair value being recognized in other comprehensive income.
- fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy and triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealized gains and losses arising from changes in the fair value being recognized in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents, etc. are classified for measurement at amortised cost while current investments are classified for measurement at fair value through profit or loss (FVTPL).

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognized if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through profit or loss without restating the previously recognized gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognized when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

a) amortised cost, the gain or loss is recognized in the Statement of Profit and Loss;

b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income recognition: Interest income is recognised in the Statement of Profit or Loss using effective interest rate method. Dividend income is recognized in the Statement of Profit or Loss when the right to receive dividend is established.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial liabilities

Borrowings, trade payables and other financial liabilities are initially recognized at the value of the respective contractual obligations. They are subsequently reassessed at amortised cost. Any discount or premium or redemption/settlement is recognized in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are derecognized when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Revenue

Revenue is measured at fair value of the consideration received or receivable for services rendered, net of discounts to customers. It excludes amounts collected on behalf of third parties, such as goods and services tax, sales tax, value added tax/service tax/luxury tax. Revenue from services is 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.

Government Grant

The company may receive Government grants that require compliance with certain conditions related to the Company's operating activities or are provided to the Company by way of Financial assistance on the basis of certain qualifying criteria.

Grants and subsidies from the Government are recognized when there is reasonable assurance that the grant will be received, and the company will comply with the conditions attached to the grant.

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. Grants received by way of financial assistance on the basis of certain qualifying criteria are recognised upon the utilisation of such assistance.

In the unlikely event that a grant previously recognized is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognized is expensed in the Statement of Profit and Loss.

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 which are deposited with the Government and recognized 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. Gratuity is funded under a scheme of the Life Insurance Corporation of India.

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.

Employee Share Based Compensation

The cost of options granted under the ITC Employee Stock Option Scheme to employees of ITC Limited ("ITC") seconded to the Company at its request is measured at the fair value of the options as on the grant date. The fair value of awards at grant date is calculated using the Black Scholes Option Pricing Model. The cost of options is recognised in the Statement of Profit and Loss with a corresponding payable, when such reimbursement is sought by ITC.

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.

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.

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 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.

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 assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

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.

Provisions and Contingent Liabilities

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 so 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.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

Claims against the company not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

2. Use of Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these 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, or in the period of the revision and future periods if the revision affects both current and future periods.

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 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. Information about such valuation is provided in notes to the financial statements.

(ii) The Company has ongoing litigations with various regulatory authorities and 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. Accruals so made are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

(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.

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

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	
		As at March 31, 2016	Additions	Withdrawls	As at March 31, 2017	Additions	Withdrawls	As at March 31, 2018	As at March 31, 2016	For the year	On Withdrawls	As at March 31, 2017	For the year	On Withdrawls	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017
A.	**Property, Plant and Equipment**																
	Land	1,00,00,000	–	–	1,00,00,000	–	–	**1,00,00,000**	–	–	–	–	–	–	–	**1,00,00,000**	1,00,00,000
	Buildings	25,22,09,999	10,41,703	–	25,32,51,702	42,47,607	–	**25,74,99,309**	51,61,017	52,62,412	–	1,04,23,429	53,16,049	–	**1,57,39,478**	**24,17,59,831**	24,28,28,273
	Plant and Equipment	21,54,47,727	2,26,07,208	13,73,790	23,66,81,145	1,10,14,435	19,51,319	**24,57,44,261**	3,12,44,802	2,12,75,487	5,65,897	5,19,54,392	2,13,15,968	10,57,767	**7,22,12,593**	**17,35,31,668**	18,47,26,753
	Furnitures and Fixtures	1,95,11,593	23,45,442	50,511	2,18,06,524	51,36,779	1,34,492	**2,68,08,811**	47,50,757	32,03,626	–	79,54,383	19,83,526	83,456	**98,54,453**	**1,69,54,358**	1,38,52,141
	Vehicles	1,94,12,011	–	–	1,94,12,011	–	2,28,758	**1,91,83,253**	12,76,148	26,89,315	–	39,65,463	24,17,107	99,166	**62,83,404**	**1,28,99,849**	1,54,46,548
	Office Equipment	76,266	8,210	–	84,476	9,400	–	**93,876**	19,038	289	–	19,327	3,052	–	**22,379**	**71,497**	65,149
	Computers	61,97,998	4,38,908	–	66,36,906	3,77,338	52,748	**69,61,496**	27,47,367	13,40,722	–	40,88,089	9,63,839	–	**50,51,928**	**19,09,568**	25,48,817
	Computer servers and networks	56,47,377	–	–	56,47,377	33,566	–	**56,80,943**	11,40,304	13,44,810	–	24,85,114	9,39,141	–	**34,24,255**	**22,56,688**	31,62,263
	Total (A)	**52,85,02,971**	**2,64,41,471**	**14,24,301**	**55,35,20,141**	**2,08,19,125**	**23,67,317**	**57,19,71,949**	**4,63,39,433**	**3,51,16,661**	**5,65,897**	**8,08,90,197**	**3,29,38,682**	**12,40,389**	**11,25,88,490**	**45,93,83,459**	**47,26,29,944**
B	**Capital work-in-progress (B)**	**17,91,85,277**	**8,34,43,900**	**2,64,41,471**	**23,61,87,706**	**18,42,57,776**	**2,08,19,125**	**39,96,26,357**	–		–	–	–	–	–	**39,96,26,357**	**23,61,87,706**
C	**Intangible assets**																
	Software	24,43,442	–	–	24,43,442	–	–	24,43,442	4,91,799	7,22,237	–	12,14,036	4,02,759	–	16,16,795	8,26,647	12,29,405
	Total (C)	**24,43,442**	–	–	**24,43,442**	–	–	**24,43,442**	**4,91,799**	**7,22,237**	–	**12,14,036**	**4,02,759**	–	**16,16,795**	**8,26,647**	**12,29,405**
	Grand Total (A+B+C)	**71,01,31,690**	**10,98,85,371**	**2,78,65,772**	**79,21,51,289**	**20,50,76,901**	**2,31,86,442**	**97,40,41,748**	**4,68,31,232**	**3,58,38,898**	**5,65,897**	**8,21,04,233**	**3,33,41,441**	**12,40,389**	**11,42,05,285**	**85,98,36,463**	**71,00,47,055**

Note : The amount of expenditures recognised in the carrying amount of Property, Plant and Equipment in the course of construction is ₹ 1,85,81,810 (2017; ₹ 1,46,45,515)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at March 31, 2018 ₹	As at March 31, 2017 ₹
4. Inventories		
(At lower of cost and net realisable value)		
Food and beverages	1,09,55,371	1,18,31,590
Stores and spares	38,99,716	41,88,278
Finished goods held for resale	1,01,951	1,01,233
Total	1,49,57,038	1,61,21,101
Cost of inventory recognised as expense during the year amount to ₹ 8,65,17,785 (2016-2017 - ₹ 7,81,13,843)		
5. Current investments		
Unquoted investment in mutual funds [Mandatorily Fair valued through Profit or Loss (FVTPL)] (Refer note (i) below)		
— Aditya Birla Sun Life Cash Plus-Growth-Regular Plan (2,73,927.114 units of ₹ 278.23 each)	7,62,15,778	–
— ICICI Prudential- Money Market Fund - Growth (8,80,447.942 units of ₹ 224.3816 each)	–	19,75,56,313
Investments carried at amortised cost		
National Savings Certificate (Refer note (ii) below)	10,000	10,000
Total	7,62,25,778	19,75,66,313

Note:

(i) Gain as at year end on account of measuring the investments at fair value through profit or loss amounts to ₹ 6,45,591 (March 31, 2017: ₹ 21,48,029).

(ii) National Savings Certificates have been lodged as security with Government Department

		As at March 31, 2018 ₹		As at March 31, 2017 ₹	
6. Trade receivables (Current)					
Secured, considered good		11,90,854		13,39,695	
Unsecured, considered good		3,30,07,265		2,82,69,476	
Total		3,41,98,119		2,96,09,171	
7. Cash and cash equivalents					
Balances with banks in current accounts	2,28,33,731		18,63,622		
Cheques on hand	3,93,848		13,76,189		
Cash on hand	5,02,269		3,00,825		
Cash and cash equivalents as per the cash flow statement		2,37,29,848		35,40,636	

	As at March 31, 2018 ₹		As at March 31, 2017 ₹	
8. Other bank balances				
Earmarked balances - held as margin money against gurantees given (refer note below)	67,73,392		11,00,000	
Total		67,73,392		11,00,000

Note:

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

		As at March 31, 2018 ₹		As at March 31, 2017 ₹	
9. Other financial assets (Current)					
Security deposits	21,62,140		24,10,718		
Interest accrued on deposits	93,723		71,808		
Recoverable from employees	6,22,900		5,52,486		
Total		28,78,763		30,35,012	

	Current	Non-Current	Current	Non-Current
10. Other assets				
Capital advances	–	2,84,34,227	–	3,19,10,098
Advances other than capital advances:				
Prepaid Expenses [Refer Note below]	69,07,086	2,82,86,682	78,86,438	2,91,48,216
Balances with government authorities	50,887	–	13,87,867	–
Commercial Advance	36,57,003	–	8,68,200	–
Advance tax (net of provisions)	–	1,50,09,873	–	2,54,47,449
Security deposits				
-With Statutory Authorities	–	29,40,579	–	29,40,579
-With Others	–	5,47,87,744	–	5,39,72,022
Served from India Scheme Duty Credit Entitlement Account (includes ₹ Nil carried forward from previous year, March 31, 2017: ₹ 51,392)	12,85,879	–	62,90,787	–
Total	1,19,00,855	12,94,59,105	1,64,33,292	14,34,18,364

Note:

Non current prepaid expenses include leasehold land assigned by ITC Limited in favour of the Company effective September 10, 2013, pursuant to an assignment deed.

11. Equity share capital

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	₹	No. of Shares	₹
Authorised				
Equity shares of ₹ 10 each	2,40,00,000	24,00,00,000	2,40,00,000	2,40,00,000
Issued, subscribed and paid-up				
Equity shares of ₹ 10 each, fully paid	2,40,00,000	24,00,00,000	2,40,00,000	2,40,00,000

A) Reconciliation of number of equity shares outstanding

	As at March 31, 2018	As at March 31, 2017
	No. of Shares	No. of Shares
As at beginning of the year	2,40,00,000	2,40,00,000
Changes during the year	–	–
As at end of the year	2,40,00,000	2,40,00,000

B) Equity shares held by Holding Company

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	%	No. of Shares	%
ITC Limited	1,63,20,477	68%	1,63,20,477	68%

C) Shareholders holding more than 5% of the equity shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	%	No. of Shares	%
ITC Limited	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%
G Sulochanamma	15,00,000	6.25%	15,00,000	6.25%

D) 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, 2018 ₹		As at March 31, 2017 ₹	
12.	**Other financial liabilities**				
	Sundry deposits	1,38,45,707	12,15,000	15,48,200	9,30,000
	Payable to employees	51,73,500	–	50,40,655	–
	Payable for property, plant and equipment	2,08,61,729	–	61,50,388	–
	Payable towards employee share based payments	7,09,141	–	54,55,496	–
	Total	4,05,90,077	12,15,000	1,81,94,739	9,30,000
13.	**Provisions**				
	Provision for employee benefits:				
	— Gratuity [Refer Note 27]	28,59,740	3,37,953	28,19,568	3,69,805
	— Compensated absences	10,88,770	13,54,517	7,71,534	9,16,380
	Total	39,48,510	16,92,470	35,91,102	12,86,185
14.	**Other current liabilities**				
	Advances received from customers	42,07,513	–	63,15,033	–
	Statutory liabilities	34,79,995	–	71,22,325	–
	Total	76,87,508	–	1,34,37,358	–

		As at March 31, 2018		As at March 31, 2017	
		₹		₹	
15.	**Deferred tax liabilities (Net)**				
	Deferred tax liabilities	**5,84,71,348**		6,96,82,508	
	Deferred tax assets	**(1,18,25,413)**		(1,29,79,305)	
	Total		**4,66,45,935**		5,67,03,203

	Opening blance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
	₹	₹	₹	₹
2016-17				
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 (A)	**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 (B)	**16,67,040**	**1,14,02,504**	**(90,239)**	**1,29,79,305**
Deferred tax liabilities (net) [A-B]	**6,67,38,971**	**(1,01,26,007)**	**90,239**	**5,67,03,203**
2017-18				
Deferred tax liabilities in relation to:				
On depreciation	6,89,72,305	(1,06,80,560)	–	5,82,91,745
On financial assets at fair value through profit or loss	7,10,203	(5,30,600)	–	1,79,603
Total deferred tax liabilities (A)	**6,96,82,508**	**(1,12,11,160)**	**–**	**5,84,71,348**
Deferred tax assets in relation to:				
On provision for employee benefits	16,12,577	(3,24,128)	3,12,523	16,00,972
On unabsorbed depreciation	1,13,66,728	(11,42,287)	–	1,02,24,441
Total deferred tax assets (B)	**1,29,79,305**	**(14,66,415)**	**3,12,523**	**1,18,25,413**
Deferred tax liabilities (net) [A-B]	**5,67,03,203**	**(97,44,745)**	**(3,12,523)**	**4,66,45,935**

		For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
16.	**Revenue from operations**		
	Sale of services:		
	Rooms	**24,55,04,088**	22,77,78,687
	Food and beverage	**28,78,81,417**	24,75,72,758
	Recreation and other services	**2,92,75,809**	2,99,59,443
	Total	**56,26,61,314**	50,53,10,888
	Other operating revenue*	**73,98,296**	1,66,34,879
	Total	**57,00,59,610**	52,19,45,767

Note:

* Includes Government grants received of ₹ 18,84,608 (2016-2017: ₹ 87,75,609) on account of Served from India Scheme (SFIS)

17.	**Other Income**		
	Interest income	**18,52,967**	40,80,893
	Other non operating income	**30,99,404**	44,68,688
	Other gains and losses	**87,20,744**	1,37,65,097
	Total	**1,36,73,115**	2,23,14,678
	Interest income comprises interest from:		
	a) Deposits with bank - carried at amortised cost	**1,62,394**	33,65,163
	b) Others - from statutory authorities	**16,90,573**	7,15,730
	Total	**18,52,967**	40,80,893
	Other gains and losses:		
	a) Net foreign exchange (loss) / gain	**(66,073)**	(2,82,371)
	b) Net gain arising on financial assets mandatorily measured at FVTPL (Refer Note below)	**87,86,817**	1,40,47,468
	Total	**87,20,744**	1,37,65,097

Note:

Includes net gain on sale of current investments amounting to ₹ 1,02,89,255 (2016-2017: ₹ 1,20,81,938).

18.	**Employee benefits expense**		
	Salaries, wages and bonus	**7,03,43,099**	6,64,16,373
	Contribution to provident and other funds	**48,18,072**	40,56,782
	Gratuity (Refer Note 27)	**12,14,723**	11,67,062
	Remuneration of managers on deputation reimbursed	**5,08,85,662**	4,94,83,076
	Employee share based payments	**30,59,572**	29,59,189
	Staff welfare expenses	**1,69,49,313**	1,82,10,273
	Total	**14,72,70,441**	14,22,92,755

		For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
19.	**Depreciation and amortisation expense**		
	Depreciation/ amortisation on tangible assets	**3,29,38,682**	3,51,16,661
	Amortisation on intangible assets	**4,02,759**	7,22,237
	Total	**3,33,41,441**	3,58,38,898
20.	**Other expenses**		
	Consumption of stores and supplies	**2,14,27,960**	2,31,50,329
	Power and fuel	**6,43,24,369**	6,82,54,984
	Rent (Refer Note 25)	**1,40,71,668**	1,37,16,493
	Repairs to building	**47,06,302**	72,70,450
	Repairs to machinery	**1,47,43,958**	1,57,95,045
	Repairs - others	**44,90,935**	84,58,034
	Insurance	**35,12,918**	43,62,474
	Rates and taxes	**1,91,77,233**	1,93,73,841
	Travelling and conveyance	**1,32,81,077**	1,44,65,553
	Technical and consultancy fees	**3,31,60,758**	2,70,93,648
	Printing and stationary	**30,92,876**	30,00,838
	Information technology services	**1,45,99,500**	1,54,93,369
	Advertising / Sales Promotion	**37,08,928**	57,30,995
	Training and development	**33,00,698**	25,94,704
	Legal expenses	**6,13,413**	11,000
	Postage, telephone, etc.	**12,94,470**	13,62,675
	Commission paid to travel agents	**63,73,372**	35,66,889
	Bank and credit card charges	**63,76,763**	55,03,833
	Hotel reservation/ marketing expenses	**1,40,40,559**	1,25,60,082
	Contract services	**4,31,21,463**	3,63,26,323
	Loss on fixed assets sold/ discarded (net)	**10,01,927**	8,58,404
	Miscellaneous Expenses *	**3,11,22,907**	2,43,83,352
	Total	**32,15,44,054**	31,33,33,315

* 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	**8,050**	5,956

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
21. Earnings per share		
Profit / (Loss) after taxation [A]	**48,03,749**	(1,51,92,359)
Weighted average number of equity shares outstanding [B]	**2,40,00,000**	2,40,00,000
Earnings per share -		
Basic and Diluted (Face value of ₹ 10 per share) [A/B]	**0.20**	(0.63)

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
22. Commitments		
The estimated amount of contracts remaining to be executed on capital account (net of advances: ₹ 2,84,34,227 ; March 31, 2017: ₹ 3,19,10,098)	**46,02,56,963**	53,37,18,601

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
23. Contingent liability		
Claims against the Company not acknowledged as debts:		
i) Indirect taxation matters	**3,76,64,267**	29,04,332
ii) Others	**18,45,400**	18,45,400

24. 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.

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
a) Segment Revenue		
-Within India	**57,00,59,610**	52,19,45,767
-Outside India	**–**	–
b) Non Current Assets		
-Within India	**98,92,95,568**	85,34,65,419
-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.

25. Leases

The Company's significant lease arrangements are in respect of operating leases for land and building premises (residential, godown, etc.). These leasing arrangements, which are not non-cancellable are for a period 11 months 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 20.

With regard to certain other non-cancellable operating leases for leasehold land, the future minimum rentals are as follows:

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
Not Later than one year	**46,58,500**	42,35,000
Later than one year but not later than five years	**1,95,65,700**	1,90,99,850
Later than five years	**35,06,57,774**	35,57,82,124

26. 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, 2018. 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.

27. Defined Benefit Plans

The Company makes contributions to both Defined Benefit and Defined Contribution Plans for qualifying employees. Gratuity Benefits are funded with the Life Insurance Corporation of India and Leave Encashment Benefits are unfunded in nature.Under the Provident Fund, Gratuity and Leave Encashment Schemes, employees are entitled to receive lump sum benefits.

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 regular contributions to these Employee Benefit Plans. Additional contributions are made to these plans as and when required based on actuarial valuation.

	For the year ended March 31, 2018 (₹) Gratuity Funded	For the year ended March 31, 2017 (₹) Gratuity Funded
I. Components of Employer Expense		
A. Recognised in Profit or Loss		
- Current Service Cost	**10,91,462**	9,94,392
- Past Service Cost	**–**	–
- Net interest Cost	**1,23,261**	1,72,670
Total expense recognised in the Statement of Profit or Loss (A)	**12,14,723**	11,67,062
B. Re-measurements recognised in Other Comprehensive Income		
- Return on plan assets (excluding amounts included in net interest cost)	**1,43,871**	(1,31,979)
- Effect of changes in financial assumptions	**(3,28,483)**	2,55,467
- Effect of changes in demographic assumptions	**–**	–
- Effect of experience adjustments	**13,07,989**	(3,96,442)
Total re-measurements included in Other Comprehensive Income (B)	**11,23,377**	(2,72,954)
Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (A+B)	**23,38,100**	8,94,108

The current service cost and net interest cost for the year pertaining to Gratuity expenses have been recognised in "Gratuity" under Note 18. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.

	For the year ended March 31, 2018 (₹) Gratuity Funded	For the year ended March 31, 2017 (₹) Gratuity Funded
II. Net Asset/Liability recognised in Balance Sheet		
- Present Value of Defined Benefit Obligation	**1,22,83,612**	1,01,22,972
- Fair Value of Plan Assets	**90,85,919**	69,33,599
- Status [Surplus/(Deficit)]	**(31,97,693)**	(31,89,373)
- Non-Current	**3,37,953**	3,69,805
- Current	**28,59,740**	28,19,568
III. Change in Defined Benefit Obligation		
Present Value of DBO at the beginning of the year	**1,01,22,972**	91,38,991
- Current Service cost	**10,91,462**	9,94,392
- Interest cost	**6,63,920**	6,65,369
- Re-measurements gains/ (losses)		
a. Effect of changes in demographic assumptions	**–**	–
b. Effect of changes in financial assumptions	**(3,28,483)**	2,55,467
c. Effect of experience adjustments	**13,07,989**	(3,96,442)
- Benefits paid	**(5,74,248)**	(5,34,805)
Present Value of DBO at the end of the year	**1,22,83,612**	1,01,22,972
IV. Best Estimate of Employer's Expected Contribution for the next year	**32,69,758**	33,45,942
V. Change in Fair Value of Assets		
Plan Assets at the beginning of the year	**69,33,599**	62,05,039
- Interest Income	**5,40,659**	4,92,699
- Re-measurements gains/ (losses) on plan assets	**(1,43,871)**	1,31,979
- Actual company contributions	**23,29,780**	6,38,687
- Benefits paid	**(5,74,248)**	(5,34,805)
Plan Assets at the end of the year	**90,85,919**	69,33,599
VI. Acturial Assumptions		
- Discount rate	**7.5%**	6.75%
- Salary increase rate	**5%**	5%
- Attrition Rate	**18%**	18%
- Retirement Age	**58**	58

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. 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 the Sensitivity Analysis from previous year.

	DBO as at March 31, 2018 (₹)	DBO as at March 31, 2017 (₹)
- Discount rate +100 basis points	**1,18,43,075**	97,58,977
- Discount rate -100 basis points	**1,27,60,351**	1,05,17,741
- Salary Increase Rate +1%	**1,27,07,012**	1,04,11,031
- Salary Increase Rate -1%	**1,18,85,566**	98,52,739
- Attrition Rate +1%	**1,23,28,293**	1,01,66,738
- Attrition Rate -1%	**1,22,34,972**	1,00,75,127
Maturity analysis of the benefit payments		
- Year 1	**28,59,740**	28,19,568
- Year 2	**20,52,684**	22,67,025
- Year 3	**17,42,777**	16,94,630
- Year 4	**15,13,195**	14,52,200
- Year 5	**12,43,389**	12,33,097
- Next 5 years	**38,65,953**	36,84,623

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

28. Related party transactions

i) Holding Company : ITC Limited

ii) Key Management Personnel :

Board of Directors

G. Sivakumar Reddy	Chairman
Nakul Anand	Vice Chairman and Director
Jagdish Singh	Non-Executive Director
B. N. Suresh Reddy	Non-Executive Director
V. Razdan	Managing Director
Dipak Haksar	Non-Executive Director
G Pranav Reddy	Non-Executive Director
Anil Chadha	Non-Executive Director (w.e.f March 6, 2018)
N. R. Pradeep Reddy	Non-Executive Director (w.e.f March 6, 2018)
K. V. Raghavaiah	Non-Executive Director (upto March 16, 2018)
Subba Rao Tulasi	Non-Executive Director (upto March 16, 2018)

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 :

iv) Summary of transactions during the year:

Amount in ₹

	Holding Company		Others		Key Management Personnel		Relatives of Key Management Personnel	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Sales of services	**58,73,856**	68,62,106	**5,68,899**	5,19,453	–	–	–	–
Purchase of goods	**66,24,551**	52,27,561	–	–	–	–	–	–
Purchase of services:					–	–		
- Hotel services	**22,73,208**	30,88,938	–	–	–	–	–	–
- Service fee	**3,46,48,123**	2,72,12,638	–	–	–	–	–	–
- Others	–	5,61,377	**24,07,053**	30,73,596	–	–	–	–
- Towards Fixed Assets	**62,800**	1,91,574	–	–	–	–	–	–
Rent paid and other services	–	–	–	–	–	–	**17,46,470**	11,76,000
Employee share based payments	**30,59,572**	29,59,189	–	–	–	–	–	–
Managerial Remuneration (includes reimbursement to holding company amounting to ₹ 43,16,773; March 31, 2017: ₹ 24,82,568)	–	–	–	–	**57,17,447**	24,82,568	–	–
Reimbursement of contractual remuneration:				–	–	–		
- Towards Fixed Assets	**50,21,892**	19,28,370	–	–	–	–	–	–
- Others	**5,46,27,535**	5,39,19,881	–	–	–	–	–	–
Expenses recovered	**1,47,08,962**	51,64,340	–	–	–	–	–	–
Expenses reimbursed:					–	–		
- Towards Fixed Assets	**29,66,654**	10,92,389	–	–	–	–	–	–
- Others	**2,11,11,785**	1,57,58,918	–	–	–	–	–	–

v) Outstanding balances arising from sales/purchase of goods and services :

Amount in ₹

	Holding Company		Others		Key Management Personnel		Key Management Personnel and Relatives of Key Managerment Personnel	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Balance outstanding at the year end :								
- Receivables	**47,38,010**	10,71,948	**30,153**	20,615	–	–	–	–
- Deposits Taken	–	–	**50,000**	–	–	–	–	
- Payables (Refer note below)	**1,24,15,302**	1,41,62,575	**12,40,141**	2,61,512	–	–	**98,000**	98,000
Commitments	**51,63,680**	–	–	–	–	–	–	–

Note:

Net of TDS amounting to ₹ 28,29,821 (March 31, 2017: ₹ 27,87,770)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

29. Reconciliation of effective tax rate:

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
Profit/(Loss) before income tax expense	**(49,40,996)**	(2,53,18,366)
Income tax calculated @ 30.90% (March 31, 2017: 33.063%)	**(15,26,768)**	(83,71,011)
Tax effect of amounts which are not deductible in calculating taxable income	**(2,55,472)**	14,12,492
Effect of tax relating to uncertain tax positions	**9,45,406**	–
Previously unrecognised tax losses now recouped to reduce current tax expense	**–**	(31,67,488)
Effect of change in tax rates	**(89,07,911)**	–
Income tax expense	**(97,44,745)**	(1,01,26,007)

30. 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 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 the fair value of such options has been accounted based on the advice / on-charge by ITC Limited.

The summary of movement of such options granted by ITC Limited and status of the outstanding options is as under:

	As at March 31, 2018	As at March 31, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	**30,582**	17,750
Add: Granted during the year*	**4,595**	5,320
Effect of Corporate Action (Bonus)	**–**	8,874
Options Forfeited/Surrendered during the year	**–**	–
Options due to transfer in and transfer out	**2,700**	2,475
Less: Exercised during the year	**15,600**	3,837
Outstanding at the end of the year	**22,277**	30,582
Options exercisable at the end of the year	**12,065**	15,960
Options Vested and Exercisable during the year	**6,015**	9,640

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 2,120 (2017 - Nil) options granted to the Key Management Personnel of the Company. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon an employee by such grant.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 30,59,572 (2017 – ₹ 29,59,189) (Refer Note 18) by way of share based payments. Such charge has been recognised as employee benefits expense with corresponding credit to Payables. Out of the above, ₹ 19,30,092 (2017- ₹ Nil) is attributable to key management personnel Mr. Virender Razdan.

31. 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 of its business as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

II. Categories of financial instruments

	Note	As at March 31, 2018		As at March 31, 2017	
		Carrying Value (₹)	*Fair Value (₹)	Carrying Value (₹)	*Fair Value (₹)
A. Financial assets					
a) Measured at amortised cost					
i) Cash and cash equivalents	7	**2,37,29,848**	**2,37,29,848**	35,40,636	35,40,636
ii) Other bank balances	8	**67,73,392**	**67,73,392**	11,00,000	11,00,000
iii) Investment in government securities	5	**10,000**	**10,000**	10,000	10,000
iv) Trade receivables	6	**3,41,98,119**	**3,41,98,119**	2,96,09,171	2,96,09,171
v) Other financial assets	9	**28,78,763**	**28,78,763**	30,35,012	30,35,012
Sub - total		**6,75,90,122**	**6,75,90,122**	3,72,94,819	3,72,94,819
b) Measured at Fair value through Profit or Loss					
i) Investment in mutual funds	5	**7,62,15,778**	**7,62,15,778**	19,75,56,313	19,75,66,313
Sub - total		**7,62,15,778**	**7,62,15,778**	19,75,56,313	19,75,66,313
Total financial assets		**14,38,05,900**	**14,38,05,900**	23,48,51,132	23,48,61,132
B. Financial liabilities					
a) Measured at amortised cost					
i) Trade payables	—	**8,67,36,640**	**8,67,36,640**	5,92,78,031	5,92,78,031
ii) Other financial liabilities	12	**4,18,05,077**	**4,18,05,077**	1,91,24,739	1,91,24,739
Sub - total		**12,85,41,717**	**12,85,41,717**	7,84,02,770	7,84,02,770
Total financial assets		**12,85,41,717**	**12,85,41,717**	7,84,02,770	7,84,02,770

* 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. Financial risk management objectives

The Company has a system - based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as foreign currency risk credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

a) Liquidity Risk:

The Company's Current assets aggregate to ₹ 17,06,63,793 (March 31, 2017 – ₹ 26,74,05,525) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 10,67,29,018 (March 31, 2017 – ₹ 20,22,06,949) against an aggregate Current liability of ₹ 13,89,62,735 (March 31, 2017 – ₹ 9,45,01,230). Further, while the Company's total equity stands at ₹ 97,14,43,221 (March 31, 2017 – ₹ 96,74,50,326). In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

b) Foreign currency risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar) which are subject to exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency are also subject to reinstatement risks.

There are no outstanding foreign currency denominated financial assets and financial liabilities, as 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.

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 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, 2018 is ₹ 110,423,897 (March 31, 2017: ₹ 227,175,484) represented by carrying amounts of trade receivables and investments measured at amortised cost and those mandatorily measured at Fair value through Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

32. Fair value hierarchy

The following table presents the fair value hierarchy of assets and liabilities:

	Fair value hierarchy level	As at March 31, 2018 Fair Value (₹)	As at March 31, 2017 Fair Value (₹)
Financial assets			
a) Measured at amortised cost			
(i) Investment in govemment securities	2	**10,000**	10,000
b) Measured at Fair Value through Profit or Loss			
(i) Investment in mutual funds	1	**7,62,15,778**	19,75,56,313
Total		**7,62,25,778**	19,75,66,313

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 market approach and 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.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period.

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 fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

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.

33. On March 28, 2018 the Ministry of Corporate Affairs (MCA) has notified Ind AS 115 – "Revenue from Contracts with Customers" having effect from April 1, 2018. Whilst the Company is in the process of assessing its impact on the financial statements, the effect on adoption of Ind AS 115 is expected to be insignificant.

34. The financial statements were approved for issue by the Board of Directors on April 21, 2018.

35. The financial statements of the Company for the year ended March 31, 2017, were audited by Lovelock & Lewes, Chartered Accountants, the predecessor auditor.

On behalf of the board

Gunupati Sivakumar Reddy
Chairman

Virender Razdan
Managing Director

Rakshit Kapoor
Chief Financial Officer

Sonali Grover
Company Secretary

Place: New Delhi
Date: April 21, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2018.

2. **FINANCIAL PERFORMANCE**

During the year, your Company recorded an Operating Income of ₹ 2,588 lakhs (previous year: ₹ 2,778 lakhs) registering a decline of 7%. The Other Income of the Company was ₹ 171 lakhs (previous year: ₹ 175 lakhs). Profit for the year was ₹ 193 lakhs (previous year: ₹ 244 lakhs).

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

		For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
	Profits		
a.	Profit Before Tax	**367.23**	607.45
b.	Less : Tax Expense		
	Current Tax	**236.28**	330.29
	Deferred Tax	**(62.02)**	33.28
c.	Profit for the year	**192.97**	243.87
d.	Other Comprehensive Income	**11.66**	(5.28)
e.	Total Comprehensive Income	**204.63**	238.59
	Retained Earnings		
a.	At the beginning of the year	**2,076.24**	1,837.64
b.	Add : Profit for the year	**192.97**	243.87
c.	Add : Other Comprehensive Income	**11.66**	(5.28)
d.	Less:		
	- Dividend Paid	**56.25**	-
	- Income Tax on Dividend Paid	**11.45**	-
e.	At the end of the year	**2,213.17**	2,076.24

3. **DIVIDEND**

The Board of Directors of the Company has recommended a dividend of ₹ 12.50 p (previous year: ₹ 12.50 p) per Equity Share of ₹ 10/- each for the year ended 31st March, 2018. Total cash outflow in this regard will be ₹ 67.81 lakhs including Dividend Distribution Tax of ₹ 11.56 lakhs.

4. **OPERATIONAL PERFORMANCE**

The Company, caters to the 'Mid-market to Upscale' segment through a chain of Fortune hotels. Currently, the Company has an aggregate inventory of nearly 4,200 rooms spread over 54 properties of which 45 are operating hotels. Of the balance 9 properties, 5 hotels are slated to be commissioned in the ensuing year and 4 hotel projects are in various stages of development.

The Company has established '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 the 'Today's Traveller Award 2017' as well as the 'Hospitality India & Explore The World Annual International Travel Award 2017' in the 'Best First Class Business Hotel Chain' category. It was also awarded the 'Versatile Excellence Travel Award (VETA) 2018' in the 'Best Business Hotel Chain' category by Travelscapes.

5. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

During the year under review, Mr. Suresh Kumar stepped down as Managing Director of your Company with effect from close of work on 1st February, 2018. Your Directors place on record their appreciation for the contribution made by Mr. Kumar during his tenure.

The Board, at the meeting held on 1st February, 2018 appointed Mr. Samir MC (DIN: 08064002) as an Additional Director, and subject to the approval of the members, also as the Managing Director of the Company for a period of three years with effect from 2nd February, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 130 of the Articles of Association of the Company, Mr. Samir will vacate office at the ensuing Annual General Meeting ('AGM') and is eligible for appointment as a Director of the Company. The Board at the meeting held on 18th April, 2018 recommended for the approval of the Members, the appointment of Mr. Samir as a Director not liable to retire by rotation and as Managing Director of your Company for a period of three years with effect from 2nd February, 2018. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Samir, who has filed his consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Samir's appointment is appearing in the Notice convening the ensuing AGM of the Company.

(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. Jagdish Singh (DIN: 00042258), 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 Company has two Board Committees and its present composition is as follows:

Corporate Social Responsibility Committee			**New Alliance Approval Committee**
Mr. N. Anand	–	Chairman	Mr. J. Singh
Mr. J. Singh	–	Member	Mr. Samir MC
Mr. Samir MC	–	Member	

Five meetings of the Board were held during the year ended 31st March, 2018.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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 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 EMPLOYEES**

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.

The details of employees 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 1** 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 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. The Board annually reviews the effectiveness of 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. 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. **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 2** to this Report.

13. **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

During the year ended 31st March, 2018, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

14. **RELATED PARTY TRANSACTIONS**

During the year ended 31st March, 2018, 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.

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 3** to this Report.

17. **STATUTORY AUDITORS**

The Company's Statutory Auditors, Messrs Price Waterhouse Chartered Accountants LLP (PWC), Chartered Accountants, were appointed at the Nineteenth AGM to hold such office till the conclusion of the Twenty-Fourth AGM. Your Board, has recommended for the ratification of the Members, appointment of PWC from the conclusion of the ensuing AGM till the conclusion of the Twenty-Fourth AGM. The Board, has also recommended for the approval of the Members, remuneration of PWC for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

18. **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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

Conservation of Energy & Technology Absorption

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

Foreign Exchange Earnings and Outgo

During the year there were no foreign exchange earnings (previous year: Nil) while there was a foreign exchange outflow aggregating ₹ 21 lakhs (previous year: ₹ 18 lakhs).

On behalf of the Board

Dated : 18th April, 2018 **J. Singh** **Director**
Place : Gurugram **Samir MC** **Managing Director**

Annexure 1 to the Report of the Board of Directors for the financial year ended on 31st March, 2018

[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
Employees employed for a part of the year and in receipt of remuneration aggregating ₹ 8,50,000/- or more per month.								
Suresh Kumar*	60	Managing Director	1,07,64,444	51,55,811	B.Sc., AMP from Bond University, Australia	38	01.08.2006	ITC Limited, Vice President
Samir Mecherivalappil Chandrasekharan*#	43	Managing Director	73,71,708	37,64,657	MBA, Diploma in Hotel Management	22	16.10.2017	ITC Limited, Executive Vice President
Vijay Jaiswal*	53	General Manager - Sales	8,52,895	7,57,273	B.Sc.	29	01.12.2010	ITC Limited, Area Manager – Sales and Marketing
Top 10 employees in terms of Remuneration drawn								
Suresh Kumar*	60	Managing Director (upto 1st February, 2018)	1,07,64,444	51,55,811	B.Sc., AMP from Bond University, Australia	38	01.08.2006	ITC Limited, Vice President
Samir Mecherivalappil Chandrasekharan*	43	Managing Director	73,71,708	37,64,657	MBA, Diploma in Hotel Management	22	16.10.2017	ITC Limited, Executive Vice President
Jugal Kishore Batra*	47	Vice President – Finance	46,05,500	29,07,453	M.Com, ACA	22	10.11.2016	ITC Limited, Manager Finance – Projects
Rohit Malhotra	61	Vice President – Operations	42,70,810	26,56,260	B.Sc., Diploma in Hotel Management	40	01.01.2017	ITC Limited, General Manager
Rajendra AJG Louzado	58	General Manager – Operations Support	34,44,802	20,16,445	Diploma in Hotel Management	36	17.03.2008	Prism Properties Private Limited, Manager
Raj Kamal Chopra*	51	Corporate Chef	34,36,720	16,31,799	B.Com (P), Diploma in Hotel Management	31	01.04.2013	ITC Limited, Executive Chef
P P Srivastava*	58	EHS Manager	32,75,255	15,67,084	B.E.	36	07.11.2015	ITC Limited, Chief Engineer
Ajay Joginderlal Sharma	52	General Manager	31,13,278	23,05,042	Diploma in Hotel Management	30	19.05.2015	Elixir Enterprises and Hotels Private Limited, Manager
Aseem Varma	48	General Manager	29,55,751	22,09,073	Diploma in Hotel Management	26	11.03.2010	Hampshire Plaza, General Manager
Saravanan Dhanabhalu	45	General Manager	29,21,787	22,45,563	PG Course in Facility Management, B.Sc. (Computer Science)	24	05.09.2007	Auromatrix Hotels Private Limited, Manager

* On deputation from ITC Limited, the Holding Company.

Inducted as a Chief Operating Officer w.e.f. 16th October, 2017 and Managing Director w.e.f. 2nd February, 2018.

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. Employees on deputation from ITC Limited (ITC), the Holding Company, 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 deputed employees) are / were contractual in accordance with terms and conditions as per Company's rules.

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

On behalf of the Board

Dated : 18th April, 2018 **J. Singh** **Director**
Place : Gurugram **Samir M C** **Managing Director**

Annexure 2 to the Report of the Board of Directors
Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2018

[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. Samir MC Mr. Jagdish Singh
3.	Average net profit of the Company for last three financial years		₹ 9,04,44,538/-
4.	Prescribed CSR expenditure (two percent of the amount stated under 3 above)		₹ 18,08,891/-
5.	Details of CSR spent during the financial year 2017-18	Total amount spent for the financial year	₹ 18,09,000/-
		Total Amount unspent	NIL

Manner in which the amount spent during the financial year 2017-18 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	₹ 18,09,000/-	₹ 18,09,000/-	₹ 18,09,000/-	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 : 18th April, 2018
Place : Gurugram

N. Anand
Chairman - CSR Committee

J. Singh
Director

Samir MC
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, 2018

[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 : 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%	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	Samir MC* (Managing Director) *(refer Note 1)*
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	22,19,568
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	2,97,554
	(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)	**25,17,122**
	Ceiling as per the Companies Act, 2013	**1,68,00,000 per annum** *(refer Note 2)*

** Appointed with effect from 2nd February, 2018*

Note 1: Mr. Samir MC is on deputation from ITC Limited (ITC), the Holding Company, 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 Option, and accordingly the said grant has not been considered as remuneration. Further, the appointment of Mr. Samir is governed by the resolution 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, 2018 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)				**25,17,122**
Overall ceiling as per the Companies Act, 2013				**1,68,00,000 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, 2018 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 : 18th April, 2018 — **J. Singh** — **Director**

Place : Gurugram — **Samir MC** — **Managing Director**

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF Fortune Park Hotels Limited

Report on the Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying financial statements of **Fortune Park Hotels Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, 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, 2018, and its total comprehensive income (comprising of profit and 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

9. 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.

10. 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 with reference to financial statements 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, 2018 on its financial position in its Ind AS financial statements – Refer Note 24;

ii. The Company does not have derivative contracts and in respect of other long-term contracts there are no material foreseeable losses as at March 31, 2018;

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, 2018.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountant LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number : 095665

Place: Gurugram
Date: April 18, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(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, 2018

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, 2018 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, 2018, 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 Accountant LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number : 095665

Place: Gurugram
Date: April 18, 2018

Annexure B to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Fortune Park Hotels Limited on the financial statements as of and for the year ended March 31, 2018

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of Property, plant and equipment.

(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 Property, plant and equipment 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 thereunder 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, goods and service tax with effect from July 1, 2017 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, 2018 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 143 (3)	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 institutions or banks 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 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. 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.

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 Chartered Accountant LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number : 095665

Place: Gurugram
Date: April 18, 2018

Balance Sheet

(All amounts in rupees unless otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**32,46,519**	46,19,764
Deferred tax assets (net)	4	**2,33,19,271**	1,75,66,767
Other non - current assets	5	**4,24,51,240**	3,06,05,770
Total non-current assets		**6,90,17,030**	5,27,92,301
Current assets			
Financial assets			
i. Investments	6(a)	**9,95,15,133**	20,12,75,112
ii. Trade receivables	6(b)	**10,03,15,314**	9,97,38,642
iii. Cash and cash equivalents	6(c)	**60,32,846**	1,75,21,447
iv. Other financial assets	6(d)	**5,78,54,872**	4,66,32,869
Other current assets	7	**25,19,528**	12,92,357
Total current assets		**26,62,37,693**	36,64,60,427
Total assets		**33,52,54,723**	41,92,52,728
EQUITY AND LIABILITIES			
Equity share capital	8	**45,00,080**	45,00,080
Other equity		**25,80,64,943**	24,43,71,705
Total equity		**26,25,65,023**	24,88,71,785
LIABILITIES			
Non-current liabilities			
Provisions	9(a)	**1,04,15,736**	1,66,28,388
Total non-current liabilities		**1,04,15,736**	1,66,28,388
Current liabilities			
Financial liabilities			
i. Trade payables	10(a)	**1,64,62,523**	1,74,71,889
ii. Other financial liabilities	10(b)	**55,09,031**	9,70,99,219
Other current liabilities	11	**3,02,47,011**	3,17,19,284
Provisions	9(b)	**1,00,55,399**	74,62,163
Total current liabilities		**6,22,73,964**	15,37,52,555
Total liabilities		**7,26,89,700**	17,03,80,943
Total equity and liabilities		**33,52,54,723**	41,92,52,728

The accompanying notes 1 to 26 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**
Firm Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 18, 2018

On behalf of the Board of Directors

Samir Mecherivalappi Chandrasekharan
Managing Director
DIN 08064002
Place : Gurugram
Date : April 18, 2018

Jagdish Singh
Director
DIN 00042258
Place : Gurugram
Date : April 18, 2018

Statement of Profit and Loss
(All amounts in rupees unless otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	12	**25,88,03,180**	27,78,36,811
Other income	13	**1,71,27,801**	1,74,68,810
Total income		**27,59,30,981**	29,53,05,621
Expenses			
Employee benefits expense	14	**15,44,94,076**	16,42,48,735
Depreciation expense	3	**14,85,210**	16,22,746
Other expenses	15	**8,32,28,701**	6,86,89,204
Total expenses		**23,92,07,987**	23,45,60,685
Profit before tax		**3,67,22,994**	6,07,44,936
Income tax expense			
- Current tax	16	**2,36,28,000**	3,30,29,000
- Deferred tax	16	**(62,02,069)**	33,28,474
Total tax expense		**1,74,25,931**	3,63,57,474
Profit for the year		**1,92,97,063**	2,43,87,462
Other comprehensive income			
Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations		**16,15,979**	(7,29,054)
- Income tax relating to these items		**(4,49,565)**	2,00,873
Other comprehensive income for the year, net of tax		**11,66,414**	(5,28,181)
Total comprehensive income for the year		**2,04,63,477**	2,38,59,281
Earnings per equity share			
Basic earnings per share	17	**42.88**	54.19
Diluted earnings per share	17	**42.88**	54.19

The accompanying notes 1 to 26 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**
Firm Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 18, 2018

On behalf of the Board of Directors

Samir Mecherivalappi Chandrasekharan
Managing Director
DIN 08064002
Place : Gurugram
Date : April 18, 2018

Jagdish Singh
Director
DIN 00042258
Place : Gurugram
Date : April 18, 2018

Statement of changes in equity
(All amounts in rupees unless otherwise stated)

A. Equity Share Capital

Balance as at April 01, 2016	**45,00,080**
Changes in Equity Share Capital	–
Balance as at March 31, 2017	**45,00,080**
Changes in Equity Share Capital	–
Balance as at March 31, 2018	**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 April 1, 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)	-	(4,27,27,652)
Balance as at March 31, 2017	**30,00,000**	**20,76,23,706**	-	**3,37,47,999**	**24,43,71,705**
Profit for the year	-	1,92,97,063	-	-	1,92,97,063
Other comprehensive income (net of tax)	-	11,66,414	-	-	11,66,414
Total comprehensive income	-	**2,04,63,477**	-	-	**2,04,63,477**
Dividend paid *	-	(56,25,100)	-	-	(56,25,100)
Income tax on dividend paid	-	(11,45,139)	-	-	(11,45,139)
Balance as at March 31, 2018	**30,00,000**	**22,13,16,944**	-	**3,37,47,999**	**25,80,64,943**

* The Company had paid a final dividend of ₹12.50 per share on equity shares of ₹ 10/- each, aggregating to ₹ 56,25,100 for the year ended March 31, 2017. The tax impact of dividend is ₹ 11,45,138.
The directors have recommended the payment of a final dividend of ₹ 12.50 per fully paid equity share of ₹ 10/- each, aggregating to ₹ 56,25,100 subsequent to the year end . This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. The tax impact of dividend is ₹ 11,56,127.
- Capital Reserve represents amount received as compensation of rights under contract.
- Retained earnings represents the cumulative profit as well as remeasurement of defined benefit 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.

The accompanying notes 1 to 26 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 Chartered Accountants LLP**
Firm Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 18, 2018

On behalf of the Board of Directors

Samir Mecherivalappi Chandrasekharan
Managing Director
DIN 08064002
Place : Gurugram
Date : April 18, 2018

Jagdish Singh
Director
DIN 00042258
Place : Gurugram
Date : April 18, 2018

Cash Flow Statement

(all amounts in rupees unless otherwise stated)

	For the Year ended March 31, 2018	For th Year ended March 31, 2017
Cash flow from operating activities		
Profit before tax	**3,67,22,994**	6,07,44,936
Adjustments for :		
Depreciation expense	**14,85,210**	16,22,746
Net loss on disposal of property, plant and equipment	**44,467**	1,31,961
Provisions for doubtful debts and other financial assets	**2,39,76,456**	65,32,336
Bad debts written off	**9,76,995**	39,33,332
Profit on sale / redemption of current investment	**(91,78,316)**	(1,17,26,922)
Interest Income	**(6,01,590)**	(6,10,812)
Value of share based payments recognised as capital contribution	**-**	3,49,61,484
Value of share based payments reimbursable to holding company	**-**	(4,27,27,652)
Remeasurements of post-employment benefit obligations	**16,15,979**	(7,29,054)
Operating profit before working capital changes	**5,50,42,195**	5,21,32,355
Change in operating assets and liabilities		
(Increase)/decrease in trade receivables	**(2,15,10,099)**	65,40,557
Increase/(decrease) in trade payables	**(10,09,366)**	94,01,195
(Increase)/decrease in other current financial assets	**(1,52,42,027)**	(2,28,41,261)
Increase/(decrease) in other financial liabilities	**(9,15,90,188)**	3,48,73,197
Increase/(decrease) in other non-current liabilities	**-**	(2,11,86,886)
Increase/(decrease) in non current provisions	**(62,12,652)**	(12,05,980)
(Increase)/decrease in other current assets	**(12,27,171)**	83,768
Increase/(decrease) in current provisions	**25,93,236**	9,25,832
Increase/(decrease) in other current liabilities	**(14,72,273)**	2,06,29,426
Cash generated from operations	**(8,06,28,345)**	7,93,52,203
Income taxes paid	**(3,54,73,470)**	(3,81,74,286)
Net cash inflow from operating activities	**(11,61,01,815)**	4,11,77,917
Cash flows from investing activities		
Payments for property, plant and equipment	**(1,65,080)**	(29,26,217)
Proceeds from sale of property, plant and equipment	**8,648**	12,625
Purchases of current investments	**(86,27,00,000)**	(79,90,75,000)
Sale / redemption of current investments	**97,36,38,295**	70,21,25,100
Interest received	**6,01,590**	40,48,441
Proceeds from / (investment in) bank deposits	-	4,00,00,000
Net cash (outflow)/inflow from investing activities	**11,13,83,453**	(5,58,15,051)
Cash flows from financing activities		
Dividends paid	**(56,25,100)**	-
Dividend tax	**(11,45,139)**	-
Net cash (outflow) from financing activities	**(67,70,239)**	
Net increase (decrease) in cash and cash equivalents	**(1,14,88,601)**	(1,46,37,134)
Cash and cash equivalents at the beginning of the financial year	**1,75,21,447**	3,21,58,581
Cash and cash equivalents at end of the year	**60,32,846**	1,75,21,447
Cash and cash equivalents comprise of :		
Balances with Banks	**59,71,586**	1,73,66,747
Cash in hand	**61,260**	1,54,700
Cash and cash equivalents at the end of the year [Refer note 6(c)]	**60,32,846**	1,75,21,447

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 26 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**
Firm Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 18, 2018

On behalf of the Board of Directors

Samir Mecherivalappi Chandrasekharan
Managing Director
DIN 08064002
Place : Gurugram
Date : April 18, 2018

Jagdish Singh
Director
DIN 00042258
Place : Gurugram
Date : April 18, 2018

Notes forming part of the financial statements

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 45 hotels.

Note 1: 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.

(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) PROPERTY, PLANT AND EQUIPMENT

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. 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 realised. The carrying amount of a replaced part is derecognised. 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 Property, plant and equipment are recognised in the Statement of Profit and Loss.

c) DEPRECIATION

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 of the Company are as follows:

Category of Property, plant and equipment	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 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

Recognition: Financial assets include Investments, Trade Receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

Notes forming part of the financial statements (Contd.)

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: 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.

Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

g) REVENUE

Revenue is measured at the fair value of the consideration received or receivable for services rendered, net of discounts to customers. Revenue excludes Service Tax or Goods and Services Tax (GST).

Revenue from services is recognised in the periods in which the services are rendered.

h) 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.

i) 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 recognised as employee benefit expense. The contributions in respect of provident fund are statutorily deposited with the Government.

The contributions in respect of defined benefit gratuity plan are made to Life Insurance Corporation (LIC) under its Group Gratuity Scheme. 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 remeasurements are recognized immediately through Other Comprehensive Income in the period in which they occur.

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 similar to benefits of gratuity explained above. 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. These benefits are unfunded.

The 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.

j) 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.

k) 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.

Notes forming part of the financial statements (Contd.)

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.

l) 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 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 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 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.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

m) CLAIMS

Claims against the Company not acknowledged as debts are disclosed after a careful evaluation of facts and legal aspects of the matter involved.

n) 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 so 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. In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

o) CASH AND CASH EQUIVALENTS

For the purpose of presentation 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

p) EARNINGS PER SHARE

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.

q) SEGMENT REPORTING

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 Management Committee headed by the Managing Director.

Note 2: Use of critical estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and action, actual results could defer from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligations Note 9 and 14
- Contingent liabilities Note 24
- Impairment of trade receivables and other financial assets Note 6 (b) and 6 (d)

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, 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**
Year ended March 31, 2018						
Gross carrying amount						
Opening gross carrying amount	4,30,824	46,069	4,38,342	44,15,081	22,23,598	75,53,914
Additions	-	-	49,800	1,15,280	-	1,65,080
Disposals	-	-	(23,831)	(1,02,681)	-	(1,26,512)
Closing gross carrying amount	**4,30,824**	**46,069**	**4,64,311**	**44,27,680**	**22,23,598**	**75,92,482**
Accumulated depreciation						
Opening accumulated depreciation	1,91,390	12,030	3,15,432	21,63,126	2,52,172	29,34,150
Depreciation charge during the year	27,740	6,015	35,103	10,39,477	3,76,875	14,85,210
Disposals	-	-	(20,987)	(52,410)	-	(73,397)
Closing accumulated depreciation	**2,19,130**	**18,045**	**3,29,548**	**31,50,193**	**6,29,047**	**43,45,963**
Net carrying amount	**2,11,694**	**28,024**	**1,34,763**	**12,77,487**	**15,94,551**	**32,46,519**

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, 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**
(Charged)/credited:								
- to profit or loss	(6,61,006)	67,75,371	(1,88,852)	59,25,513	99,688	1,76,868	2,76,556	62,02,069
- to other comprehensive income	(4,49,565)	-	-	(4,49,565)	–	–	–	(4,49,565)
At March 31, 2018	**57,22,711**	**1,76,02,819**	**4,17,631**	**2,37,43,161**	**(1,69,300)**	**(2,54,590)**	**(4,23,890)**	**2,33,19,271**

Note 5: Other non - current assets

	As at March 31, 2018	As at March 31, 2017
Advance tax [Net of provisions ₹ 11,18,90,229 (Previous year ₹ 88,26,229)]	**4,24,51,240**	3,06,05,770
Total other non - current assets	**4,24,51,240**	3,06,05,770

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 6: Financial assets

Note 6(a): Investments

	As at March 31, 2018		As at March 31, 2017	
	Quoted	Unquoted	Quoted	Unquoted
Current				
Investment in mutual funds measured at FVTPL				
DHFL Pramerica Fixed Maturity Plan Series 62 [Nil units: Previous year (916.15 units)] of ₹ 10/- each	-	-	11,778	-
TATA Money Market Fund Direct Plan [Nil units: Previous year (19,403.357 units)] of ₹ 1,000/- each	-	-	-	4,97,31,555
UTI-Money Market Fund-Institutional Plan [25,945.237 units: Previous year (27,844.425 units)] of ₹ 1,000/- each	-	5,05,86,588	-	5,07,94,435
Axis Liquid Fund [Nil units: Previous year (28,119.615 units)] of ₹ 1,000/- each	-	-	-	5,07,06,038
SBI Premier Liquid Fund [Nil units: Previous year (19,602.305 units)] of ₹ 1,000/- each	-	-	-	5,00,31,306
Reliance Liquid Fund - Treasury Plan [8,975.975 units: Previous year (Nil units)] of ₹ 1,000/- each	-	3,80,57,617	-	-
Aditya Birla Sun Life Floating Rate Fund Short Term Plan [46,860.356 units: Previous year (Nil units)] of ₹ 100/- each	-	1,08,70,928	-	-
Aggregate amount of quoted and unquoted investments	-	9,95,15,133	11,778	20,12,63,334
Total investments		9,95,15,133		20,12,75,112

Note 6(b): Trade receivables

	As at March 31, 2018	As at March 31, 2017
Current		
Unsecured, Considered Good (Refer note 21)	10,03,15,314	9,97,38,642
Considered Doubtful	4,86,82,503	2,87,26,071
Less: Allowance for doubtful debts	(4,86,82,503)	(2,87,26,071)
Total trade receivables	10,03,15,314	9,97,38,642

Note 6(c): Cash and cash equivalents

	As at March 31, 2018	As at March 31, 2017
Balances with banks		
- in current accounts	59,71,586	1,73,66,747
Cash on hand	61,260	1,54,700
Total cash and cash equivalents	60,32,846	1,75,21,447

Disclosure for Specified Bank Notes (SBN's) as required by notification no. G.S.R. 308 (E) issued by Ministry of Corporate Affairs is not applicable to the Company for the year ended 31 March 2018.

Note 6(d) Other Financial assets

	As at March 31, 2018	As at March 31, 2017
Current		
Other Financial assets - Unsecured unless stated otherwise		
- Contractually reimbursable cost - considered Good	5,73,92,872	4,48,18,947
- Contractually reimbursable cost - considered doubtful	1,45,91,467	1,05,71,443
Less: Allowance for doubtful contractually reimbursable cost	(1,45,91,467)	(1,05,71,443)
- Security deposits	4,62,000	5,33,100
- Unbilled revenue	-	12,80,822
Total other financial assets	5,78,54,872	4,66,32,869

Note 7: Other current assets

	As at March 31, 2018	As at March 31, 2017
Prepayment expenses	3,99,659	5,51,385
Advances to employees and vendors	55,264	62,225
GST / Service tax recoverable	20,64,605	6,78,747
Total other current assets	25,19,528	12,92,357

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

Note 8: Equity share capital

Particulars	As at March 31, 2018	As at March 31, 2017
Authorised		
20,00,000 (Previous year 20,00,000) equity shares of ₹ 10 each	**2,00,00,000**	2,00,00,000
Total	**2,00,00,000**	2,00,00,000
Issued, subscribed and paid up		
4,50,008 (Previous year 4,50,008) equity shares of ₹ 10 each	**45,00,080**	45,00,080
Total	**45,00,080**	45,00,080

(i) Movements in equity share capital

Particulars	Number of shares	Amount
As at April 1, 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
Add: Increase / less changes during the year	–	–
As at March 31, 2018	**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, 2018	As at March 31, 2017
Equity Shares of ₹ 10 each fully paid up held by:		
ITC Limited, the holding Company	**4,50,002**	4,50,002
Held by management personnel as nominees of ITC Limited	**6**	6

(iii)Details of shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	% holding	Number of shares	% holding
ITC Limited, the holding company	**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%

Note 9(a): Provisions

	As at March 31, 2018	As at March 31, 2017
Non-current		
Provision for employee benefits (Refer Note 14)		
Retirement benefits	**57,23,136**	80,65,195
Other benefits	**46,92,600**	85,63,193
Total provision	**1,04,15,736**	1,66,28,388

Note 9(b): Provisions

	As at March 31, 2018	As at March 31, 2017
Current		
Provision for employee benefits (Refer Note 14)		
Retirement benefits	**57,75,899**	34,22,078
Other benefits	**42,79,500**	40,40,085
Total provision	**1,00,55,399**	74,62,163

Note 10: Financial liabilities

Note 10(a) : Trade payables

	As at March 31, 2018	As at March 31, 2017
Current		
Total outstanding dues of micro and small enterprises #	–	–
Total outstanding dues of creditors other than micro and small enterprises	**1,64,62,523**	1,74,71,889
Total trade payables	**1,64,62,523**	1,74,71,889

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 10(b) : Other financial liabilities

	As at March 31, 2018	As at March 31, 2017
Current		
Employee benefits payable	**39,24,775**	1,94,10,083
Payable to holding Company (Refer Note 21)	**15,84,256**	7,76,89,136
Total other financial liabilities	**55,09,031**	9,70,99,219

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 11: Other current liabilities

	As at March 31, 2018	As at March 31, 2017
Deferred revenue received in advance	**47,04,531**	79,33,031
Advance from customers	**1,44,84,460**	1,89,42,535
Statutory dues including provident fund and tax deducted at source	**1,10,58,020**	48,43,718
Total other current liabilities	**3,02,47,011**	3,17,19,284

Note 12: Revenue from operations

	For the year ended March 31, 2018	For the year ended March 31, 2017
Rendering of services		
- Operating and marketing services	**25,88,03,180**	27,78,36,811
Total revenue	**25,88,03,180**	27,78,36,811

Note 13 : Other income

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income from financial assets at amortised cost		
- On fixed deposits	**–**	5,52,426
- On income tax refund	**6,01,590**	58,386
Net gain on financial assets mandatorily measured at fair value through profit or loss	**9,15,133**	15,65,950
Net gain on sale of investments	**82,63,183**	1,01,60,972
Liabilities no longer required written-back	**54,00,537**	24,63,036
Net foreign exchange gains	**–**	6,865
Miscellaneous income	**19,47,358**	26,61,175
Total other income	**1,71,27,801**	1,74,68,810

Note 14: Employee benefits expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
Salary, wages and bonus	**19,68,49,269**	21,24,70,223
Reimbursement of remuneration of deputed managers	**3,39,76,528**	3,64,68,848
Share based payments expense for deputed managers	**2,64,74,501**	3,49,61,484
Contribution to employees provident and other funds	**1,28,16,556**	92,63,438
Staff welfare expenses	**1,15,74,171**	1,33,73,802
	28,16,91,025	30,65,37,795
Less: Recoveries*	**12,71,96,949**	14,22,89,060
Total employee benefit expense	**15,44,94,076**	16,42,48,735

* 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 / long term compensated absences

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.

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.

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	Net amount
April 01, 2016	**1,12,60,214**	**(1,30,12,152)**	**(17,51,938)**
Current service cost	29,57,246	-	29,57,246
Past service cost	-	-	-
Interest expense/(income)	7,37,192	(9,09,089)	(1,71,897)
Total amount recognised in profit or loss	**36,94,438**	**(9,09,089)**	**27,85,349**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	29,048	29,048
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	2,19,600	-	2,19,600
Experience (gains)/losses	1,86,142	-	1,86,142
Change in asset ceiling, excluding amounts included in interest expense	-	-	-
Total amount recognised in other comprehensive income	**4,05,742**	**29,048**	**4,34,790**
Contributions:			
Employers			
Plan participants	-	(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**

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

	Present value of obligation	Fair value of plan assets	Net amount
April 01, 2017	**1,24,98,426**	**(1,12,30,225)**	**12,68,201**
Current service cost	26,24,749	-	26,24,749
Past service cost	-	-	-
Interest expense/(income)	7,48,318	(7,30,576)	17,742
Total amount recognised in profit or loss	**33,73,067**	**(7,30,576)**	**26,42,491**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	(80,127)	(80,127)
(Gain)/loss from change in demographic assumptions	(1,37,089)	-	(1,37,089)
(Gain)/loss from change in financial assumptions	(4,61,860)	-	(4,61,860)
Experience (gains)/losses	(6,25,861)	-	(6,25,861)
Change in asset ceiling, excluding amounts included in interest expense	-	-	-
Total amount recognised in other comprehensive income	**(12,24,810)**	**(80,127)**	**(13,04,937)**
Contributions:			
Employers			
Plan participants	-	(12,00,000)	(12,00,000)
Benefit payments	(28,24,464)	28,24,464	-
March 31, 2018	**1,18,22,218**	**(1,04,16,464)**	**14,05,754**

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2018	March 31, 2017
Present value of funded obligations	**1,18,22,218**	1,24,98,426
Fair value of plan assets	**(1,04,16,464)**	(1,12,30,225)
Funded status	**14,05,755**	12,68,201
Effect of asset ceiling	**-**	-
Net defined benefit liability (asset)	**14,05,755**	12,68,201

Major Category of Plan Assets as a % of the Total Plan Assets

Life Insurance Corporation of India	**100%**	100%
Significant estimates: actuarial assumptions and sensitivity		
The significant actuarial assumptions were as follows:		
	March 31, 2018	March 31, 2017
Discount rate	**7.50% p.a.**	6.75% p.a.
Salary Growth Rate	**5.00% p.a.**	6.00% p.a.
Attrition Rate	**38.00% 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, 2018 ₹	As At March 31, 2017 ₹
Discount Rate + 100 basis points	**1,16,07,387**	1,21,35,084
Discount Rate - 100 basis points	**1,20,46,883**	1,28,86,657
Salary Increase Rate + 1%	**1,19,93,160**	1,28,24,742
Salary Increase Rate – 1%	**1,16,55,959**	1,21,86,953
Attrition Rate + 1%	**1,18,09,091**	1,24,64,133
Attrition Rate – 1%	**1,18,35,089**	1,25,32,801

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Leave encashment

	Present value of obligation	Fair value of plan assets	Net amount
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	(28,39,560)	-	(28,39,560)
March 31, 2017	**1,14,87,273**	-	**1,14,87,273**

	Present value of obligation	Fair value of plan assets	Net amount
April 01, 2017	**1,14,87,273**	-	**1,14,87,273**
Current service cost	12,37,993	-	12,37,993
Past service cost	-	-	-
Interest expense/(income)	6,74,301	-	6,74,301
Total amount recognised in profit or loss	**19,12,294**	-	**19,12,294**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
(Gain)/loss from change in demographic assumptions	2,22,709	-	2,22,709
(Gain)/loss from change in financial assumptions	(3,93,680)	-	(3,93,680)
Experience (gains)/losses	(1,40,071)	-	(1,40,071)
Change in asset ceiling, excluding amounts included in interest expense	-	-	-
Total amount recognised in other comprehensive income	**(3,11,042)**	-	**(3,11,042)**
Contributions:			
Employers			
Plan participants	-	-	-
Benefit payments	(29,95,244)	-	(29,95,244)
March 31, 2018	**1,00,93,281**	-	**1,00,93,281**

The significant actuarial assumptions were as follows:

	March 31, 2018	March 31, 2017
Discount rate	**7.50% p.a.**	6.75% p.a.
Salary Growth Rate	**5.00% p.a.**	6.00% p.a.
Attrition Rate	**38.00% p.a.**	25.00% p.a.

Sensitivity Analysis

	Defined Benefit Obligation	
	As At March 31, 2018 ₹	As At March 31, 2017 ₹
Discount Rate + 100 basis points	**99,21,740**	1,11,07,162
Discount Rate - 100 basis points	**1,02,72,413**	1,17,34,434
Salary Increase Rate + 1%	**1,02,26,423**	1,16,81,026
Salary Increase Rate – 1%	**99,63,653**	1,11,52,890
Attrition Rate + 1%	**1,01,06,347**	1,14,29,592
Attrition Rate – 1%	**1,00,79,616**	1,13,91,014

[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 ₹ 78,94,415/- (Previous year ₹ 87,97,537/-)

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

Note 15: Other expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
Repairs and maintenance - others	35,05,408	29,30,503
Power and fuel	6,98,114	13,46,146
Rates and taxes	55,660	15,315
Rent (Refer note 22)	50,44,788	68,35,372
Printing and stationery	4,04,183	452,253
Travelling and conveyance	1,59,04,562	1,45,84,356
Advertisement / sales promotion	1,43,47,910	1,14,00,352
Legal expenses	36,73,751	12,80,431
Consultancy / professional fees	39,62,276	61,20,794
Postage and telephone	21,23,348	29,25,341
Insurance	2,53,536	2,11,029
Information technology services	48,50,508	55,73,816
Bad debts written-off	9,76,995	39,33,332
Provisions for doubtful debts and other financial assets	2,39,76,456	65,32,336
Net loss on disposal of property, plant and equipment	44,467	1,31,961
Payment to the auditors [Refer note 15(a)]	5,49,123	4,69,207
Expenditure towards corporate social responsibility activities [Refer note 15(b)]	18,09,000	19,20,000
Miscellaneous	10,48,616	20,26,660
Total other expenses	**8,32,28,701**	6,86,89,204

Note 15 (a): Details of payments to auditors

	For the year ended March 31, 2018	For the year ended March 31, 2017
Payment to auditors (excluding GST / service tax)		
As auditor:		
Audit fees	3,50,000	3,50,000
Tax audit fees	1,00,000	50,000
Fees for other services	50,000	-
Re-imbursement of expenses	49,123	69,207
Total payments to auditors	**5,49,123**	4,69,207

Note 15 (b): Corporate social responsibility expenditure

	For the year ended March 31, 2018	For the year ended March 31, 2017
Contribution to ITC Rural Development Trust	18,09,000	19,20,000
Total	**18,09,000**	19,20,000
Amount required to be spent as per Section 135 of the Act	18,08,891	19,18,759
Amount spent during the year on		
(i) Construction/acquisition of an asset	-	-
(ii) On purposes other than (i) above	18,09,000	19,20,000

Note 16: Income tax expense

(a) Income tax expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
Current tax		
Current tax on profits for the year	2,36,28,000	3,30,29,000
Total current tax expense	2,36,28,000	3,30,29,000
Deferred tax		
Decrease / (increase) in deferred tax assets	(59,25,513)	31,90,363
(Decrease) / increase in deferred tax liabilities	(2,76,556)	1,38,111
Total deferred tax expense/(benefit)	(62,02,069)	33,28,474
Income tax expense	**1,74,25,931**	3,63,57,474

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	March 31, 2018	March 31, 2017
Profit before income tax expenses	3,67,22,994	6,07,44,936
Indian tax rate	27.55%	33.06%
Tax based on normal tax rate	1,01,33,632	2,00,84,098
Items not considered while determining taxable profits	75,20,845	1,18,76,720
Effect of deferred tax balances due to changes in income tax rate notified under Income Tax Act, 1961	(2,28,546)	43,96,656
Total tax expense	**1,74,25,931**	3,63,57,474

Note 17: Earnings per equity share

	March 31, 2018	March 31, 2017
Profit after tax	1,92,97,063	2,43,87,462
Weighted average number of shares outstanding	4,50,008	4,50,008
Basic and diluted earnings per share	**42.88**	54.19

Note: There are no dilutive instruments.

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

Note 18: Financial Instruments and Fair Value Disclosures

Particulars	Notes	As at March 31, 2018		As at March 31, 2017	
		Carrying value	Fair value	Carrying value	Fair value
A. Financial assets					
a) Measured at amortised cost					
i) Trade receivables (net of allowances)	6(b)	**10,03,15,314**	**10,03,15,314**	9,97,38,642	9,97,38,642
ii) Cash and cash equivalents	6(c)	**60,32,846**	**60,32,846**	1,75,21,447	1,75,21,447
iii) Other financial assets	6(d)	**5,78,54,872**	**5,78,54,872**	4,66,32,869	4,66,32,869
Sub-total		**16,42,03,032**	**16,42,03,032**	**16,38,92,958**	**16,38,59,858**
b) Measured at fair value through profit or loss					
i) Investments in mutual funds	6(a)	**9,95,15,133**	**9,95,15,133**	20,12,75,112	20,12,75,112
Sub-total		**9,95,15,133**	**9,95,15,133**	**20,12,75,112**	**20,12,75,112**
Total financial assets		**26,37,18,165**	**26,37,18,165**	**36,51,68,070**	**36,51,68,070**
B. Financial liabilities					
a) Measured at amortised cost					
i) Trade payable	10(a)	**1,64,62,523**	**1,64,62,523**	1,74,71,889	1,74,71,889
ii) Other financial liabilities	10(b)	**55,09,031**	**55,09,031**	9,70,99,219	9,70,99,219
Total financial liabilities		**2,19,71,554**	**2,19,71,554**	**11,45,71,108**	**11,45,71,108**

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)	As at March 31, 2018	As at March 31, 2017
		Fair value	Fair value
A Financial Assets a) Measured at fair value through profit or loss i) Investment in mutual funds	1	9,95,15,133	20,12,75,112
Total financial assets		9,95,15,133	20,12,75,112

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 March 31, 2018**				
	Contractual cash flows *				
	Carrying value	**0 - 1 month**	**1 - 3 months**	**More than 3 months**	**Total**
Trade payable	1,64,62,523	1,64,62,523	–	–	1,64,62,523
Other financial liabilities	55,09,031	55,09,031	–	–	55,09,031
Total	**2,19,71,554**	**2,19,71,554**	–	–	**2,19,71,554**
Particulars	As at March 31, 2017				
	Contractual cash flows *				
	Carrying value	0 - 1 month	1 - 3 months	More than 3 months	Total
Trade payable	1,74,71,889	1,74,71,889	–	–	1,74,71,889
Other financial liabilities	9,70,99,219	9,70,99,219	–	–	9,70,99,219
Total	**11,45,71,108**	**11,45,71,108**	–	–	**11,45,71,108**

* 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.

Notes forming part of the financial statements (Contd.)

(all amounts in rupees unless otherwise stated)

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).

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 recognised 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 with respect to trade receivables due to the diverse customer base. Our historical experience of collecting receivables, supported by the level of default, 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 expected credit loss provision on an individual basis. Based on the historic trend and expected performance of the customers, the Company, has computed expected credit loss allowances for doubtful receivables.

Movement in the provisions for impairment of trade receivables is as follows:

	As at March 31, 2018	As At March 31, 2017
Balance at the beginning of the year	(3,92,97,514)	(3,27,65,178)
Provided during the year	(2,51,00,000)	(2,54,28,362)
Adjusted during the year	11,23,544	1,88,96,026
Balance at the end of the year	(6,32,73,970)	(3,92,97,514)

Note 20: Capital Management

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.

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 (upto February 1, 2018)
Samir Mecherivalappil Chandrasekharan #	Managing Director (w.e.f. February 02, 2018)
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
Joint Venture	Maharaja Heritage Resorts Limited

b) Summary of transactions / balances :

	Transactions / balances	Holding Company		Other Related Parties		Key Management Personnel	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
1	Operating and marketing fees *	1,30,56,284	2,43,43,399	-	-	-	-
2	Purchase of services						
	- ITC Limited	3,82,305	4,72,006	-	-	-	-
	- International Travel House Limited	-	-	32,84,880	25,02,461	-	-
	- ITC Infotech India Limited	-	-	7,03,500	8,51,250	-	-
3	Rent *	17,44,117	17,09,408	-	-	-	-
4	Remuneration of managers / staff on deputation recovered *						
	- ITC Limited	1,57,25,255	2,05,22,588	-	-	-	-
5	Remuneration of managers on deputation reimbursed ((including remuneration of - Managing Director) ₹ 94,41,869/- (Previous year - ₹ 65,17,833/-) as disclosed below)	6,08,24,904	7,14,51,899	-	-	-	-
6	Dividend payments	56,25,100	-	-	-	-	-
7	Expense recovered during the year (amount due on account of payments made on behalf of related parties)						
	- ITC Limited	92,45,587	29,70,981	-	-	-	-
	- Maharaja Heritage Resorts Limited	-	-	12,636	34,729	-	-

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

	Transactions / balances	Holding Company		Other Related Parties		Key Management Personnel	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
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 ₹ 5,00,000/- (Previous year - ₹ 600,000/-)) - International Travel House Limited	3,46,69,790 -	1,78,87,831 -	- 84,569	- 89,159	- -	- -
9	Remuneration to Key Management Personnel - Suresh Kumar - Samir Mecherivalappil Chandrasekharan	 - -	 - -	 - -	 - -	 80,94,155 29,30,116	 74,20,374 -
10	Closing Balances: (i) Trade receivables - ITC Limited (ii) Other current assets - ITC Limited (iii) Trade payables - ITC Limited - International Travel House Limited (iv) Other financial liabilities - ITC Limited	 3,74,139 7,79,804 48,62,790 - 15,84,256	 13,72,356 11,77,233 43,44,754 - 7,76,89,136	 - - - 4,48,256 -	 - - - 1,40,666 -	 - - - - -	 - - - - -

* Includes GST / Service tax

\# The remuneration is subject to the approval of shareholders in the ensuing Annual General Meeting of the Company.

Note : The remuneration paid to the Managing Director due to the inadequacy of profits, is subject to the approval of shareholders by special resolution in the ensuing Annual General Meeting of the Company.

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 consistent 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 revenue from operating fee from any single external operating hotel. All the non-current asset are located in India.

Note 24: Contingent Liability

	As at March 31 , 2018	As at March 31 , 2017
Claims against the Company not acknowledged as debts		
Income tax Demands from income tax authorities under appeal for assessment year 2012 - 13	**67,57,173**	67,57,173

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 proceedings.

Note 25: Employee stock option

Information in respect of Options granted under the ITC Employee Stock Option Schemes ('Schemes'):

The eligible 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.

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars	As at March 31, 2018	As at March 31, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	**3,11,986**	2,27,957
Add: Granted during the year *	**27,815**	37,800
Add : Effect of Bonus	**-**	1,06,681
Less: Lapsed during the year	**2,68,725**	10,585
Less: Exercised during the year	**6,747**	49,867
Outstanding at the end of the year	**64,329**	3,11,986
Options exercisable at the end of the year	**41,506**	1,96,813
Options Vested and Exercisable during the year	**13,036**	1,29,128

The Weighted average exercise price of the options granted under the ITC ESOS is computed by ITC Limited for the group as a whole.

* Includes 17,750 (Previous year 17,750) options granted to the Key Management Personnel of the Company. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon an employee by such grant.

Notes forming part of the financial statements (Contd.)
(all amounts in rupees unless otherwise stated)

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 2,64,74,501 (Previous Year ₹ 3,49,61,484) (Refer Note 14) by way of share based payments. Such charge has been recognised as employee benefits expense with corresponding credit to Payables. Out of the above, ₹ 1,86,74,326 (Previous Year ₹ 1,61,63,505) is attributable to key management personnel [Mr.Suresh Kumar ₹ 1,86,74,326 (Previous Year ₹ 1,61,63,505)]

Note 26: The Financial statements were authorised for issue by the directors on April 18, 2018

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. : 012754N/N500016
Ashok Narayanaswamy
Partner
Membership Number : 095665
Place : Gurugram
Date : April 18, 2018

On behalf of the Board of Directors

Samir Mecherivalappi Chandrasekharan
Managing Director
DIN 08064002
Place : Gurugram
Date : April 18, 2018

Jagdish Singh
Director
DIN 00042258
Place : Gurugram
Date : April 18, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2018.

2. **FINANCIAL PERFORMANCE**

During the year under review, your Company earned license fees of ₹ 78.07 lakhs (previous year ₹ 147.08 lakhs) showing a de-growth of 47%. This was mainly due to renovation of guest rooms during the year adversely impacting the revenue of the Hotel. The other income at ₹ 55.06 lakhs (previous year ₹ 50.82 lakhs) showed a growth of 8%.

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

	For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
Profits		
a. Profit Before Tax	**125.84**	173.33
b. Less: Tax Expense		
- Current Tax	**36.00**	59.00
- Deferred Tax	**(6.69)**	38.43
c. Profit for the year	**96.53**	75.90
d. Other Comprehensive Income	**–**	–
e. Total Comprehensive Income	**96.53**	75.90
Retained Earnings		
a. At the beginning of the year	**1,392.04**	1,326.15
b. Add: Profit for the year	**96.53**	75.90
c. Add: Other Comprehensive Income	**–**	–
d. Less: Dividend		
- Dividend Paid	**8.31**	8.31
- Income Tax on Dividend Paid	**1.69**	1.69
e. At the end of the year	**1,478.56**	1,392.04

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, 2018. Total cash outflow in this regard will be ₹ 10.02 lakhs including Dividend Distribution Tax of ₹ 1.71 lakhs.

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 manages and operates four / three star categories of hotels in India and have a wide marketing and reservation network for the operations of the hotels.

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.

A comprehensive renovation and expansion programme towards enhancing the market standing of the Hotel is currently underway with the first phase (24 rooms) expected to be commissioned shortly.

5. **DIRECTORS**

(a) Changes in Directors

During the year under review, Mr. Suresh Kumar stepped down as Non-Executive Director of your Company with effect from close of work on 8th February, 2018. Your Directors place on record their appreciation for the contributions made by Mr. Kumar during his tenure.

The Board, appointed Mr. Samir MC (DIN: 08064002) as Additional Director of the Company with effect from 15th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 130 of the Articles of Association of the Company, Mr. Samir will vacate office at the ensuing Annual General Meeting (AGM) and is eligible for appointment as a Director of the Company. Your Board at the meeting held on 18th April, 2018 recommended for the approval of the Members, the appointment of Mr. Samir as a Non-Executive Director of your Company, liable to retire by rotation. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Samir, who has filed his consent to act as a Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Samir's appointment is appearing in the Notice convening the AGM of the Company.

(b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Article 143 and 144 of the Articles of Association of the Company, Mr. G.H.C. Jadwet (DIN: 00116150), 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 Company does not have any Board Committee. Four meetings of the Board were held during the year ended 31st March, 2018.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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 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 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**

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.

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.

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, within the overall framework approved by the Board. 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. The Board annually reviews 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, 2018, 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 transactions of the Company in the prescribed Form No. AOC-2 are enclosed as **Annexure 2** 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 3** to this Report.

16. AUDITORS

The Company's Statutory Auditors, Messrs. S B Dandeker & Co., Chartered Accountants, were appointed at the Forty-First AGM to hold such office for a period of five years till the conclusion of the Forty-Sixth AGM. Your Board has recommended for the ratification of the Members, appointment of S B Dandeker & Co. from the conclusion of the ensuing AGM till the conclusion of the Forty-Third AGM. The Board has also recommended for the approval of the Members, the remuneration of S B Dandeker & Co. for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of your Company.

17. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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

Conservation of Energy & Technology Absorption

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

Foreign Exchange Earnings and Outgo

The foreign exchange earnings of the Hotel during the year aggregated ₹ 41.30 lakhs as against (previous year ₹ 23.30 lakhs) while there was no foreign exchange outgo during the year (Previous year-Nil).

On behalf of the Board

J. Singh Director

Samir MC Director

Dated : 19th April, 2018

Place : Gurugram

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
Amitava Bhattacharjee	40	Executive Chef	5,31,106/-	4,78,097/-	Diploma Hotel Management	18	01.03.2016	Hotel Sonar Tori (Agartala), Sr. Sous Chef
Gaurav Sakkarwal	27	Jr. Sous Chef	5,21,940/-	4,76,742/-	Bachelor of Hotel Management	2	01.02.2016	FPHL, Jr. Sous Chef
Rajeesh Raveendran	48	LPO	3,84,476/-	3,44,423/-	Army Graduation/ Diploma in safety officer	16	25.09.2015	Sarovar Group, LPO
Gurusamy Subramanian	28	Asst. Manager	3,56,776/-	3,20,280/-	B.S.C Hotel Management	9	05.05.2017	Taj Fishermens Cove-Chennai, Assistant Manager – House Keeping
Agnatus Kindo	52	Jr. Executive	3,41,185/-	3,03,786/-	XIIth STD	32	01.07.1986	Nil
Johnson David	54	Jr. Executive	3,34,496/-	2,76,771/-	XIIth STD	32	01.03.1986	Nil
Gour Hari Roy	40	Jr. Executive	3,12,971/-	2,81,874/-	B. A History	16	28.01.2017	Nil
Fabianous Kerketta	58	Sr. Supervisor	3,05,097/-	2,68,611/-	Under Matric	33	01.04.1985	Nil
Karthikeyan	27	IT In charge	3,03,137/-	2,69,442/-	B.E Engineering	4	05.10.2015	NSC-Port Blair, Network Engineer
Abdul Rehman	53	Sr. Supervisor	3,02,350/-	2,66,203/-	Under Matric	33	16.09.1985	Nil

Notes :

a. 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 of the Company nor hold any equity share in the Company.

On behalf of the Board

J. Singh Director

Samir MC Director

Dated : 19th April, 2018

Place : Gurugram

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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	Operating Licence Agreement
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 - ₹ 91,49,062/- (including applicable taxes)
e)	Date(s) of approval by the Board, if any	–
f)	Amount paid as advances, if any	Nil

On behalf of the Board

Dated : 19th April, 2018 — **J. Singh** **Director**

Place: Gurugram — **Samir MC** **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, 2018

[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

CIN	:	U74899HR1976PLC052282
Registration Date	:	24th March, 1976
Name of the Company	:	Bay Islands Hotels Limited
Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
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 : bihl@itchotels.in
Whether listed company (Yes / No)	:	No
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.	–	–	–	–	–	–	–	–	N.A.
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	N.A.
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. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
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
		N. Anand	Samir MC*	G. H. C. Jadwet	J. 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)						**12,85,821**

**Appointed with effect from 15th March, 2018*

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 : 19th April, 2018 — **J. Singh** — **Director**

Place : Gurugram — **Samir MC** — **Director**

INDEPENDENT AUDITOR'S 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 Hotel Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, 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 there under.

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 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, 2018, 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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.
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: 19/04/2018

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 Bay Islands Hotels Limited ("the Company") as of March 31, 2018 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, 2018, 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: 19/04/2018

Annexure B to Independent Auditor's 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, 2018 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 2018 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: 19/04/2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note		As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	3		6,65,81,598		6,68,91,666
(b) Other non-current assets	4		13,27,285		12,01,858
Non-current assets			6,79,08,883		6,80,93,524
Current assets					
Financial Assets					
(i) Investments	5	1,38,19,476		1,29,25,000	
(ii) Trade receivables	6	59,01,088		38,69,751	
(iii) Cash and cash equivalents	7	65,03,434		50,00,014	
(iv) Other Bank Balances	8	7,02,74,988		6,48,54,731	
(v) Others	9	10,30,161	9,75,29,146	23,47,837	8,89,97,333
Current Assets			9,75,29,146		8,89,97,333
TOTAL ASSETS			16,54,38,029		15,70,90,857
EQUITY AND LIABILITIES					
Equity					
(a) Share Capital	10	11,87,500		11,87,500	
(b) Other Equity		15,96,88,732	16,08,76,232	15,10,36,070	15,22,23,570
Equity attributable to the owners			16,08,76,232		15,22,23,570
Liabilities					
Non-current liabilities					
(a) Provisions	11		5,46,791		4,39,429
(b) Deferred tax liabilities (Net)	12		28,28,573		34,97,953
Non-Current Liabilities			33,75,364		39,37,382
Current liabilities					
(a) Financial Liabilities					
(i) Trade payables		50,001		33,621	
(ii) Other financial liabilities	13	4,59,102	5,09,103	7,04,923	7,38,544
(b) Other current liabilities	14		2,75,550		594
(c) Provisions	11		4,01,781		1,90,767
Current Liabilities			11,86,434		9,29,905
TOTAL EQUITY AND LIABILITIES			16,54,38,029		15,70,90,857

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

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner
Place: Port Blair
Date: 19.04.2018

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 18.04.2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
I	Revenue From Operations	15	78,07,103	1,47,07,579
II	Other Income	16	55,05,754	50,82,256
III	**Total Income (I+II)**		1,33,12,857	1,97,89,835
IV	**EXPENSES**			
	Employee benefits expense	17	2,73,558	3,56,018
	Depreciation and amortization expense	3	3,10,068	3,79,343
	Loss on sale of property, plant & equipment- net		–	15,60,662
	Other expenses	18	1,45,476	1,61,029
	Total expenses (IV)		7,29,102	24,57,052
V	**Profit before tax (III - IV)**		1,25,83,755	1,73,32,783
VI	**Tax expense:**			
	Current Tax	19	36,00,000	59,00,000
	Deferred Tax	19	(6,69,380)	38,43,171
VII	**Profit for the year (V - VI)**		96,53,135	75,89,612
VIII	**Other Comprehensive Income**		–	–
IX	**Total Comprehensive Income for the year (VII+VIII)**		96,53,135	75,89,612
X	**Earnings per equity share (Face value of ₹ 100 each):**			
	(1) Basic (in ₹)	20	813	639
	(2) Diluted (in ₹)	20	813	639

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

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner
Place: Port Blair
Date: 19.04.2018

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 18.04.2018

Statement of changes in equity for the year ended 31st March, 2018

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, 2017	11,87,500	–	**11,87,500**
For the year ended 31st March, 2018	11,87,500	–	**11,87,500**

B. Other Equity (₹)

	Reserves and Surplus			Total
	Retained Earnings	Subsidy Reserve	General Reserve	
Balance as at 1st April, 2016	13,26,14,638	43,38,099	74,94,194	14,44,46,931
Profit for the year	75,89,612	–	–	75,89,612
Total Comprehensive Income	**14,02,04,250**	**43,38,099**	**74,94,194**	**15,20,36,543**
Dividend paid	8,31,250	–	–	8,31,250
Income tax on Dividend paid	1,69,223	–	–	1,69,223
Balance as at 31st March, 2017	**13,92,03,777**	**43,38,099**	**74,94,194**	**15,10,36,070**
Profit for the year	96,53,135	–	–	96,53,135
Total Comprehensive Income	**14,88,56,912**	**43,38,099**	**74,94,194**	**16,06,89,205**
Dividend paid	8,31,250	–	–	8,31,250
Income tax on Dividend paid	1,69,223	–	–	1,69,223
Balance as at 31st March, 2018	**14,78,56,439**	**43,38,099**	**74,94,194**	**15,96,88,732**

The Board of Directors recommended a dividend of ₹ 70 per share (for the year ended 31st March, 2017 - ₹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 these financial statements. The total estimated equity dividend to be paid is ₹ 8,31,250 (for the year ended 31st March, 2017 - ₹ 8,31,250). Income tax on proposed dividend being ₹ 1,70,865 (for the year ended 31st March, 2017 - ₹ 1,69,223)

Retained earning- It represents the cumulative profits of the Company. This Reserve can be utilised in accordance with the provisions of the Companies Act, 2013

Subsidy Reserve - It represents Central Subsidy received from Andaman & Nicobar Administration.

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.

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

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 19.04.2018

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 18.04.2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended 31st March, 2018		For the year ended 31st March, 2017	
	(₹)	(₹)	(₹)	(₹)
A. Cash Flow from Operating Activities				
PROFIT BEFORE TAX		**1,25,83,755**		1,73,32,783
ADJUSTMENTS FOR :				
Depreciation and amortization expense	**3,10,068**		3,79,343	
Net (gain)/loss arising on sale of investments	**(1,99,700)**		–	
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit and loss	**(6,94,776)**		–	
Interest Income	**(46,11,279)**		(50,82,256)	
Loss on assets written off	**–**		15,60,662	
		(51,95,686)		(31,42,251)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**73,88,069**		1,41,90,532
ADJUSTMENTS FOR :				
Trade receivables, loans, advances and other assets	**(19,12,941)**		11,21,467	
Trade payables, other liabilities and provisions	**3,63,891**	**(15,49,050)**	1,16,455	12,37,922
CASH GENERATED FROM OPERATIONS		**58,39,019**		1,54,28,454
Income Tax Paid		**(37,25,428)**		(59,34,140)
NET CASH FROM OPERATING ACTIVITIES		**21,13,591**		94,94,314
B. Cash Flow from Investing Activities				
Sale of current investments	**1,31,24,700**		–	
Purchase of current investments	**(1,31,24,700)**		–	
Interest received	**58,10,559**		37,87,588	
NET CASH FROM INVESTING ACTIVITIES		**58,10,559**		37,87,588
C. Cash Flow from Financing Activities				
Dividend paid	**(8,31,250)**		(8,31,250)	
Income Tax on dividend paid	**(1,69,223)**		(1,69,223)	
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(10,00,473)**		(10,00,473)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**69,23,677**		1,22,81,429
OPENING CASH AND CASH EQUIVALENTS		**6,98,54,745**		5,75,73,316
CLOSING CASH AND CASH EQUIVALENTS (Refer Note 7 & 8)		**7,67,78,422**		6,98,54,745

Note:
The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS - 7 Cash Flow Statements.
The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached
For S.B.Dandeker & Company

Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 19.04.2018

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 18.04.2018

NOTES TO THE FINANCIAL STATEMENTS

1. 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. The date of transition to Ind AS is 1st April, 2015.

(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.

(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) Property, Plant & Equipment – Tangible Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	30 – 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.

(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 Depreciation) had no impairment loss been recognised in previous years.

(vi) Financial instruments, Financial assets, Financial liabilities and Equity 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.

a) Financial assets

Recognition: Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: 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. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income recognition: Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

b) Financial liabilities

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 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.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

c) 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.

d) Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

(vii) 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. Revenue does not include Service Tax or Goods and Services Tax (GST).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(viii)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.

(ix) 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.

(x) 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 so 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. In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

(xi) 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.

(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.

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.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

(xiii)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.

2. Use of Estimates and Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these 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, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Property, Plant and Equipment (₹)

	Gross Block							Depreciation								Net Book Value	
Particulars	As at 1 April, 2016	Additions	Withdrawals and Adjustments	As at 31 March, 2017	**Additions**	**Withdrawals and Adjustments**	**As at 31 March, 2018**	Upto 1 April, 2016	For the year	On Withdrawals and Adjustments	Upto 31 April, 2017	**For the year**	**On Withdrawals and Adjustments**	**Upto 31 March, 2018**	**As at 31 March, 2018**	As at 1 April, 2017
Freehold Land	5,70,00,000	–	–	5,70,00,000	–	–	**5,70,00,000**	–	–	–	–	–	–	–	**5,70,00,000**	5,70,00,000
Buildings	1,21,71,131	–	16,44,806	1,05,26,325	–	–	**1,05,26,325**	3,39,460	3,79,343	84,144	6,34,659	**3,10,068**	–	**9,44,727**	**95,81,598**	98,91,666
TOTAL	**6,91,71,131**	–	16,44,806	**6,75,26,325**	–	–	**6,75,26,325**	3,39,460	**3,79,343**	84,144	**6,34,659**	**3,10,068**	–	**9,44,727**	**6,65,81,598**	**6,68,91,666**

Notes

1. All Assets mentioned above have been given under an Operating Lease to the Holding Company.

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
4. Other Non-Current Assets		
Advance Tax (net of provisions)	**13,27,285**	12,01,858
TOTAL	**13,27,285**	12,01,858

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
5. Current Investments	**Unquoted**	Quoted
(at fair value through profit or loss)		
INVESTMENT IN MUTUAL FUNDS*		
ICICI Prudential Fixed Maturity Plan- Series 72 10,00,000 (P.Y. 10,00,000) units of ₹ 10 each	–	1,29,25,000
Aditya Birla Sun Life Floating Rate Fund Short Term Plan 59,570.402 (P Y-Nil) units of ₹ 100 each	**1,38,19,476**	–
Aggregate amount of quoted and unquoted Investments	**1,38,19,476**	1,29,25,000

Aggregate market value of quoted investments is Nil (2017 - ₹ 129,25,000/-)
*Amount Reported represents the market value as on Reporting date.

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
6. Trade Receivables		
Unsecured, considered good	**59,01,088**	38,69,751
Less: Allowance for doubtful receivables	–	–
TOTAL	**59,01,088**	38,69,751

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.

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
7. Cash and Cash Equivalents @		
Balances with Banks		
Current accounts	**65,03,434**	50,00,014
Deposits Accounts	–	–
TOTAL	**65,03,434**	50,00,014

@ Cash and cash equivalents include cash at bank, cheques and deposits with banks with original maturity of 3 months or less

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
8. Other Bank Balances		
In deposit accounts *	**7,02,74,988**	6,48,54,731
TOTAL	**7,02,74,988**	6,48,54,731

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

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
9. Other Financial Assets		
Unsecured		
a) Interest accrued on Deposits with Bank	**6,13,367**	18,12,647
b) Others*	**4,16,794**	5,35,190
TOTAL	**10,30,161**	23,47,837

* Others comprise of amount recoverable from the Holding Company

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 No. of Shares	As at 31st March, 2018 (₹)	As at 31st March, 2017 No. of Shares	As at 31st March, 2017 (₹)
10. Share capital				
Authorised				
Equity Share of ₹ 100 each	**90,000**	**90,00,000**	90,000	90,00,000
13.5% Redmeemable Cumulative Preference Shares of ₹ 100 each	**30,000**	**30,00,000**	30,000	30,00,000
Issued and Subscribed				
Equity Shares of ₹ 100 each, fully paid	**11,875**	**11,87,500**	11,875	11,87,500
	11,875	**11,87,500**	11,875	11,87,500
A) Reconciliation of number of Equity Shares				
Shares Outstanding				
As at beginning of the year	**11,875**	**11,87,500**	11,875	11,87,500
Add: Issued During the Period	**–**	**–**	–	–
As at end of the year	**11,875**	**11,87,500**	11,875	11,87,500

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

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 %	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %
ITC Ltd.	**11,875**	**100**	11,875	100

Terms/Rights Attached to Equity Shares
The 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, 2018 (₹)		As at 31st March, 2017 (₹)
11. Provisions	**Current**	**Non- Current**	Current	Non- Current
Provision for employee benefits				
- Other than Retirement benefits	**4,01,781**	**5,46,791**	1,90,767	4,39,429
TOTAL	**4,01,781**	**5,46,791**	1,90,767	4,39,429

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
12. Deferred tax liabilities (Net)		
Deferred tax liabilities	**(28,28,573)**	(34,97,953)
Less: Deferred tax assets	**–**	–
TOTAL	**(28,28,573)**	(34,97,953)

Movement in deferred tax (liabilities) / assets balances (₹)

As at 31st March, 2018	**Opening Balance**	**Recognized in profit or (loss)**	**Recognized in OCI**	**Recognized directly in Equity**	**Reclassified to Profit or (loss)**	**Closing Balance**
Deferred Tax (liabilities) / assets in relation to:						
On fiscal allowances on PPE	(26,92,042)	56,756				(26,35,286)
Other timing differences	(8,05,911)	6,12,624				(1,93,287)
Total deferred tax liabilities	**(34,97,953)**	**6,69,380**	–	–	–	**(28,28,573)**
Total deferred tax assets	–	–	–	–	–	
Deferred tax liabilities (Net)	**(34,97,953)**	**6,69,380**	–	–	–	**(28,28,573)**
As at 31st March, 2017	**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:						
Other timing differences	(6,61,260)	(1,44,651)				(8,05,911)
On fiscal allowances on PPE	–	(26,92,042)				(26,92,042)
Total deferred tax liabilities	**(6,61,260)**	**(28,36,693)**	–	–	–	**(34,97,953)**
On fiscal allowances on PPE	10,06,478	(10,06,478)				–
Total deferred tax assets	**10,06,478**	**(10,06,478)**	–	–	–	–
Deferred tax liabilities (Net)	**3,45,218**	**(38,43,171)**	–	–	–	**(34,97,953)**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
13. Other Financial liabilities		
Other Payables	**4,59,102**	7,04,923
TOTAL	**4,59,102**	7,04,923

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
14. Other Current liabilities		
Statutory liabilities		
- Taxes payable		
(other than Income tax)	**2,75,550**	594
TOTAL	**2,75,550**	594

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
15. Revenue from operations		
Operating Licence Fee	**78,07,103**	1,47,07,579
TOTAL	**78,07,103**	1,47,07,579

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
16. Other income		
Interest income	**46,11,279**	41,57,256
Other gains and losses	**8,94,476**	9,25,000
TOTAL	**55,05,754**	50,82,256
Interest income comprises interest from:		
Deposits with Banks -		
carried at amortized cost	**46,11,279**	41,57,256
TOTAL	**46,11,279**	41,57,256
Other gains and losses		
Net Gain / (Loss) arising on		
financial assets designated at FVTPL*	**8,94,476**	9,25,000
TOTAL	**8,94,476**	9,25,000

* Includes ₹ 199,700/- (P.Y. Nil) being net gain / (loss) on sale on investment

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
17. Employee Benefit Expenses		
Salaries and wages	**1,30,60,195**	1,15,34,229
Contribution to Provident and other funds	**23,55,329**	17,58,930
Staff welfare expenses	**49,037**	70,201
	1,54,64,561	1,33,63,360
Less: Recoveries made / reimbursements received	**(1,51,91,003)**	(1,30,07,342)
TOTAL	**2,73,558**	3,56,018

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
18. Other Expenses		
Consumption of stores and spare parts	**42,000**	36,000
Travelling and conveyance	**54,000**	48,000
Miscellaneous expenses	**49,476**	77,029
TOTAL	**1,45,476**	1,61,029
Miscellaneous expenses include :		
Auditors' remuneration and expenses*		
Audit fees	**15,000**	15,000
Tax audit fees	**7,000**	7,000
Others	**4,000**	4,000
TOTAL	**26,000**	26,000

*Excluding taxes

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
19. Income Tax Expenses		
A. Amount Recognized in profit and loss		
Current tax		
Income tax for the year		
Current tax	**36,00,000**	59,00,000
Total Current Tax	**36,00,000**	59,00,000
Deferred tax		
Deferred tax for the year	**(6,69,380)**	38,43,171
Total Deferred Tax	**(6,69,380)**	38,43,171
TOTAL	**29,30,620**	97,43,171
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	**1,25,83,755**	1,73,32,783
Income Tax expense calculated at 27.5525% (2017- 31.9609%)	**34,67,139**	55,39,714
Effect on different tax rate on certain item	**(6,93,179)**	
– Deferred Tax Recognised (not recognised in earlier years)	**–**	38,43,171
Effect on deferred tax balances due to the change in Income Tax Rate	**27,198**	
Other differences	**1,29,462**	3,60,286
Income Tax recognised in profit or loss	**29,30,620**	97,43,171

The tax rate used for the year 2016-17 and 2017-18 reconciliations above is the corporate tax rate of 31.9609% (29% + surcharge @ 7% and education cess @ 3%) and 27.5525% (25% + surcharge @ 7% and education cess @ 3%) respectively payable on taxable profits under the Income Tax Act, 1961.

20. Earnings per Share

		For Year ended March 31, 2018	For Year ended March 31, 2017
Earnings per share has been computed as under:			
(a)	Profit for the year	**₹ 96,53,135**	₹ 75,89,612
(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)]	**813**	639
	- Diluted [(a)/(d)]	**813**	639

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21. **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
Jagdish Singh
Suresh Kumar (upto 08.02.2018)
Samir MC (w.e.f. 15.03.2018)

Summary of Transactions during the period
(a) Transactions with Holding Company

S. No.	Particulars	2017-18 (₹)	2016-17 (₹)
1.	Operating Licence Fee (Rent Received)*	**91,49,062**	1,69,00,826
2.	Expenses Reimbursed	**15,35,713**	13,80,150
3.	Expenses Recovered **	**1,51,91,003**	1,30,07,342
4.	Dividend Payment	**8,31,250**	8,31,250
5.	Balance as at period end		
	a. Trade Receivables	**59,01,088**	38,69,751
	b. Other Recoverables	**4,16,794**	5,35,190

*Includes Goods and Services Tax and Service Tax
** represents recovery of staff salaries

(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 31.03.2018. 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 ₹ 5,85,630/- (P.Y. ₹ 5,85,630/-), which is currently under Appeal with the Commissioner of Income-tax Appeals.

(vi) Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2018 and recognised in the financial statements in respect of Employee Benefit Scheme.

(vii) Ministry of Corporate Affairs (MCA) has notified Ind AS 115 – "Revenue from Contracts with Customers" with effect from 1st April, 2018. The company is in the process of assessing its impact on the financial statements.

(viii) The financial statements were approved for issue by the Board of Directors on 18th April, 2018.

22. **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 business for growth and creation of sustainable stakeholder value. 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 business as a going concern.

2. **Categories of Financial Instruments**

Particulars	Note	As at 31st March 2018		As at 31st March 2017	
		Carrying Value (₹)	Fair Value (₹)	Carrying Value (₹)	Fair Value (₹)
A. Financial Assets					
a) Measured at amortised cost					
i) Trade Receivables	6	**59,01,088**	**59,01,088**	38,69,751	38,69,751
ii) Cash and cash Equivalents	7	**65,03,434**	**65,03,434**	50,00,014	50,00,014
iii) Other Bank Balances	8	**7,02,74,988**	**7,02,74,988**	6,48,54,731	6,48,54,731
Sub Total		**8,37,09,671**	**8,37,09,671**	7,60,72,333	7,60,72,333
b) Measured at Fair Value through Profit & Loss					
i) Investment in Mutual Fund	5	**1,38,19,476**	**1,38,19,476**	1,29,25,000	1,29,25,000
Total Financial Assets		**9,75,29,146**	**9,75,29,146**	8,89,97,333	8,89,97,333
B. Financial Liabilities					
a) Measured at amortised cost					
i) Trade Payables		**50,001**	**50,001**	33,621	33,621
ii) Others	13	**4,59,102**	**4,59,102**	7,04,923	7,04,923
Total Financial Liability		**5,09,103**	**5,09,103**	7,38,544	7,38,544

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3. **Financial risk management objectives**
The Company's activities expose it to financial risks such as market risk, credit risk and liquidity risk. Given the nature of its operation, the Company's exposure to financial risk is considered to be minimal as explained below.

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 fair value through profit/loss or at amor tized cost. Aggregate value of such investments as at 31st March, 2018 is ₹ 8.40 Crore (2017 - ₹ 7.77 Crore).

Investments in the mutual fund schemes 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 mar ket 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.

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 periods covered in the financial statements.

On behalf of the board

Place: Gurugram	Jagdish Singh	Samir MC
Date: 18/04/2018	Director	Director

ANNUAL REPORT OF WELCOMHOTELS LANKA (PRIVATE) LIMITED FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

The Board of Directors of WelcomHotels Lanka (Private) Limited hereby submit their sixth Annual Report for the financial year ended 31st March, 2018.

Business Environment

The overall business environment in the country remained stable during the year with major investments in infrastructure and construction. The Government of Sri Lanka continues to focus on foreign direct investment, infrastructure development and partnerships with the private sector as the key drivers of economic growth.

Nature of Business

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.

Project Status

The Project execution is progressing as per schedule. The main construction activities are being executed by Larsen & Toubro Ltd. (L&T), the General Contractor. L&T has engaged two major Sri Lankan civil contractors as sub-contractors in line with the Company's commitment to promote local talent and resources as far as practicable. The Company has adopted several advanced methodologies for the Project. During the year, the Project also achieved the significant milestone of having executed the two largest continuous pours of concrete in Sri Lanka.

The Company also appointed internationally renowned technical and marketing consultants for the premium residential apartments during the year.

Financial Statements

The Financial Statements, including the Auditor's Report thereon, for the year ended 31st March 2018, 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, 2018.

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 2018.

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, 2018.

Directors of the Company

Mr. Biswa Behari Chatterjee, Non-Executive Director, resigned as Director of the Company with effect from 4th February, 2018, consequent to his retirement from ITC Limited, the Holding Company. Mr. Chatterjee was also Chairman of the Board of Directors of the Company from 23rd April, 2012 to 21st April 2016. The Directors would like to record their appreciation for the contribution made by Mr. Chatterjee during his tenure as Chairman and Non-Executive Director of the Company.

Mr. Rajendra Kumar Singhi, Executive Vice President & Company Secretary,

ITC Limited, the Holding Company, was appointed Non-Executive Director of the Company with effect from 19th February, 2018.

The Directors of the Company, as at 31st March, 2018, are as follows:

1. Mr. Nakul Anand	Chairman & Non-Executive Director
2. Mr. Arun Pathak	Managing Director
3. Ms. Devkanya Roy Choudhury	Non-Executive Director
4. Mr. Supratim Dutta	Non-Executive Director
5. Mr. Alwyn R Noronha	Non-Executive Director
6. Mr. Rajendra K Singhi	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 2017/18 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 13th day of April, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF WELCOMHOTELS LANKA (PVT) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WelcomHotels (Pvt) Limited ("the Company") which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements in accordance that give a true and fair view in accordance with Sri Lanka Accounting Standards, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 SLAuSs 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 these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 management.
- Conclude on the appropriateness of management's 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 statements 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 statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

SJMS ASSOCIATES
Chartered Accountants
No.11, Castle Lane
Colombo 04
13 April 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31ST MARCH, 2018

	Note	2017/18 LKR	2017/18 INR	2016/17 LKR	2016/17 INR
Revenue		–	–	–	–
Cost of sales		–	–	–	–
Gross profit		–	–	–	–
Other income	3	–	–	56,74,497	24,87,699
Administrative expenses	4	**(35,86,919)**	**(15,13,231)**	(18,74,832)	(8,21,926)
Finance expense	5	**(1,51,09,007)**	**(63,74,113)**	–	–
Pre operating profit/ (loss) before tax	6	**(1,86,95,926)**	**(78,87,344)**	37,99,665	16,65,773
Taxation	7	–	–	–	–
Pre operating profit / (loss) for the year		**(1,86,95,926)**	**(78,87,344)**	37,99,665	16,65,773
Other Comprehensive Income		–	–	–	–
Total comprehensive income/ (loss) for the year		**(1,86,95,926)**	**(78,87,344)**	37,99,665	16,65,773
Earnings per share	8	**(0.13)**	**(0.06)**	0.03	0.01

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2018

	Note	31.03.2018 LKR	31.03.2018 INR	31.03.2017 LKR	31.03.2017 INR
Assets					
Non Current Assets					
Property, plant and equipment	9	**1,18,56,919**	**49,62,121**	–	–
Capital work in progress	10	**10,81,30,86,886**	**4,52,52,76,862**	3,96,03,48,489	1,68,41,38,195
Prepaid lease rental	11	**9,31,83,63,160**	**3,89,97,34,982**	9,31,83,63,160	3,96,26,33,934
		20,14,33,06,965	**8,42,99,73,965**	13,27,87,11,649	5,64,67,72,129
Current Assets					
Prepayments	12	**1,70,07,35,003**	**71,17,57,598**	1,72,75,70,755	73,46,49,464
Cash and bank balances	13	**4,24,70,617**	**1,77,73,953**	42,13,74,643	17,91,89,567
		1,74,32,05,620	**72,95,31,551**	2,14,89,45,398	91,38,39,031
Total Assets		**21,88,65,12,585**	**9,15,95,05,516**	15,42,76,57,047	6,56,06,11,160
Equity and Liabilities					
Capital and Reserves					
Stated capital	14	**20,17,01,06,002**	**9,03,91,07,941**	15,27,16,66,002	6,97,71,66,891
Accumulated loss		**(20,52,64,833)**	**(68,38,21,913)**	(18,65,68,907)	(56,22,29,351)
		19,96,48,41,169	**8,35,52,86,028**	15,08,50,97,095	6,41,49,37,540
Current Liabilities					
Other payables	15	**1,92,16,71,416**	**80,42,19,488**	34,25,59,952	14,56,73,620
Total Liabilities		**1,92,16,71,416**	**80,42,19,488**	34,25,59,952	14,56,73,620
Total Equity and Liabilities		**21,88,65,12,585**	**9,15,95,05,516**	15,42,76,57,047	6,56,06,11,160

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
13th April, 2018

Nakul Anand
Chairman

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

	Stated Capital LKR	Stated Capital INR	Retained Earnings LKR	Retained Earnings INR	Total LKR	Total INR
Balance as at 1st April 2016	12,13,26,41,002	5,57,91,79,561	(19,03,68,572)	(18,72,43,559)	11,94,22,72,430	5,39,19,36,002
Shares issued during the year						
- Equity Shares	1,77,32,75,000	81,24,95,300	–	–	1,77,32,75,000	81,24,95,300
- 13.5% Cumulative Non Convertible Preference Shares redeemable at the option of the issuer	1,36,57,50,000	58,54,92,030	–	–	1,36,57,50,000	58,54,92,030
Pre operating profit for the year	–	–	37,99,665	16,65,773	37,99,665	16,65,773
Foreign Exchange Translation Reserve	–	–	–	(37,66,51,565)	–	(37,66,51,565)
Balance as at 31st March 2017	15,27,16,66,002	6,97,71,66,891	(18,65,68,907)	(56,22,29,351)	15,08,50,97,095	6,41,49,37,540
Shares issued during the year						
- Equity Shares	–	–	–	–	–	–
- 13.5% Cumulative Non Convertible Preference Shares redeemable at the option of the issuer	4,89,84,40,000	2,06,19,41,050	–	–	4,89,84,40,000	2,06,19,41,050
Pre operating loss for the year	–	–	(1,86,95,926)	(78,87,344)	(1,86,95,926)	(78,87,344)
Foreign Exchange Translation Reserve	–	–		(11,37,05,218)	–	(11,37,05,218)
Balance as at 31st March 2018	**20,17,01,06,002**	**9,03,91,07,941**	**(20,52,64,833)**	**(68,38,21,913)**	**19,96,48,41,169**	**8,35,52,86,028**

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2018

	2017/18 LKR	2017/18 INR	2016/17 LKR	2016/17 INR
Cash Flows From Operating Activities				
Profit Before Tax	**(1,86,95,926)**	**(78,87,344)**	37,99,665	16,65,773
Adjustments for:				
Depreciation and amortization expenses	**13,31,103**	**5,57,067**	–	–
Operating profit before working capital changes	**(1,73,64,823)**	**(73,30,277)**	37,99,665	16,65,773
Adjustments for:				
(Increase)/decrease in trade & other receivables	**2,68,35,752**	**2,28,91,865**	(1,67,90,38,326)	(71,40,11,048)
(Decrease)/increase in trade and other payables	**1,57,91,11,464**	**65,85,45,868**	25,57,49,965	10,87,57,672
Net cash flow from operating activities	**1,58,85,82,393**	**67,41,07,456**	(1,41,94,88,696)	(60,35,87,603)
Cash Flows From Investing Activities				
Capital work in progress	**(6,85,27,38,397)**	**(2,84,11,38,667)**	(1,49,46,40,479)	(63,55,95,863)
Purchase of property, plant and equipment	**(1,31,88,022)**	**(55,19,187)**	–	–
Net cash flow used in investing activities	**(6,86,59,26,419)**	**(2,84,66,57,854)**	(1,49,46,40,479)	(63,55,95,863)
Cash Flows From Financing Activities				
Proceeds from issue of shares	**4,89,84,40,000**	**2,06,19,41,050**	3,13,90,25,000	1,39,79,87,330
Net cash flow from financing activities	**4,89,84,40,000**	**2,06,19,41,050**	3,13,90,25,000	1,39,79,87,330
Net increase/(decrease) in cash and cash equivalents	**(37,89,04,026)**	**(11,06,09,348)**	22,48,95,825	15,88,03,864
Cash and cash equivalents at the beginning of the period	**42,13,74,643**	**17,91,89,567**	19,64,78,818	8,87,10,186
Foreign Exchange Translation (Gain)/ Loss	**–**	**(5,08,06,266)**	–	(6,83,24,483)
Cash and cash equivalents at the end of the period (Note 16.1)	**4,24,70,617**	**1,77,73,953**	42,13,74,643	17,91,89,567

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

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 2018 were authorised for issue by the Board of Directors on 13th April 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 7 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.

The estimated useful lives of the assets of the Company are as follows:

Furniture & Fixtures	8 – 10 years
Motor Vehicles	8 – 10 years
Plant and Equipment	7-15 years
Computers	3 years

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.)

	2017/18 LKR	2017/18 INR	2016/17 LKR	2016/17 INR
3. Other Income				
Foreign exchange gain	–	–	56,74,497	24,87,699
4. Administrative Expenses				
(a) Auditor's remuneration and expenses				
Audit fees*	465,000	196,171	445,000	195,088
Reimbursement of expenses and taxes	68,588	28,937	65,638	28,776
(b) Secretarial remuneration and expenses				
Secretarial fees*	60,000	25,311	60,000	26,304
Reimbursement of expenses and taxes	45,727	19,292	46,946	20,581
(c) Tax consultancy fees	1,616,501	681,961	1,197,248	524,873
(d) Company annual registration levy	–	–	60,000	26,304
(e) Depreciation	1,331,103	561,559	–	–
	3,586,919	1,513,231	1,874,832	821,926
*Excluding taxes				
5. Finance expense				
Foreign exchange loss	15,109,007	6,374,113	–	–
6. Pre-operating Profit / (Loss)				
The following items have been charged in arriving at the pre-operating profit / (loss)				
Auditor's remuneration and expenses	533,588	225,121	510,638	223,864
Secretarial remuneration and expenses	105,727	44,606	106,946	46,885
Tax consultancy fees	1,616,501	682,002	1,197,248	524,873
Company annual registration levy	–	–	60,000	26,304

7. 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.

8. 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.

	2017/18 LKR	2017/18 INR	2016/17 LKR	2016/17 INR
Amount used as the Numerator Profit/ (Loss) attributable to ordinary shareholders	(18,695,926)	(7,887,811)	3,799,665	1,665,773
Amount used as the Denominator Weighted average no of ordinary shares in issue	139,642,260	139,642,260	128,643,509	128,643,509
Earnings Per Share	(0.13)	(0.06)	0.03	0.01

9. Property, Plant and Equipment

Particulars	Gross Block						Accumulated Depreciation						Net Block			
	Original Cost as at 01.04.2017		Additions during the year		Original Cost as at 31.03.2018		Accumulated Depreciation as at 01.04.2017		Depreciation for the year		Depreciation upto 31.03.2018		Net Block as at 31.03.2017		Net Block as at 31.03.2018	
	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)	(LKR)	(INR)
1. Furniture & Fixtures	–	–	14,75,745	6,17,599	14,75,745	6,17,599	–	–	1,32,825	55,587	1,32,825	55,587	–	–	13,42,920	5,62,012
2. Vehicles	–	–	75,00,000	31,38,750	75,00,000	31,38,750	–	–	8,47,603	3,54,722	8,47,603	3,54,722	–	–	66,52,397	27,84,028
3. Plant and Equipment	–	–	2,47,499	1,03,578	2,47,499	1,03,578	–	–	10,359	4,335	10,359	4,335	–	–	2,37,140	99,243
4. Computers	–	–	39,64,778	16,59,260	39,64,778	16,59,260	–	–	3,40,316	1,42,422	3,40,316	1,42,422	–	–	36,24,462	15,16,837
TOTAL	–	–	1,31,88,022	55,19,187	1,31,88,022	55,19,187	–	–	13,31,103	5,57,067	13,31,103	5,57,067	–	–	1,18,56,919	49,62,121

	31.03.2018 LKR	31.03.2018 INR	31.03.2017 LKR	31.03.2017 INR
10. Capital Work In Progress				
Project consultancy charges	1,183,848,955	495,440,787	885,426,655	376,527,685
Interest on loan	411,633,591	172,268,658	411,633,591	175,047,185
Site development, Excavation, and Piling charges	2,380,994,683	996,446,275	1,916,215,488	814,870,636
Structural and Civil Works and Other Works	6,251,407,036	2,616,213,845	409,751,493	174,246,822
Rates and taxes	18,446,075	7,719,682	15,646,318	6,653,597
Project management expenses	566,756,546	237,187,615	321,674,944	136,792,270
	10,813,086,886	4,525,276,862	3,960,348,489	1,684,138,195
11. Prepaid Lease Rental				
Prepaid lease rentals (note 11.1)	9,318,363,160	3,899,734,982	9,318,363,160	3,962,633,934

11.1 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	3,860,348,625	9,224,250,000	3,922,612,313
Stamp duty on lease of land	94,113,160	39,386,357	94,113,160	40,021,621
	9,318,363,160	3,899,734,982	9,318,363,160	3,962,633,934
12. Prepayments				
Capital advances	1,688,169,519	706,498,944	1,714,319,165	729,014,225
Security deposit	6,927,216	2,899,040	4,656,112	1,980,012
Other advances	5,638,268	2,359,614	8,595,478	3,655,227
	1,700,735,003	711,757,598	1,727,570,755	734,649,464

	31.03.2018 LKR	31.03.2018 INR	31.03.2017 LKR	31.03.2017 INR
13. Cash and Bank balances				
Cash at bank	42,346,071	17,721,831	421,374,643	179,189,567
Cash in hand	124,546	52,122	–	–
	42,470,617	17,773,953	421,374,643	179,189,567
14. Stated Capital				
Equity Capital				
Opening balance	13,905,916,002	6,391,674,861	12,132,641,002	5,579,179,561
Issued during the year	–	–	1,773,275,000	812,495,300
Closing balance	13,905,916,002	6,391,674,861	13,905,916,002	6,391,674,861
No. of Shares issued:- 2017/18 - NIL and 2016/17 - 17,732,750				
Preference Shares				
Opening balance	1,365,750,000	585,492,030	–	–
Issued during the year	4,898,440,000	2,061,941,050	1,365,750,000	585,492,030
Closing balance	6,264,190,000	2,647,433,080	1,365,750,000	585,492,030
No. of Shares issued:- 2017/18 - 48,984,400 and 2016/17 - 13,657,500				
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	20,170,106,002	9,039,107,941	15,271,666,002	6,977,166,891

	31.03.2018 LKR	31.03.2018 INR	31.03.2017 LKR	31.03.2017 INR
15. Other Payables				
Auditor's remuneration and expenses	548,383	229,498	510,638	217,149
Retention - Contractor	84,111,904	35,200,832	106,266,843	45,189,975
Sundries*	1,837,011,129	768,789,157	235,782,471	100,266,496
	1,921,671,416	804,219,487	342,559,952	145,673,620

* Includes payables to related parties (refer note 20)

16. Notes to the Cash Flow Statement

16.1 Cash and Cash Equivalents at the End of the Year

Cash at bank	42,346,071	17,721,831	421,374,643	179,189,567
Cash in hand	124,546	52,122	–	–
	42,470,617	17,773,953	421,374,643	179,189,567

17. Operating Lease

Lease rental for land payable to Board of Investment of Sri Lanka.

Not later than one year	22,822	9,551	22,147	9,418
Later than one year and not later than five years	91,287	38,204	88,589	37,672
Later than five years	2,008,323	840,483	1,971,098	838,209

18. Contingencies and Commitments

Capital Commitments pending as at Balance Sheet date is LKR 19,387,937,161, INR 8,113,851,702 (LY: LKR 22,804,418,862, INR 9,697,597,121)

There were no significant contingent liabilities as at the date of statement of financial position other than those disclosed above.

19. Events after the date of Statement of Financial Position

There were no significant events occurring after the date of statement of financial position.

20. Related Party Transactions

20.1 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 (LKR)	Transaction Value (INR)	Outstanding Balance as at the date of Statement of Financial Position (LKR) *	Outstanding Balance as at the date of Statement of Financial Position (INR) *
ITC Ltd	Parent Company	Share issue	4,898,440,000 (3,139,025,000)	2,066,651,836 (1,397,987,330)	20,228,416,000 (15,329,976,000)	8,465,592,096 (7,009,547,089)
ITC Ltd	Parent Company	Purchase of Services	3,099,860 (1,768,549)	1,307,831 (775,332)	2,891,819 (1,269,841)	1,210,226 (540,000)
ITC Ltd	Parent Company	Technical Service fee	9,136,947 (8,831,286)	3,854,878 (3,871,636)	2,300,546 (2,246,125)	962,779 (955,165)
ITC Ltd	Parent Company	Reimbursement of Expenses #	67,863,174 (105,794,425)	28,631,473 (46,380,276)	16,686,738 (95,006,329)	6,983,400 (40,401,441)

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 (LKR 62,381,266, INR 26,106,560 LY - LKR 87,939,899, INR 37,396,442) 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.

21. 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.

	2017/18 LKR	2017/18 INR	2016/17 LKR	2016/17 INR
Key Management Personnel Compensation				
Short term employee benefits	30,192,409	12,738,177	24,142,842	10,584,222

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2018.

2. **FINANCIAL PERFORMANCE**

During the year under review, your Company recorded Total Income of ₹ 3,054 lakhs (previous year: ₹ 2,175 lakhs), representing an increase of 40% over the previous year. After 31st March, 2018, the Company received ₹ 738 lakhs, consequent to acquisition of its freehold land at Village Naurangpur by the State Government of Haryana. The related income of ₹ 688 lakhs has been recognised as non-recurring income in the Financial Statements, in accordance with the Indian Accounting Standards. Accordingly, Other Income for the year aggregated ₹ 798 lakhs (previous year: ₹ 113 lakhs) and profit for the year was ₹ 983.54 lakhs (previous year: ₹ 210.49 lakhs).

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

	For the year ended 31st March, 2018 (₹ in lakhs)	For the year ended 31st March, 2017 (₹ in lakhs)
Profits		
a. Profit Before Tax	**983.54**	210.49
b. Less : Tax Expense	–	–
c. Profit for the year	**983.54**	210.49
d. Other Comprehensive Income	**5.62**	(0.70)
e. Total Comprehensive Income	**989.16**	209.79
Retained Earnings		
a. At the beginning of the year	**(10,223.05)**	(10,432.83)
b. Add : Profit for the year	**983.54**	210.49
c. Add : Other Comprehensive Income	**5.62**	(0.70)
d. At the end of the year	**(9,233.89)**	(10,223.04)

3. **OPERATIONAL PERFORMANCE**

Your Company owns 'ITC Grand Bharat' - a 104 key all-suite luxury Retreat at Gurugram, which has been licensed to ITC Limited, the Holding Company. The Retreat, an oasis of unhurried Luxury, is co -located with the Company's prestigious Classic Golf & Country Club, a 27-hole Jack Nicklaus Signature Golf Course.

ITC Grand Bharat has received several accolades, establishing itself amongst the top luxury resort destination hotels in the world. During the year, the Retreat was ranked # 10 amongst the 'Top 50 Resorts in Asia' by Conde Nast Traveler, USA, and also adjudged the best Luxury Hotel at the 'India's Best' Awards by Travel & Leisure (India & South Asia edition).

During the year, the Classic Golf & Country Club hosted various prestigious tournaments and sustained its leadership position in the corporate tournament segment. The Club enjoys strong brand equity with its members, guests and the golfing fraternity and continues to receive the patronage of amateur and professional golfers in the country.

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

During the year under review, Mr. Hari Mohan Jha, ceased to be an Independent Director of your Company with effect from 16th March, 2018, on completion of term. Your Directors place on record their appreciation for the contribution made by Mr. Jha during his tenure.

Ms. Ratna Chadha also ceased to be an Independent Director of your Company with effect from 16th March, 2018, on completion of term. The Board, on the recommendation of the erstwhile Nomination and Remuneration Committee, appointed Ms. Chadha (01027402) as Additional Director of the Company with effect from 16th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 92 of the Articles of Association of the Company, Ms. Chadha will vacate office at the ensuing Annual General Meeting (AGM) and is eligible for appointment as a Director of the Company. Your Board at the meeting held on 21st April, 2018 recommended for the approval of the Members, the appointment of Ms. Chadha as a Non-Executive Director of your Company, liable to retire by rotation. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Ms. Chadha, who has filed her consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to Ms. Chadha's appointment is appearing in the Notice convening the ensuing AGM of the Company.

Ms. Shripriya Kaushal resigned as the Company Secretary of the Company with effect from close of work on 22nd April, 2017. The Board, on the recommendation of the erstwhile Nomination and Remuneration Committee, appointed Ms. Anupama Jha as the Company Secretary of the Company with effect from 18th October, 2017 in terms of the provisions of Section 203 of the Act.

(b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Articles 106, 107 and 108 of the Articles of Association of the Company, Mr. Rajiv Tandon (DIN: 00042227), 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) Board Evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors as also functioning of the Audit Committee, as required under Section 134(3)(p) of the Act, based on criteria approved by the Board.

5. **BOARD AND BOARD COMMITTEES**

Your Company, being a wholly owned subsidiary, is no longer required to constitute Audit Committee and Nomination and Remuneration Committee, in terms of Notification dated 13th July, 2017, issued by the Ministry of Corporate Affairs, Government of India. Accordingly, your Board dissolved the Nomination and Remuneration Committee of the Company with effect from 16th March, 2018.

The present composition of the Audit Committee is given below:

Mr. R. Tandon	–	Chairman
Mr. N. Anand	–	Member
Ms. R. Chadha	–	Member

Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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 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. **PARTICULARS OF EMPLOYEES**

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.

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.

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 Audit Department of ITC limited, the Internal Auditor of the Company, periodically carries out risk focussed 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 is prepared on half-yearly basis and reviewed by the Managing Director of the Company. Further, an annual update is 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

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 31st March, 2018, 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 transactions of the Company in the prescribed Form No. AOC-2 are enclosed as **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

(a) Statutory Auditors

The Company's Statutory Auditors, Messrs. Deloitte Haskins & Sells LLP ('DHS'), Chartered Accountants, were appointed at the Twenty-Second AGM to hold such office till the conclusion of the Twenty-Seventh AGM. On the recommendation of the Audit Committee, 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-Seventh AGM. On the recommendation of the Audit Committee, the Board, has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of your Company.

(b) Secretarial Auditors

Your Board, appointed Messrs. PB & Associates, Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2018. The Report of Messrs. PB & Associates, Company Secretaries, in terms of Section 204 of the Act is enclosed as **Annexure 4** to this Report.

16. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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

Conservation of Energy:

Steps taken on conservation of energy and impact thereof:

100 compact fluorescent lamps (CFLs) were replaced with light-emitting diodes (LEDs) to conserve energy.

Steps taken by the Company for utilising alternate sources of energy: NIL

Capital investment on energy conservation equipment: NIL

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.: NIL

ii) The Company neither imported any technology during the year nor incurred any expenditure on research and development.

Foreign Exchange Earnings and Outgo:

The foreign exchange earnings of your Company during the year aggregating ₹ 95.58 lakhs (previous year: ₹ 83.05 lakhs) while the foreign exchange outflow aggregating ₹ 4.27 lakhs (previous year: ₹ 46.86 lakhs).

On behalf of the Board

Dated : 21st April, 2018 — **N. Anand** — **Chairman**
Place : New Delhi — **B. Hariharan** — **Managing Director**

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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
Bhagwateshwaran Hariharan*	55	Managing Director	66,65,601/-	30,69,722/-	Post Graduate in Management	32	04.12.2016	ITC Limited, Vice President Marketing
Ravi Khyani*	35	Chief Financial Officer	36,75,013/-	22,41,634/-	B.Com, A.C.A.	11	01.03.2016	ITC Ltd., Finance Controller
Pradeep Singh	53	Vice President HR & Liaison	20,97,668/-	15,33,858/-	B.Com, L.L.B., M.B.A.	29	10.11.2006	Amira Foods (India) Ltd., Sr. Manager-HR & IR
Atul Bansal*	27	Assistant Financial Controller	15,19,088/-	11,97,197/-	B.Com, A.C.A.	3	20.10.2016	ITC Ltd., Assistant Manager Finance
Vikas Kumar	43	D.G.M Maintenance	11,37,058/-	8,91,036/-	B.Sc, M.Sc, P.G.D. in Plantation Technology	16	05.10.2006	Soka Bodhi Tree Garden, Horticulturist
Keshav Kumar	41	DGM-Golf Operations & Marketing	10,67,531/-	7,25,959/-	B.Com	10	17.04.2009	Golden Greens Golf & Resorts Ltd., Manager-Golf Operations
Shiv Charan*	46	Manager - Engineering	10,24,581/-	9,22,741/-	M.B.A., B.E.	28	16.05.2011	ITC Ltd., Asst. Manager Engineering
Rajbir Singh	50	Sr. Officer	9,03,948/-	8,05,828/-	Matriculation	26	01.04.2008	Central Park, Unitech, Land Officer
Pramod Sharma	49	Manager	9,00,190/-	7,43,348/-	B.A., M.A. (Pol Science) Diploma in Industrial Security & Safety Management	30	15.12.2016	PSRI Hospital, New Delhi, Manager Security & Liaison
Apurba Bagchi	52	Deputy Manager Finance	7,70,117/-	6,73,849/-	B.Com	30	16.06.1998	Setwell Coating India Pvt. Ltd., Accountant

**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 Managing Director and the Chief Financial Officer have been granted Stock Options by ITC Limited, the Holding Company, 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 deputed employees) are contractual in accordance with terms and conditions as per Company's rules.

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

On behalf of the Board

N. Anand — Chairman
B. Hariharan — Managing Director

Dated : 21st April, 2018
Place : New Delhi

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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	License Agreement
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' Value of the transaction during the year – ₹ 5,27,62,500/- (includes applicable taxes)
e)	Date(s) of approval by the Board, if any	–
f)	Amount paid as advances, if any	Nil

On behalf of the Board

Dated : 21st April, 2018
Place : New Delhi

N. Anand — Chairman
B. Hariharan — 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, 2018

[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: 01244171042
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	76%
2.	Hotels - Licence fee	55101	19%

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	55,21,922
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	7,98,532
	(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)		63,20,454
Ceiling as per the Companies Act, 2013		1,20,00,000 per annum *(refer Note 2)*

Note 1: *Mr. B. Hariharan is on deputation from ITC Limited (ITC) and 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 tradable, 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. Further, the appointment of Mr. Hariharan 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, 2018 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**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	N. Anand	Nil	Nil	Nil	Nil
	R. Tandon				
	B. Hariharan				
	R. Chadha*				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**63,20,454**
Overall ceiling as per the Companies Act, 2013					1,20,00,000 per annum *(Refer Note 1)*

** Appointed with effect from 16th March, 2018.*

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, 2018 are inadequate.*

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

Sl. No.	Particulars of Remuneration	A. Jha (Company Secretary) *(refer Note 1)*	R. Khyani (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	1,73,420	31,90,084
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–	3,20,693
	(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		**1,73,420**	**35,10,777**

Note 1: *Appointed with effect from 18th October, 2017*

Note 2: *Mr. R. Khyani is on deputation from ITC Limited (ITC), the Holding Company and 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 tradable, 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, 2018
Place: New Delhi

N. Anand — **Chairman**
B. Hariharan — **Managing Director**

FORM NO. MR – 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2018

[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
Gurugram, Haryana

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 2017 till 31st March 2018 (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 2018 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 2018, 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 and Non-Executive 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 2018

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. 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 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 2018

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, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, 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 of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 21 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 30 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 31 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)

Place : Gurugram
Dated : April 21, 2018

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 31st March, 2018 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 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 of the Company 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, 2018, based on "the criteria for internal financial control over financial reporting 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 LLP,**
Chartered Accountants
(Firm's Registration No.: 117366W/ W-100018)

Jaideep Bhargava
Partner
(Membership No.: 90295)

Place : Gurugram
Dated : April 21, 2018

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 property, plant and equipment:
  (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the 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, the discrepancies noticed on physical verification of property, plant and equipment 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 Order 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, Goods and 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, Goods and Service tax, Customs duty, Value added tax, Sales tax, Cess and other material statutory dues in arrears as at 31st March, 2018 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 2018 which have not been deposited on account of dispute. Details of dues of Income tax which have not been deposited as on 31st March, 2018 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 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 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 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 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 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)

Place : Gurugram
Dated : April 21, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Particulars	Note		As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)
	ASSETS					
1.	**Non-current assets**					
	(a) Property, Plant and Equipment	3		**2,35,84,18,886**		2,36,03,91,799
	(b) Capital work-in-progress	3		**2,92,77,220**		2,89,88,020
	(c) Intangible Assets	3		**3,17,167**		2,42,740
	(d) Financial Assets					
	(i) Investments	4	**150**		150	
	(ii) Others	5	**6,09,03,285**	**6,09,03,435**	52,69,212	52,69,362
	(e) Other non-current assets	6		**5,73,48,404**		5,08,13,630
	Total Non - Current Assets			**2,50,62,65,112**		2,44,57,05,551
2.	**Current assets**					
	(a) Inventories	7		**76,95,940**		73,38,532
	(b) Financial Assets					
	(i) Investments	8	**6,10,52,950**		–	
	(ii) Trade receivables	9	**23,50,865**		24,44,583	
	(iii) Cash and cash equivalents	10	**1,17,83,145**		11,12,51,704	
	(iv) Other Bank Balances	11	**5,29,72,274**		4,87,12,616	
	(v) Others	5	**7,73,01,637**	**20,54,60,871**	30,76,625	16,54,85,528
	(c) Other current assets	6		**1,00,44,471**		33,95,540
	Total Current Assets			**22,32,01,282**		17,62,19,600
	TOTAL ASSETS (1+2)			**2,72,94,66,394**		2,62,19,25,151
	EQUITY AND LIABILITIES					
1.	**Equity**					
	(a) Equity Share capital	12		**3,17,00,00,000**		3,17,00,00,000
	(b) Other Equity			**(86,22,26,516)**		(96,11,42,742)
	Total equity			**2,30,77,73,484**		2,20,88,57,258
	Liabilities					
2.	**Non-current liabilities**					
	(a) Financial Liabilities					
	- Other financial liabilities	13	**31,74,27,782**	**31,74,27,782**	31,34,62,825	31,34,62,825
	(b) Provisions	14		**65,45,002**		62,75,750
	(c) Other non-current liabilities	15		**3,89,04,652**		3,13,59,314
	Total Non - Current Liabilities			**36,28,77,436**		35,10,97,889
3.	**Current liabilities**					
	(a) Financial Liabilities					
	(i) Trade payables		**1,92,93,488**		1,80,11,291	
	(ii) Other financial liabilities	13	**75,66,023**	**2,68,59,511**	1,84,67,737	3,64,79,028
	(b) Other current liabilities	15		**3,11,80,745**		2,44,31,577
	(c) Provisions	14		**7,75,218**		10,59,399
	Total Current Liabilities			**5,88,15,474**		6,19,70,004
	TOTAL EQUITY AND LIABILITIES (1+2+3)			**2,72,94,66,394**		2,62,19,25,151

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached.
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2018

On behalf of the Board

N. Anand	Chairman
B. Hariharan	Managing Director
Ravi Khyani	Chief Financial Officer
Anupama Jha	Company Secretary

Place : New Delhi
Date : 21st April, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2018

	Particular	Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
I	Revenue from Operations	16	**22,56,47,165**	20,61,22,576
II	Other Income	17	**7,97,99,017**	1,13,45,217
III	**Total Income (I+II)**		**30,54,46,182**	21,74,67,793
IV	**EXPENSES**			
	(a) Employee benefits expense	18	**5,87,92,069**	5,26,22,691
	(b) Depreciation and amortization expense	3	**4,37,20,716**	4,40,53,876
	(c) Other expenses	19	**10,45,78,944**	9,97,42,554
	Total Expenses (IV)		**20,70,91,729**	19,64,19,121
V	**Profit before tax (III - IV)**		**9,83,54,453**	2,10,48,672
VI	Tax Expense		**–**	–
VII	**Profit for the year (V-VI)**		**9,83,54,453**	2,10,48,672
VIII	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	- Remeasurements gains/ (losses) of the defined benefit plans		**5,61,773**	(70,398)
	- Income tax expense on remeasurement benefit of defined benefit plans		**–**	–
IX	**Total Comprehensive Income for the year (VII+VIII)**		**9,89,16,226**	2,09,78,274
X	Earnings per equity share (Face Value ₹10.00 each)			
	Basic/ Diluted	20	**0.31**	0.07

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2018

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Anupama Jha Company Secretary

Place : New Delhi
Date : 21st April, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2018

		For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
A	**Cash Flow from Operating Activities**		
	Profit before tax	**9,83,54,453**	2,10,48,672
	Adjustments for:		
	Net (gain)/ loss on sale and write off of property, plant and equipment	**(6,67,43,213)**	35,49,907
	Liabilities/provisions no longer required written back	**–**	(6,79,024)
	Bad debts written off	**304**	53,215
	Advances written off	**44,470**	1,88,054
	Depreciation and amortization expense	**4,37,20,716**	4,40,53,876
	Foreign currency translations and translations - Net	**(35,607)**	–
	Interest Income	**(45,82,307)**	(1,13,08,871)
	Net (gain)/ loss arising on financial assets mandatorily measured at Fair value through profit and loss	**(84,37,890)**	–
	Operating Profit Before Working Capital Changes	**6,23,20,926**	5,69,05,829
	Adjustment in working capital:		
	Decrease in trade and other receivables	**93,414**	11,26,307
	Increase in inventories	**(3,57,408)**	(20,552)
	Increase in other assets	**(68,22,268)**	(54,04,534)
	Increase/ (Decrease) in other financial assets	**4,76,845**	(5,21,845)
	Increase in trade payables	**12,82,193**	4,79,014
	Increase/ (Decrease) in other financial liabilities	**(58,60,872)**	95,53,333
	Increase in provisions	**5,46,844**	5,38,399
	Increase in other liabilities	**1,42,94,506**	1,86,43,269
	Cash generated from operations	**6,59,74,180**	8,12,99,220
	Income taxes refund/ (paid)	**(62,78,815)**	18,76,495
	Net Cash from Operating Activities	**5,96,95,365**	8,31,75,715
B	**Cash Flow from Investing Activities**		
	Interest received	**58,22,029**	1,06,63,824
	Investment in bank deposits (original maturity more than 3 months)	**(11,07,72,274)**	(4,81,12,616)
	Redemption/maturity of bank deposits (original maturity more than 3 months)	**4,87,45,552**	5,03,01,000
	Purchase of current investments (Mutual Funds)	**(1,28,55,69,062)**	–
	Sale / redemption of current investments (Mutual Funds)	**1,23,29,54,005**	–
	Payments for property, plant and equipment	**(5,03,44,174)**	(1,52,27,389)
	Net Cash used in Investing Activities	**(15,91,63,924)**	(23,75,181)
C	**Cash Flow from Financing Activities**	–	–
	Net increase/ (decrease) in Cash and cash equivalents	**(9,94,68,559)**	8,08,00,534
	Opening Cash and cash equivalents	**11,12,51,704**	3,04,51,170
	Closing Cash and cash equivalents (Refer note 10)	**1,17,83,145**	11,12,51,704

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.

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2018

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Anupama Jha Company Secretary

Place : New Delhi
Date : 21st April, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

A. Equity Share capital

	Equity Share capital	
	Number of Shares	(Amount In ₹)
Balance as at 31st March, 2016	**31,70,00,000**	**3,17,00,00,000**
Add: Issue of equity shares	–	–
Balance as at 31st, March 2017	**31,70,00,000**	**3,17,00,00,000**
Add: Issue of equity shares	–	–
Balance as at 31st March, 2018	**31,70,00,000**	**3,17,00,00,000**

B. Other Equity

(Amount In ₹)

Particulars	Reserves and Surplus			Total
	Capital contribution for share based payments	General reserve	Retained earnings	
Balance as at 31st March, 2016	53,86,534	6,11,62,181	(1,04,32,83,197)	(97,67,34,482)
Profit for the year ended 31st March, 2017	–	–	2,10,48,672	2,10,48,672
Other Comprehensive Income	–	–	(70,398)	(70,398)
Total Comprehensive income for the year 2016-17	–	–	2,09,78,274	2,09,78,274
Value of share based payment reimbursed	(53,86,534)	–	–	(53,86,534)
Balance as at 31st March, 2017	–	6,11,62,181	(1,02,23,04,923)	(96,11,42,742)
Profit for the year ended 31st March, 2018	–	–	9,83,54,453	9,83,54,453
Other Comprehensive Income	–	–	5,61,773	5,61,773
Total Comprehensive Income for the year 2017-18	–	–	9,89,16,226	9,89,16,226
Balance as at 31st March, 2018	–	6,11,62,181	(92,33,88,697)	(86,22,26,516)

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: 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 utilized by the Company in accordance with the provisions of the Companies Act, 2013.

Retained Earnings: This Reserve represents the cumulative profits/ losses of the Company and effects of remeasurement of defined benefit obligations.

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2018

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Anupama Jha Company Secretary

Place : New Delhi
Date : 21st April, 2018

Notes to the financial statements (Contd.)

1. 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. The date of transition to Ind AS is 1st April 2015.

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. 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.

iii. Property, Plant & Equipment – Tangible Assets

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. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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. 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.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Building	5 - 60 years
Plant & Machinery/ Golf Course	15 years
Office & Other Equipment	5 years
Furniture & Fixtures	8 - 10 years
Computers	3 - 6 years
Vehicles	8 - 10 years
Golf Carts	8 years

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, if any, is provided 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.

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.

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 and derivatives

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.

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 the Statement of Profit and Loss.

viii. **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

Recognition: Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification. Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: 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.

Financial liability

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet. Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

ix. **Revenue from sale of products and services**

Revenue is recognized at fair value of amounts received and receivable from third parties for services rendered and is net off discounts. Revenue does not include Goods and Services Tax (GST).

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.

Notes to the financial statements (Contd.)

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 scheme. 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 for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are 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.

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.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

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. 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.

xv. Comparatives

When required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Use of Estimates and Judgements

Use of estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these 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, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

– **Claims, Provisions and Contingent Liabilities**

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. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

– **Actuarial Valuation**

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. Information about such valuation is provided in notes to the financial statements.

– **Deferred taxation**

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.

– **Useful lives of property, plant and equipment and intangible assets**

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

Note : 3

A. Property, plant and equipment (Amount in ₹)

Particulars	Gross Block							Depreciation and Amortization							Net Block	
	As at 1st April, 2016	Additions	Withdrawals and adjustments	Upto 31st March, 2017	Additions	Withdrawals and adjustments	**Upto 31st March, 2018**	As at 1st April, 2016	For the year	Eliminated on withdrawals and adjustments of asset	Upto 31st March, 2017	For the year	Eliminated on withdrawals and adjustments of asset	**Upto 31st March, 2018**	**As at 31st March, 2018**	As at 31st March, 2017
Land (Freehold)*	61,86,46,977	–	–	61,86,46,977	3,85,24,146	49,37,731	65,22,33,392	–	–	–	–	–	–	–	65,22,33,392	61,86,46,977
Building	1,64,09,58,917	–	(5,24,633)	1,64,14,83,550	12,28,074	–	1,64,27,11,624	2,74,60,637	2,76,00,497	(2,93,471)	5,53,54,605	2,75,12,863	–	8,28,67,468	1,55,98,44,156	1,58,61,28,945
Plant & Machinery	11,27,50,361	43,13,461	37,26,670	11,33,37,152	16,56,355	28,42,643	11,21,50,864	78,26,607	80,76,552	9,36,084	1,49,67,075	78,91,121	11,10,546	2,17,47,650	9,04,03,214	9,83,70,077
Office & Other Equipment	2,34,331	–	1,90,973	43,358	–	5,201	38,157	1,54,605	3,549	1,34,814	23,340	128	1	23,467	14,690	20,018
Golf Course	1,27,38,183	–	–	1,27,38,183	–	–	1,27,38,183	14,42,994	6,287	–	14,49,281	–	–	14,49,281	1,12,88,902	1,12,88,902
Furniture & Fixtures	3,10,89,881	2,89,820	21,81,358	2,91,98,343	18,78,420	3	3,10,76,760	38,82,474	39,43,904	6,54,072	71,72,306	37,31,195	3	1,09,03,498	2,01,73,262	2,20,26,037
Computers	13,31,363	5,63,959	(26,434)	19,21,756	4,51,043	13,353	23,59,446	6,31,087	5,26,800	(46,994)	12,04,881	1,59,198	1	13,64,078	9,95,368	7,16,875
Vehicles	37,38,330	4,14,108	(2,54,666)	44,07,104	49,75,961	12,62,474	81,20,591	7,14,460	13,99,356	1,32,976	19,80,840	10,31,044	9,87,172	20,24,712	60,95,879	24,26,264
Golf Carts	1,58,59,496	91,26,109	–	2,49,85,605	–	2,00,921	2,47,84,684	18,53,892	23,64,009	–	42,17,901	33,31,594	1,34,834	74,14,661	1,73,70,023	2,07,67,704
Total (A)	2,43,73,47,839	1,47,07,457	52,93,268	2,44,67,62,028	4,87,13,999	92,62,326	2,48,62,13,701	4,39,66,756	4,39,20,954	15,17,481	8,63,70,229	4,36,57,143	22,32,557	12,77,94,815	2,35,84,18,886	2,36,03,91,799
B. Capital work in progress (B)	**2,88,50,020**	**1,38,000**	–	**2,89,88,020**	**4,27,200**	**1,38,000**	**2,92,77,220**	–	–	–	–	–	–	–	**2,92,77,220**	**2,89,88,020**
C. Intangible Assets																
Computer Software	2,65,676	2,43,006	–	5,08,682	1,38,000	–	6,46,682	1,33,020	1,32,922	–	2,65,942	63,573	–	3,29,515	3,17,167	2,42,740
Total (C)	**2,65,676**	**2,43,006**	–	**5,08,682**	**1,38,000**	–	**6,46,682**	**1,33,020**	**1,32,922**	–	**2,65,942**	**63,573**	–	**3,29,515**	**3,17,167**	**2,42,740**
Grand Total (A+B+C)	**2,46,64,63,535**	**1,50,88,463**	**52,93,268**	**2,47,62,58,730**	**4,92,79,199**	**94,00,326**	**2,51,61,37,603**	**4,40,99,776**	**4,40,53,876**	**15,17,481**	**8,66,36,171**	**4,37,20,716**	**22,32,557**	**12,81,24,330**	**2,38,80,13,273**	**2,38,96,22,559**

The amortization expenses of intangible assets have been included under 'depreciation and amortisation expense' in the Statement of Profit and Loss.

* Subsequent to year end, the Company has received an award of ₹ 7,37,72,981 for compulsory acquisition of 0.975 acres of its freehold land located in Village Naurangpur in Gurgaon by Haryana Urban Development Authority under the Land Acquisition Act. The Company recognizes the same as an adjusting event as per Ind AS 10 "Events after the Reporting Period" pursuant to which has recognized a gain of ₹ 6,88,35,250 in the current year.

Notes to the financial statements (Contd.)

(Amount in ₹)

4. Investments - Non Current	As at 31st March, 2018 Unquoted	As at 31st March, 2017 Unquoted
Investment in Equity Instruments (at Fair Value Through Other Comprehensive Income)		
– Jupiter Township Limited	**150**	150
Total	**150**	150

(Amount in ₹)

5. Other Financial Assets	As at 31st March, 2018 Current	As at 31st March, 2018 Non-Current	As at 31st March, 2017 Current	As at 31st March, 2017 Non-Current
(A) Bank Deposit with more than 12 months maturity				
- Earmarked balances with banks	*	–	*	22,32,936
- In Deposit Accounts	–	**6,00,00,000**	–	–
(B) Other financial assets				
- Interest accrued on Fixed and other deposits	**33,63,049**	**1,43,285**	24,69,780	22,76,276
- Advances	–	**7,60,000**	5,21,845	7,60,000
- Deposits	**1,30,000**	–	85,000	–
- Other Receivables **	**7,38,08,588**	–	–	–
Total	**7,73,01,637**	**6,09,03,285**	30,76,625	52,69,212

* Refer note 11 for deposits with original maturity of more than 12 months and remaining maturity of less than 12 months.

** Others comprise receivables on account of compensation on compulsory acquisition of land (refer note 3) and of derivatives outstanding at the end of the year.

6. Other assets	Current	Non-Current	Current	Non-Current
(A) Capital advances				
- For Capital work in progress	–	**4,27,091**	–	3,00,000
(B) Advances other than capital advances				
(i) Security Deposits				
- Utility deposits	–	**76,71,568**	–	76,76,068
- With Statutory Authorities	–	**2,00,000**	–	2,00,000
(ii) Advance Tax (net of provisions)	–	**2,11,38,620**	–	1,48,59,804
(iii) Other Advances				
- Prepaid Expenses	**55,51,040**	**2,11,125**	4,18,828	77,758
- With Statutory Authorities*	**25,80,798**	**2,77,00,000**	9,31,816	2,77,00,000
- Recoverable in Value	**19,11,134**	–	20,42,896	–
(iv) Other Receivables	**1,499**	–	2,000	–
Total	**1,00,44,471**	**5,73,48,404**	33,95,540	5,08,13,630

* Non-current others advances with Statutory Authorities include

(Amount in ₹)

	As at 31st March, 2018	As at 31st March, 2017
Entertainment Tax paid under protest considered good	**2,77,00,000**	2,77,00,000
Entertainment Tax paid under protest considered doubtful	**6,49,767**	6,49,767
Less: Provision for doubtful advances	**(6,49,767)**	(6,49,767)
Total	**2,77,00,000**	2,77,00,000

Notes to the financial statements (Contd.)

(Amount in ₹)

	As at 31st March, 2018	As at 31st March, 2017
7 Inventories		
(At lower of cost and net realisable value)		
Stock of Parking Slot/ Servant quarters	**13,19,908**	13,19,908
Stores and spares	**76,95,940**	73,38,532
Less : Provision for Stock of Parking Slot/ Servant quarters	**(13,19,908)**	(13,19,908)
Total	**76,95,940**	73,38,532
8 Current investments		
Investment in Mutual Funds (at fair value through profit or loss, unless stated otherwise)	**Unquoted**	Unquoted
Birla Sun Life Cash Plus - Short term		
39,532.50 (2017 - Nil) Units of ₹ 100.00 each.	**1,10,42,002**	–
SBI Magnum Insta Cash Fund-Direct Plan		
13,012.98 (2017 - Nil) Units of ₹ 1,000.00 each.	**5,00,10,948**	–
Total	**6,10,52,950**	–
9 Trade receivables (Current)		
Trade receivables		
- Unsecured, considered good	**23,50,865**	24,44,583
Total	**23,50,865**	24,44,583
10 Cash and cash equivalents		
Balances with Banks		
- Current accounts	**1,15,73,450**	59,15,095
- Deposit accounts (Original maturity of 3 months or less)	**-**	10,50,73,718
Cash on hand	**2,09,695**	2,62,891
Total	**1,17,83,145**	11,12,51,704
11 Other bank balances		
In Deposit accounts *	**5,29,72,274**	4,87,12,616
Total	**5,29,72,274**	4,87,12,616

* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months at the Balance Sheet date. Includes Earmarked balances of ₹ 5,00,000 (2017 - Nil).

	As at 31st March, 2018		As at 31st March, 2017	
	No. of Shares	**(Amount in ₹)**	No. of Shares	(Amount in ₹)
12. Equity Share Capital				
Authorised				
Equity shares of ₹ 10 each	**31,70,00,000**	**3,17,00,00,000**	31,70,00,000	3,17,00,00,000
Redeemable, non-convertible Preference Shares of ₹ 100 each	**1,87,00,000**	**1,87,00,00,000**	1,87,00,000	1,87,00,00,000
Issued and Subscribed				
Equity shares of ₹ 10 each, fully paid	**31,70,00,000**	**3,17,00,00,000**	31,70,00,000	3,17,00,00,000
a) Reconciliation of number of Shares				
Equity shares				
As at beginning of the year	**31,70,00,000**	**3,17,00,00,000**	31,70,00,000	3,17,00,00,000
Add: Issue of Shares	**–**	**–**	–	–
As at end of the year	**31,70,00,000**	**3,17,00,00,000**	31,70,00,000	3,17,00,00,000

b) **The equity shares are issued by the Company at par value of ₹ 10 per share.**

c) **Rights, preferences and restrictions attached to Equity shares**

This class of shares having par value of ₹ 10 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

d) **Shareholders holding more than 5% of the aggregate Shares in the Company**

Equity shares				
ITC Limited, the Holding Company, jointly with its nominees	**31,70,00,000**	**100%**	31,70,00,000	100%
(e) Shares held by holding company and its nominees				
Equity Shares				
ITC Limited, the Holding Company	**31,69,99,994**	**3,16,99,99,940**	31,69,99,994	3,16,99,99,940
ITC Limited, the Holding Company jointly with its nominees	**6**	**60**	6	60

Notes to the financial statements (Contd.)

(Amount in ₹)

13. Other financial liabilities

Particulars	As at 31st March, 2018		As at 31st March, 2017	
Non-Current				
Deposits received from Members				
Security deposits received	32,16,89,270		31,75,46,443	
Less: Subscription fees receivable	(42,61,488)	31,74,27,782	(40,83,618)	31,34,62,825
Total		31,74,27,782		31,34,62,825
Current				
Deposits received from Members				
Security deposits received	21,96,421		18,96,421	
Less: Subscription fees receivable	(68,497)	21,27,924	(50,716)	18,45,705
Other deposits received		5,20,818		5,22,318
Others				
- Retention money payable on purchase of property, plant and equipments		10,77,229		21,53,114
- Employee benefits payable		14,49,260		16,40,736
- ITC ESOS compensation payable		23,90,792		1,23,05,864
Total		75,66,023		1,84,67,737

14 Provisions

(Amount in ₹)

	As at 31st March, 2018		As at 31st March, 2017	
	Current	Non- Current	Current	Non- Current
Provision for employee benefits (Refer Note 24)				
Retirement benefits	5,05,564	43,51,385	6,56,533	41,81,810
Other benefits	2,69,654	21,93,617	4,02,866	20,93,940
Total	7,75,218	65,45,002	10,59,399	62,75,750

15 Other Liabilities

Advances received from customers	24,51,790	–	8,48,253	–
Revenue received in advance	2,41,15,448	3,89,04,652	2,30,56,055	3,13,59,314
Statutory liabilities	46,13,507	–	5,27,269	–
Total	3,11,80,745	3,89,04,652	2,44,31,577	3,13,59,314

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
16. Revenue from Operations		
(A) Sale of services		
Membership income	7,73,59,994	6,98,39,614
Green fees	4,47,98,894	4,26,90,250
Caddie fees	2,23,38,850	1,96,73,000
Cart rental	2,29,96,900	1,72,35,507
Guest Entry Fees, Golf Set Rental & Range Income	68,70,212	60,87,439
Advertisement income	25,88,375	19,17,500
License fees	4,60,48,199	4,65,86,750
Total (A)	22,30,01,424	20,40,30,060
(B) Other Operating Revenues		
Liabilities/provisions no longer required written back	–	6,79,024
Insurance claim received	14,32,280	1,99,191
Others including scrap sales	12,13,461	12,14,301
Total (B)	26,45,741	20,92,516
Revenue from Operations (A+B)	22,56,47,165	20,61,22,576
17. Other Income		
Interest Income		
- Deposits with banks etc. - carried at amortized cost	34,20,860	91,64,925
- Others (from statutory authorities etc.)	6,41,007	5,37,353
- From members on delayed payments	5,20,440	16,06,593
Other gains and losses		
- Net foreign exchange gain / (loss)	35,607	36,346
- Net gain arising on financial assets mandatorily measured at FVTPL*	84,37,890	-
- Net gain on property, plant and equipment sold and written offs (Refer Note 3)	6,67,43,213	-
Total	7,97,99,017	1,13,45,217

* Includes ₹82,21,925 (Previous Year ₹ Nil) being net gain on sale of investments.

Notes to the financial statements (Contd.)

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
18. Employee Benefits Expenses		
Salaries and wages, including bonus	**2,88,47,601**	2,95,37,491
Contribution to Provident and other funds	**22,23,537**	21,86,830
Staff welfare expenses	**47,39,850**	31,89,414
Reimbursement of manager's salary on deputation	**1,24,29,293**	1,07,89,626
Share based payments to employees (Refer note 25)	**1,05,51,788**	69,19,330
Total	**5,87,92,069**	5,26,22,691
19. Other Expenses		
Power & Fuel	**1,24,06,302**	1,32,41,607
Consumption of Stores and Spare parts	**1,44,04,223**	1,07,72,629
Rent including lease rentals	**1,95,250**	1,87,913
Contracted Manpower and Services	**2,92,16,779**	2,74,55,130
Rates and taxes	**2,74,558**	4,70,581
Insurance	**22,30,773**	26,99,423
Repairs and maintenance - Buildings	**44,03,380**	58,31,869
Repairs and maintenance - Machinery	**16,18,986**	15,48,520
Repairs and maintenance - Others	**50,09,395**	49,88,424
Maintenance and upkeep	**29,43,178**	33,94,190
Advertising / Sales promotion	**27,95,806**	24,87,125
Travelling and Conveyance Expenses	**48,01,323**	40,39,870
Hire Charges	**10,28,798**	10,38,492
Legal Expenses	**60,69,753**	57,88,449
Consultancy / Professional fees	**84,85,044**	53,02,129
Bank and credit card charges	**8,86,289**	7,15,168
Postage, telephone etc.	**7,19,791**	7,51,386
Printing and Stationery	**6,25,612**	7,79,056
Information Technology Services	**42,41,966**	10,49,119
Bad debts written off	**304**	53,215
Advance written off	**44,470**	1,88,054
Miscellaneous expenses	**9,10,031**	11,93,478
Net loss on property, plant and equipment sold and written offs	**–**	35,49,907
Auditors remuneration and expenses*	**12,66,933**	17,86,602
Loss on sales of store and spare parts	**–**	4,30,218
Total	**10,45,78,944**	9,97,42,554
* Auditors remuneration and expenses (excluding taxes):		
– Audit fees	**10,50,000**	10,50,000
– Tax audit fees	**1,50,000**	1,50,000
– Fees for other services	**54,000**	5,28,500
– Reimbursement of expenses	**12,933**	58,102
	12,66,933	17,86,602

	2018	2017
20. Earnings per share		
Earnings per share has been computed as under:		
(a) Profit for the year (₹)	**9,83,54,453**	2,10,48,672
(b) Weighted average number of Equity shares outstanding for the purpose of basic earnings per share	**31,70,00,000**	31,70,00,000
Basic/ Diluted Earnings per share on profit for the year (Face Value ₹ 10 per share) [(a)/(b)]	**0.31**	0.07

Notes to the financial statements (Contd.)

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
21. Contingent liabilities and commitments :		
(a) Claims against the Company not acknowledged as debts :		
(i) Income tax matters*	**26,62,65,172**	26,62,65,172
(ii) Legal cases	**8,77,786**	7,78,414
(iii) Entertainment duty demand raised by Excise department	**5,52,62,350**	5,52,62,350

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 ₹ 26,62,65,172 (Previous Year ₹ 26,62,65,172) for Assessment Year 2005-06. Assessment of Assessment Year 2005-06 is under appeal with Income Tax Appellate Tribunal.

(b) Outstanding capital commitments:		
Estimated value of contracts in capital account remaining to be executed	**1,41,09,099**	7,58,180

22. Micro, Small and Medium Enterprise

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, 2018. 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.

23. 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 19.

With regard to above operating leases the future minimum rentals are as follows:

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
Not later than one year	**75,425**	1,95,250
Later than one year and not later than five years	**–**	75,425

24. Disclosure required under Indian Accounting Standard (Ind AS) 19

a) Defined Benefit Plans - As per actuarial Valuations as on March 31, 2018 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.

Risk Management

As the plans are unfunded, the defined benefit plans expose the Company to actuarial deficit arising out of interest rate risk and salary cost inflation risk. The Management, considering cost benefit analysis, is of the view that Company need not fund its defined benefit obligation. Further, the Company maintains adequate liquidity to ensure that funds are available for satisfying such obligations. 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, 2018 (₹)	For the year ended 31st March, 2017 (₹)
		Gratuity	Gratuity
I	**Components of Employer Expense**	**Unfunded**	Unfunded
	Recognised in Profit or Loss		
1	Current Service Cost	**7,57,532**	7,49,881
2	Net Interest Cost	**3,10,142**	2,99,220
3	**Total expense recognised in the Statement of Profit and Loss**	**10,67,674**	10,49,101
	Re-measurements recognised in Other Comprehensive Income		
4	Effect of changes in financial assumptions	**(2,07,211)**	3,05,898
5	Effect of experience adjustments	**(3,54,562)**	(2,35,500)
6	**Total re-measurements included in Other Comprehensive Income**	**(5,61,773)**	70,398
7	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (3+6)**	**5,05,901**	11,19,499

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 to the financial statements (Contd.)

		As at 31st March, 2018 (₹) Gratuity	As at 31st March, 2017 (₹) Gratuity
II	**Net Asset/(Liability) recognised in Balance Sheet**		
1	Present Value of Defined Benefit Obligation (DBO)	**48,56,949**	48,38,343
2	Fair value of plan assets	**-**	-
3	Net defined benefit liability (asset)	**48,56,949**	48,38,343
	– Current	**5,05,564**	6,56,533
	– Non current	**43,51,385**	41,81,810

		For the year ended 31st March, 2018 (₹) Gratuity	For the year ended 31st March, 2017 (₹) Gratuity
III	**Change in Defined Benefit Obligation (DBO)**		
1	Present Value of DBO at the beginning of the year	**48,38,343**	42,60,346
2	Current Service Cost	**7,57,532**	7,49,881
3	Interest Cost	**3,10,142**	2,99,220
	Remeasurement gains / (losses):		
4	Effect of changes in financial assumptions	**(2,07,211)**	3,05,898
5	Effect of experience adjustments	**(3,54,562)**	(2,35,500)
6	Benefits Paid	**(4,87,295)**	(5,41,502)
7	Present Value of DBO at the end of the year	**48,56,949**	48,38,343

		Gratuity	Gratuity
IV	**Actuarial Assumptions**		
1	Discount Rate (%)	7.50	6.75
2	Pre-retirement mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
3	Salary increase rate	7.5%	7.5%
4	Attrition Rate	10%	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.

		(₹) Gratuity	(₹) Gratuity
V	**Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)**		
1	Present Value of Defined Benefit Obligation	**(48,56,949)**	(48,38,343)
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: ₹ 22,23,537 (2017 - ₹ 21,86,830)

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, 2018**	DBO as at 31st March, 2017
1	Discount Rate + 100 basis points	**45,72,372**	45,43,108
2	Discount Rate - 100 basis points	**51,74,976**	51,71,180
3	Salary Increase Rate + 1%	**51,47,987**	51,41,620
4	Salary Increase Rate – 1%	**45,91,248**	45,63,732
5	Attrition Rate + 1%	**48,49,107**	48,17,319
6	Attrition Rate - 1%	**48,64,789**	48,60,896

Notes to the financial statements (Contd.)

25. Information in respect of Options granted under ITC Limited's Employee Stock Option Schemes ('Schemes'):

The eligible 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 Rs. 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 scheme 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.

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	**1,30,290**	44,805
Add: Granted during the year #	**14,715**	15,265
Add: Effects of Corporate Action (Bonus issue)	**–**	40,175
Less: Forfeited / surrendered during the year	**–**	–
Add: Movement due to transfer of employees within the group	**–**	35,545
Less: Exercised during the year	**6,800**	5,500
Outstanding at the end of the year	**1,38,205**	1,30,290
Options exercisable at the end of the year	**1,02,994**	88,257
Options vested and exercisable during the year	**21,537**	47,357

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 14,715 (2017 - 15,265) options granted to the Key Management Personnel of the Company. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon an employee by such grant.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 1,05,51,788 (2017 – ₹ 69,19,330) (Refer Note 18) by way of share based payments. Such charge has been recognised as employee benefits expense with corresponding credit to Payables. Out of the above, ₹ 1,05,51,788 (2017- ₹ 69,19,330) is attributable to key management personnel [Mr. B. Hariharan ₹ 88,54,262 (2017 - ₹ 20,38,559); Mr. A Anand Rao ₹ Nil (2017 - ₹ 36,82,322); and Mr. Ravi Khyani ₹ 16,97,526 (2017 - ₹ 11,98,449)].

26. 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.

27. License arrangement between the Company and ITC Limited

The company has entered into an agreement with ITC Ltd. whereby it 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.

28. Other Financial non current Liabilities include ₹30,64,64,270 (Previous year ₹ 30,60,46,443) as deposits received from individuals towards golf memberships and ₹1,52,25,000 (Previous year ₹ 1,15,00,000) received from Corporates towards Golf Memberships. The individual memberships are long term tradable memberships which, are to be refunded at the time of termination, expiry or surrender of the membership.

Other Financial current liabilities ₹ 21,96,421 (Previous year ₹ 18,96,421) received from Corporates towards Golf Memberships.

29. Accounting for Taxes on Income:

Components of deferred tax asset/ liability are:

	As at 31st March, 2018	As at 31st March, 2017
Deferred tax assets		
On Unabsorbed depreciation	**24,93,36,344**	22,73,14,152
On Unabsorbed business loss	**5,26,508**	48,17,269
Other timing differences	**21,31,405**	21,09,602
Deferred tax liabilities		
Depreciation	**(12,95,79,112)**	(10,41,45,543)
Net Deferred Tax Asset	**12,24,15,145**	13,00,95,480

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, 2018 has not been recognized in the books of accounts.

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

31. 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.

Notes to the financial statements (Contd.)

32. Related Party Transactions

(i) **Names of related parties and nature of relationship**

Holding Company	ITC Limited

(ii) **Key Management Personnel (KMP)**

Mr. Nakul Anand	Chairman & Non-Executive Director
Mr. Rajiv Tandon	Non-Executive Director
Mr. B. Hariharan	Managing Director
Ms. Ratna Chadha	Non-Executive Director
Mr. Hari Mohan Jha*	Non-Executive Director (ceased w.e.f. 16th March, 2018
Mr. Ravi Khyani	Chief Financial Officer

* Independent Directors

(iii) **Other Related Parties with whom The Company had transactions :**

Associate	International Travel House Limited

(iv) **DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES**

(Amount in ₹)

	RELATED PARTY TRANSACTIONS SUMMARY	Holding Company		Associates		Key Management Personnel		Total	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
1	Sale of Services#	**1,25,91,852**	83,72,961	**–**	–	**1,52,378**	1,11,471	**1,27,44,230**	84,84,432
2	Purchase of Goods	**–**	4,501	**–**	–	**–**	–	**–**	4,501
3	Purchase of Services#	**30,07,579**	31,07,923	**1,85,353**	2,43,262	**–**	–	**31,92,932**	33,51,185
4	Recovery of Contractual Remuneration	**56,13,933**	51,54,283	**–**	–	**–**	–	**56,13,933**	51,54,283
5	Expenses Recovered	**4,06,95,000**	4,82,18,665	**–**	–	**–**	–	**4,06,95,000**	4,82,18,665
6	License Fees Received#	**5,27,62,500**	5,16,93,750	**–**	–	**–**	–	**5,27,62,500**	5,16,93,750
7	Expenses Reimbursed**	**1,86,20,926**	1,46,93,668	**–**	–	**–**	–	**1,86,20,926**	1,46,93,668
8	Director Sitting Fee	**–**	–	**–**	–	**2,40,000**	2,30,000	**2,40,000**	2,30,000
9	Share based payments	**1,05,51,788**	69,19,330	**–**	–	**–**	–	**1,05,51,788**	69,19,330

	Compensation of key management personnel	Holding Company	
	The remuneration of Managing Director and other members of key management personnel during the year was as follows *	**2018**	2017
	Short term benefits	**91,24,269**	81,69,473

* Post employment benefits are actuarially determined on overall basis and hence not separately provided.

** Expenses reimbursed includes expenses on account of salary of personnel deputed by ITC Limited (including managerial remuneration) of ₹1,24,29,293 (Previous Year ₹ 1,07,89,626). This includes salary paid to Key management personnel of ₹ 98,93,912 (Previous year ₹ 88,78,466).

Includes Service Taxes & GST

(iv) DISCLOSURE OF THE STATUS OF OUTSTANDING BALANCES

(Amount in ₹)

	RELATED PARTY TRANSACTIONS SUMMARY	Holding Company		Associates		Key Management Personnel	
		2018	2017	**2018**	2017	**2018**	2017
1	Payables	**49,13,020**	1,36,54,084	**32,842**	–	**–**	–
2	Receivables	**–**	–	**–**	–	**–**	2,186

Notes forming part of the financial statements (Contd.)

33. Financial Instruments and Related Disclosures

1. Capital Management

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustained stakeholder value. The Company funds its operations through internal accruals. The Company aims at maintaining adequate supply of funds towards future growth of its businesses as a going concern.

2. Categories of Financial Instruments

(Amount in ₹)

Particulars	Note	As at 31st March, 2018		As at 31st March, 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets					
a) Measured at amortised cost					
i) Cash and Cash Equivalents	10	**1,17,83,145**	**1,17,83,145**	11,12,51,704	11,12,51,704
ii) Other Bank Balances	11	**5,29,72,274**	**5,29,72,274**	4,87,12,616	4,87,12,616
iii) Trade Receivables	9	**23,50,865**	**23,50,865**	24,44,583	24,44,583
iv) Other Financial assets	5	**13,81,69,315**	**13,81,69,315**	83,45,837	83,45,837
Sub - total		**20,52,75,599**	**20,52,75,599**	17,07,54,740	17,07,54,740
b) Measured at Fair value through Profit & Loss					
- Investments in Mutual Funds	8	**6,10,52,950**	**6,10,52,950**	–	–
Sub - total		**6,10,52,950**	**6,10,52,950**	–	–
c) Measured at Fair value through Other Comprehensive Income					
- Equity shares	4	**150**	**150**	150	150
Sub - total		**150**	**150**	150	150
d) Derivatives measured at fair value					
- Derivative instruments not designated as hedging instruments	5	**35,607**	**35,607**	–	–
Sub - total		**35,607**	**35,607**	–	–
Total financial assets		**26,63,64,306**	**26,63,64,306**	17,07,54,890	17,07,54,890
B. Financial liabilities					
a) Measured at amortised cost					
(i) Trade Payables	13	**1,92,93,488**	**1,92,93,488**	1,80,11,291	1,80,11,291
(ii) Other financial liabilities		**32,49,93,805**	**32,49,93,805**	33,19,30,562	33,19,30,562
Total financial liabilities		**34,42,87,293**	**34,42,87,293**	34,99,41,853	34,99,41,853

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 has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard. 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

The Company's Current assets aggregate to ₹ 22,32,01,282 (2017 - ₹ 17,62,19,600) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 12,58,08,369 (2017 - ₹ 15,99,64,320) against an aggregate Current liability of ₹ 5,88,15,474 (2017 - ₹ 6,19,70,004); Non-current liabilities due between one year to three years amounting to ₹ 1,03,14,531 (2017 - ₹ 61,63,954) and Non-current liability due after three years amounting to ₹ 47,95,300 (2017 - ₹ 45,77,400) on the reporting date.

Further, the Company's total equity stands at ₹ 2,30,77,73,484 (2017 - ₹ 2,20,88,57,258), and it has no borrowings. In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

Security deposits from individual members have not been included above since these are long term tradable memberships which are to be refunded at the time of termination, expiry or surrender of the membership. Since these memberships are long term in nature, their expiry is not ascertainable. Accordingly, their fair value has been considered to be same as carrying value.

b) Credit risk

Company's deployment in debt instruments are primarily in fixed deposits with highly rated banks. Fixed deposits with banks that are held at amortised cost stood at ₹ 11,29,72,274 (2017 - ₹ 15,37,86,334). Thus, counter party risk attached to such assets is considered to be insignificant.

Company's customer base is diverse. The Company's historical experience of collecting receivables, and by the level of default, is that credit risk is low. Individual customer credit limits are sanctioned based on relevant factors such as market feedback, business potential and past records on selective basis. The Company's exposure to trade receivables on the reporting date, net of expected loss provisions, stood at ₹ 23,50,865 (2016 – ₹ 24,44,583).

All overdue customer balances are evaluated taking into account the age of the dues, specific credit circumstances, the track record of the counterparty etc. Loss allowances and impairment is recognised, where considered appropriate by the responsible management. Accordingly, no loss provision has been recognised based on the review of the Management Committee.

Notes forming part of the financial statements (Contd.)

c) Market risk

The Company's investments are predominantly held in fixed deposits and liquid mutual funds. Fixed deposits are held with highly rated banks and are not subject to interest rate volatility. The Company also invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

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.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period, yield curves, risk free rate of returns, volatility etc., as applicable.

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

Particulars	Fair Value		
	Fair Value Hierarchy (Level)	**As at 31st March, 2018**	As at 31st March, 2017
A. Financial assets			
a) Measured at amortised cost			
- Others Financial assets	3	**6,09,03,285**	52,69,212
b) Measured at Fair value through Profit & Loss			
- Investments in Mutual Funds	1	**6,10,52,950**	–
c) Measured at Fair value through Other Comprehensive Income			
- Equity shares (designated upon initial recognition)	3	**150**	150
d) Derivatives measured at fair value			
- Derivative instruments not designated as hedging instruments	2	**35,607**	–
Total financial assets (a+b+c+d)		**12,19,91,992**	52,69,362
B. Financial liabilities			
b) Measured at amortised cost			
- Other financial liabilities	3	**31,74,27,782**	31,34,62,825
Total financial liabilities		**31,74,27,782**	31,34,62,825

34 The financial statements were approved for issue by the Board of Directors on 21st April, 2018.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jaideep Bhargava
Partner
Place : Gurugram
Date : 21st April, 2018

On behalf of the Board

N. Anand Chairman
B. Hariharan Managing Director
Ravi Khyani Chief Financial Officer
Anupama Jha Company Secretary

Place : New Delhi
Date : 21st April, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2018

Your Board of Directors ('the Board') hereby submit their Report for the financial year ended 31st March, 2018.

OPERATING ENVIRONMENT

The year under review was turbulent for potato farmers and the seed potato industry. Due to the liquidity constraints that prevailed in the aftermath of demonetization and the consequential losses incurred on agricultural crops, including potato, farmers were unwilling to buy new seeds in the current year and preferred to use left-over potatoes and cheaper seeds. In this environment, the potato production of approximately 50 million MT (+11% over the previous year) could not be absorbed by the market. Prices witnessed a steep fall, most farmers sold their produce below cost and large quantities of potatoes were dumped in November / December as the fresh crop started coming in. In such volatile circumstances, the seed potato industry including your Company experienced a sharp drop in sales and erosion in margins.

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 supply of fresh market potatoes and chipstock to organised retailers and processers, respectively, leveraging its existing competencies, while providing stronger market linkages to farmers who buy the Company's seed potatoes.

SEEDS BUSINESS

(a) Growing of TECHNITUBER® Seed Potatoes

During the year under review, your Company harvested 146.68 lakhs TECHNITUBER® seed potatoes (previous year: 122.34 lakhs) at its green houses in Manpura, Himachal Pradesh.

(b) Field Agricultural operations

Your Company increased its production of early generation seed potatoes to 82,558 MT (previous year: 74,967 MT) and continued to trial and introduce new varieties of potatoes that improve farm yields and augment farmer incomes on the one hand while supporting the requirements of the processing industry on the other. Your Company also continued to promote farm and storage mechanisation and showcase the latest technology, quality seed and agronomy practices to farmers.

Your company is exposed to the inherent risk in agriculture of crop losses due to weather or disease that it seeks to address by widening the geographical spread of farms and farmers coupled with the use of multiple varieties of crop that have some resistance to one or more of the agricultural risks of frost, blight, rotting and so on.

(c) Marketing

Your Company sold 58,909 MT of early generation seed potatoes as against 48,261 MT in the previous year. However, prices were below cost due to the depressed market conditions. TECHNITUBER® seed potato exports were higher by 32% at 42.09 lakhs vs. 31.80 lakhs in the previous year.

Your Company is exposed to market risks arising from fluctuations in the demand and price environment in potato markets. While it has no control over market behaviour, your Company seeks to continually reinforce its market standing on the strength of its proprietary technology, package of agronomy practices and farmer relationships and by diversifying the geographies in which it operates.

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, fueled by its superior technology and the expertise of its contract farmers and employees.

FRUITS AND VEGETABLES BUSINESS

Your Company has been building capabilities for sourcing and supply of fruits and vegetables specially potatoes, onions and apples from its farmer base and supplying to processors and retailers. This business has started scaling up in Delhi / NCR and it has also started providing back end sourcing support to the 'Farmland' brand of potatoes and apples launched by its parent company.

FINANCIAL PERFORMANCE

During the year under review, due to the adverse market conditions as explained above, your Company's revenue from operations reduced to ₹ 7689.19 lakhs from ₹ 10835.41 lakhs in the previous year and it incurred a net loss after tax of ₹ 1407.08 lakhs against a profit after tax of ₹ 1451.85 lakhs earned in the previous year.

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

(₹ in lakhs)

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Profits		
a. Profit / (Loss) Before Tax	**(1646.58)**	1706.32
b. Less : Tax Expense	**(239.50)**	254.47
c. Profit / (Loss) After Tax	**(1407.08)**	1451.85
d. Add : Other Comprehensive Income / (Loss)	**5.37**	(4.16)
e. Total Comprehensive Income / (Loss)	**(1401.71)**	1447.69

DIVIDEND & RETAINED EARNINGS

Interim Dividend of ₹ 9/- per Equity Share, aggregating ₹ 3416.65 lakhs, was declared by your Directors on 24th June, 2017, out of the profits of the Company for payment to the Members whose names appeared in 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, 2018.

The movement in Retained Earnings is summarised below:

(₹ in lakhs)

	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Retained Earnings		
a. At the beginning of the year	**8467.78**	10218.47
b. Add : Profit / (Loss) for the year	**(1407.08)**	1451.85
c. Add : Other Comprehensive Income / (Loss)	**5.37**	(4.16)
d. Less: Interim Dividend paid (recommended as Final Dividend)	**3416.65**	2657.40
e. Less: Dividend distribution Tax on Interim Dividend	**695.55**	540.98
f. At the end of the year	**2953.87**	8467.78

DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

During the year under review, Messrs. H. M. Jha and P. K. Verma, on completion of their term ceased to be Independent Directors of your Company with effect from 16th March, 2018. Your Directors place on record their appreciation for the contributions made by Messrs. Jha and Verma during their respective tenure.

Mr. Sachidanand Shivprakash Madan (DIN: 00419076) was re-appointed with your approval, as Wholetime Director of the Company in terms of Section 196 read with Schedule V of the Companies Act, 2013 ('the Act'), for a further period of two years with effect from 1st June, 2017, or up to the date of his retirement with ITC Limited (ITC), the Holding Company, whichever is earlier.

(b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Article 124 of the Articles of Association of the Company, Messrs. David Charles McDonald (DIN: 00419180) and Sachidanand S. Madan (DIN: 00419076), 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.

(c) Board Evaluation

The Board carried out annual performance evaluation of its own performance and that of the individual Directors, as required under Section 134(3)(p) of the Act, based on criteria approved by the Board.

BOARD AND BOARD COMMITTEES

Your Company, being a wholly owned subsidiary, is no longer required to constitute Audit Committee and Nomination and Remuneration Committee, in terms of Notification dated 13th July, 2017 issued by the Ministry of Corporate Affairs, Government of India. Accordingly, your Board dissolved the Audit Committee and Nomination and Remuneration Committee of the Company with effect from 20th March, 2018.

The present composition of the CSR Committee is given below:

CSR Committee

Mr. S. Sivakumar	–	Chairman
Mr. Sachidanand S. Madan	–	Member
Mr. A. K. Mukerji	–	Member

Five meetings of the Board were held during the year ended 31st March, 2018.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under Section 134 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 loss 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 Board. The tenets of these Policies are implemented through the Accounting Manual, Standard Operating Procedures and pre-determined authority levels for executing transactions. These, along 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 Board 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 taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, no reportable material weakness or significant deficiencies in the design or operation of internal financial 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.

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 Board.

While your Company has no control over market behaviour, the management and mitigation of market risk is rooted in your Company's strategy of continually reinforcing its competitive edge in the market place premised on its proprietary technology 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 will continue to focus on strengthening the risk management framework to protect business value from uncertainty and consequent losses through measures that are embedded in the business strategies and processes to the extent practical and are effective in the long-term.

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 provided in Annexure 1 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 2 to this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2018, 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, 2018, the Company has neither entered into any contract or arrangement with its related parties which is not on arm's length basis or which 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 3 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. 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 20th AGM. The Board has also recommended for the approval of the Members, remuneration of Messrs. Price Waterhouse for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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 4 to this Report.

On behalf of the Board
S. Sivakumar
Chairman

Dated : 1st May, 2018

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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 *	59	Wholetime Director & Company Secretary	1,35,04,868/-	58,58,945/-	B.Com. (Hons.), A.C.A., A.C.S.	36	01.04.2012	Russell Credit Limited - on deputation to Technico Agri Sciences Limited
S. Pal Singh *	56	Vice President - Agronomy	71,87,031/-	41,53,128/-	M.Sc. (Agronomy)	32	01.04.2012	Russell Credit Limited - on deputation to Technico Agri Sciences Limited
N. K. Jha *	42	Head - Sales, Marketing & New Business	51,25,598/-	34,31,104/-	M.Sc. (Agriculture), M.S. (IT in Agriculture), M.B.A. (Marketing)	14	16.08.2007	Reliance Retail Limited - State Head - Planning & MIS
Sanjeev Madan	52	Chief Financial Officer	39,40,972/-	29,79,624/-	B.Com. (Hons.), F.C.A.	26	01.08.2005	Saboo Coatings Ltd. - Chief Finance Officer
A. Aggarwal	39	Deputy General Manager - Finance	21,56,120/-	15,69,702/-	B.Com., A.C.A.	16	03.03.2006	Satyam Computer Services Ltd. - Sr. Associate
A. V. Daga *	25	Deputy Manager - Finance	20,62,863/-	15,44,489/-	B.Com. (Hons.), A.C.A.	3	06.04.2015	Nil
R. Singh	47	Deputy General Manager - Facility	18,60,535/-	14,48,779/-	M.Sc. (Agriculture)	23	15.05.2000	Salora Floritech Ltd. - Horticulturist
T. Pant	51	Deputy General Manager - Agronomy	17,40,898/-	13,69,842/-	M.Sc. (Agriculture)	23	01.08.2001	Indomint Agriproducts Pvt. Ltd. - Area Manager
S. Dua	37	Head - F&V (North)	13,41,340/-	11,10,985/-	B.Sc. (Hons.) (Agriculture), PGD -ABPM	14	01.05.2017	INI Farms Pvt. Ltd. / Asstt. General Manager - Sales
S. Manjkhola	44	Manager - Facility	12,46,276/-	10,00,294/-	M.Sc. (Env. Science), Ph.D.	19	02.07.2007	Reliance Retail Limited - Dy. Manager

* 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 deputed employees) 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 deputed employees) are contractual in accordance with terms and conditions as per Company's rules.

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

On behalf of the Board

Dated : 1st May, 2018

S. Sivakumar
Chairman

Annexure 2 to the Report of the Board of Directors

Annual Report on CSR Activities of the Company for the financial year ended 31st March, 2018

[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 the CSR Committee		Mr. S. Sivakumar (Chairman) Mr. Sachidanand S. Madan Mr. A. K. Mukerji
3.	Average net profits of the Company for last 3 financial years		₹ 2,794.25 lakhs
4.	Prescribed CSR expenditure (2% of the amount stated under 3 above)		₹ 55.88 lakhs
5.	Details of CSR spend during the financial year:	a) Total amount spent for the financial year	₹ 56.00 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.	₹ 56.00 lakhs	₹ 56.00 lakhs	₹ 56.00 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

Sachidanand S. Madan — **Whole Time Director**

S.Sivakumar — **Chairman**

Dated : 1st May, 2018

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, 2018

[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 Finserv Private Limited Corporate one, First Floor, 5 Commercial Centre, Jasola, New Delhi – 110025 Phone: 011 – 4658 1300

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	01135	72%
2.	Sale of Fruits and Vegetables	46301	28%

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:

(₹ in Lakhs)

	Secured Loans excluding deposits*	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	--	--	--	--
(ii) Interest due but not paid	--	--	--	--
(iii) Interest accrued but not due	--	--	--	--
Total (i+ii+iii)	--	--	--	--
Change in Indebtedness during the financial year				
- Addition	6849.77	--	--	6849.77
- Reduction	5793.49	--	--	5793.49
Net Change	**1056.28**	--	--	**1056.28**
Indebtedness at the end of the financial year				
(i) Principal Amount	1055.33	--	--	1055.33
(ii) Interest due but not paid	-	--	--	-
(iii) Interest accrued but not due	0.95	--	--	0.95
Total (i+ii+iii)	**1056.28**	--	--	**1056.28**

* Refer 'Note 15 –Current Borrowings' to the Financial Statements forming part of the Report and Accounts.

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	Sachidanand S. Madan (Wholetime Director 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	104.71
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	20.22
	(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)		124.93
Ceiling as per the Companies Act, 2013		**240.00 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 Company has not made profits during the financial year ended 31st March, 2018.

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	Others, please specify	
1.	**Independent Directors**				
	Total Amount (B)(1)				**Nil**
2.	**Other Non-Executive Directors**				
	S. Sivakumar	Nil	Nil	Nil	Nil
	S. Ganesh Kumar				
	D. McDonald				
	A. K. Mukerji				
	Total Amount (B)(2)				
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**124.93**
Overall ceiling as per the Companies Act, 2013					**240.00 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, 2018.

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

(₹ in Lakhs)

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	37.39
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	0.21
	(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		**37.60**

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 : 1st May, 2018

Annexure 4 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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

i. Conservation of Energy

The Company continued to make 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 at a reputed third party facility 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 Lakhs)

Foreign Exchange Earnings	:	171.40
Foreign Exchange Outgo	:	77.07

On behalf of the Board

S. Sivakumar
Chairman

Dated : 1st May, 2018

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, 2018 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, 2018, and its total comprehensive income (comprising of loss and 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

9. 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.

10. 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 with reference to financial statements 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, 2018 on its financial position in its Ind AS financial statements – Refer Note 31;

        ii. The Company has long-term contracts as at March 31, 2018 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at March 31, 2018.

        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, 2018.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Avijit Mukerji
Partner
Membership Number 056155

Place: Kolkata
Date: May 01, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(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, 2018

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, 2018 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, 2018, 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

Place : Kolkata
Date: May 01, 2018

Annexure B to Independent Auditors' Report

Referred to in paragraph 9 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, 2018

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 Property, plant and equipment to the financial statements, are held in the name of the Company, except for Freehold land amounting to Rs. 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, goods and service tax with effect from July 1, 2017 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 or goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax as at March 31, 2018 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)	1,63,75,988	A/Y 2003-04 to A/Y 2006-07 and A/Y 2010-11	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. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any bank as at the balance sheet date. The Company does not have any loans or borrowings from any financial institution or Government nor has it issued any debentures as at the balance sheet date.

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

Place: Kolkata
Date: May 01, 2018

BALANCE SHEET AS AT 31 MARCH 2018

(Amount in ₹ lakhs)

Particulars	Notes	As at 31 March 2018	As at 31 March 2017
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3.1	**959.79**	1028.85
(b) Intangible assets	3.2	**3.28**	6.70
(c) Financial assets			
– Other financial assets	6	**9.40**	5.79
(d) Deferred tax assets (Net)	7	**352.89**	–
(e) Other non-current assets	8	**71.88**	34.89
Total non-current assets		**1397.24**	1076.23
Current assets			
(a) Inventories	9	**828.39**	795.57
(b) Biological assets other than bearer plants	4	**8654.65**	6776.89
(c) Financial assets			
(i) Investments	5	**–**	5905.18
(ii) Trade receivables	10	**149.23**	305.04
(iii) Cash and cash equivalents	11	**163.90**	58.98
(iv) Other financial assets	6	**0.28**	3.71
(d) Other current assets	8	**153.28**	323.11
Total current assets		**9949.73**	14168.48
Total assets		**11346.97**	15244.71
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	12	**3796.28**	3796.28
(b) Other equity	13	**2953.87**	8467.78
Total equity		**6750.15**	12264.06
Liabilities			
Non-current liabilities			
(a) Provisions	14	**15.81**	102.00
(b) Deferred tax liabilities (Net)	7	**–**	104.82
Total non-current liabilities		**15.81**	206.82
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	**1056.28**	–
(ii) Trade payables	16	**2447.47**	2007.79
(iii) Other financial liabilities	17	**110.98**	454.74
(b) Other current liabilities	18	**922.40**	269.71
(c) Provisions	14	**43.88**	41.59
Total current liabilities		**4581.01**	2773.83
Total liabilities		**4596.82**	2980.65
Total equity and liabilities		**11346.97**	15244.71

The accompanying notes 1 to 45 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

Avijit Mukerji
Partner
Membership no.: 056155

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

Place: Kolkata
Date: 1 May 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

(Amount in ₹ lakhs)

	Particulars	Notes	For the year ended 31 March 2018	For the year ended 31 March 2017
I	Revenue from operations	19	**7689.19**	10835.41
II	Other income	20	**507.77**	1325.00
III	**Total Income (I+II)**		**8196.96**	12160.41
IV	**Expenses**			
	Cost of raw material and components consumed	21	**829.58**	712.04
	Purchases of stock-in-trade and biological assets	22	**1500.43**	1498.03
	Changes in inventories of finished goods, stock-in-trade and biological assets	23, 4	**(1839.33)**	(317.04)
	Employee benefits expense	24	**1059.48**	994.86
	Finance costs	25	**161.73**	0.14
	Depreciation and amortisation expense	26	**111.88**	108.96
	Other expenses	27	**8019.77**	7457.10
	Total expenses (IV)		**9843.54**	10454.09
V	**Profit/(Loss) before tax (III-IV)**		**(1646.58)**	1706.32
VI	Tax **expenses :**			
	(1) Current tax	28	**110.57**	94.01
	(2) Deferred tax	7, 28	**(350.07)**	160.46
	Total tax expenses		**(239.50)**	254.47
VII	**Profit/(Loss) for the year (V-VI)**		**(1407.08)**	1451.85
VIII	Other comprehensive income			
	(i) Items that will not be reclassified to profit or loss			
	– Remeasurements of net defined benefit liability	33	**5.74**	(4.47)
	(ii) Tax relating to items that will not be reclassified to profit or loss	28.2	**(0.37)**	0.31
	Total other comprehensive income (i + ii)		**5.37**	(4.16)
IX	**Total comprehensive income for the year (VII+VIII)**		**(1401.71)**	1447.69
	Earnings per share (in ₹ [(Face value ₹ 10 each (31 March 2017 : ₹ 10)]	29		
	(1) Basic		**(3.71)**	3.82
	(2) Diluted		**(3.71)**	3.82

The accompanying notes 1 to 45 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

Avijit Mukerji
Partner
Membership no.: 056155

Place: Kolkata
Date: 1 May 2018

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

A. Equity Share Capital

(Amount in ₹ lakhs)

Balance at 1 April 2016	Changes in equity share capital during the year	Balance at 31 March 2017	Changes in equity share capital during the year	Balance at 31 March 2018
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 2016	**10218.47**	**183.95**	**10402.42**
- Profit / (Loss) 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**
- Profit / (Loss) for the Year	(1407.08)	–	(1407.08)
- Other comprehensive income (net of tax)	5.37	–	5.37
Total comprehensive income	**(1401.71)**	–	**(1401.71)**
Transactions with owners in their capacity as owners :		–	
Interim dividend paid	(3416.65)	–	(3416.65)
Income tax on interim dividend paid	(695.55)	–	(695.55)
Balance as at 31 March 2018	**2953.87**	**–**	**2953.87**

The accompanying notes 1 to 45 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: 1 May 2018

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 2018

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Cash flow from operating activities		
Profit/(Loss) before tax	**(1646.58)**	1706.32
Adjustments for :		
Depreciation and amortization expense	**111.88**	108.96
Property, plant and equipment written off	**-**	0.94
Gain on disposal of property, plant and equipment	**(1.88)**	(0.11)
Unrealized foreign exchange (gain)	**(0.03)**	(0.12)
Gain on sale of current investments	**(269.32)**	(228.28)
Gain on fair value measurement of investments	**-**	(481.45)
Interest expense	**161.73**	0.14
Interest income	**(13.47)**	(0.03)
Provisions/Liabilities written back to the extent no longer required	**(113.86)**	(513.20)
Operating profit before changes in working capital	**(1771.53)**	593.17
Changes in operating assets and liabilities		
Decrease/(increase) in trade receivables	**155.84**	(80.76)
(Increase)/decrease in inventories	**(32.82)**	72.18
(Increase) in biological assets other than bearer plants	**(1877.76)**	(438.79)
Increase in trade payables	**553.54**	1370.70
(Increase)/decrease in other financial assets	**(0.16)**	4.36
Decrease/(increase) in other non-current assets	**1.83**	(2.49)
Decrease in other current assets	**169.83**	27.46
Decrease in provisions	**(78.16)**	(808.33)
Increase/(decrease) in other financial liabilities	**(336.08)**	49.82
Increase/(decrease) in other current liabilities	**652.69**	(219.24)
Cash generated from / (used in) operations	**(2562.78)**	568.08
Taxes paid (Including TDS recoverable)	**(257.41)**	(138.20)
Net cash inflow/(outflow) from operating activities (A)	**(2820.19)**	429.88
Cash flows from investing activities		
Payments for property, plant and equipment	**(52.28)**	(90.90)
Payments for purchase of investments	**(410.00)**	(54939.94)
Proceeds from sale of investments	**6584.50**	57747.13
Proceeds from sale of property, plant and equipment	**7.08**	0.30
Interest received	**13.47**	-
Net cash inflow from investing activities (B)	**6142.77**	2716.59
Cash flows from financing activities		
Interest paid	**(160.79)**	(0.14)
Interim dividends paid to holding company	**(3416.65)**	(2657.40)
Proceeds from borrowings	**1055.33**	-
Dividends distribution tax on interim dividend	**(695.55)**	(540.98)
Net cash (outflow) from financing activities (C)	**(3217.66)**	(3198.52)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**104.92**	(52.05)
Cash and cash equivalents at the beginning of the financial year	**58.98**	111.03
Cash and cash equivalents at end of the year (Refer Note 11)	**163.90**	58.98
Cash and cash equivalents as per above comprise of the following		
(a) Balances with Banks		
- In current account	**163.66**	58.23
(b) Cash on hand	**0.24**	0.75
Total Cash and cash equivalents (Refer Note 11)	**163.90**	58.98

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 45 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

Avijit Mukerji
Partner
Membership no.: 056155

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

Place: Kolkata
Date: 1 May 2018

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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, Delhi and principal place of business is at SCO - 835, First and Second Floor, NAC Manimajra, Chandigarh. The Company is a wholly owned 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 engaged in the trading in Field Generated Seed Potatoes and Fruits & Vegetables. The Company is undertaking trials at a reputed third party facility for growing Tissue Culture Plantlets of Banana. (Refer note 4 for further details of operations of the Company).

2. Significant Accounting Policies

a. Statement of Compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act). The financial statements are also prepared in accordance with the relevant presentation requirements of the act.

The Company adopted Ind AS from 1st April, 2016 with the date of transition being 1 April, 2015.

b. 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. 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 – Share based Payment, leasing transactions that are within the scope of Ind AS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 – Inventories or value in use in Ind AS 36 – Impairment of Assets.

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 are 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 and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

d. Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, and is net off returns and discounts to customers. Revenue excludes Goods & Services Tax, where applicable on the supply of goods and services.

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 and Services

Sales are recognised when significant risks and rewards of ownership in the goods are transferred to the customer, which is mainly upon dispatch / delivery. Revenue from services is recognised in the periods in which the services are rendered.

(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.

For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognized as at 1 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.

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 (or other amount substituted for cost) of the assets after commissioning, 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.

The estimated useful lives of other Property, plant and equipment of the Company are as follows:

Buildings	30-60 Years
Building Improvements on Licensed Properties	Shorter of lease period or estimated useful life.
Plant and Equipment	8 – 15 Years
Furniture and Fixtures	10 Years
Vehicles	8 Years
Computers and Servers	3 – 6 Years
Office Equipment	5 Years

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

f. Intangible Assets

Intangible assets that the Company controls and from which it expects future economic benefits are capitalised upon acquisition and measured initially:

i. for assets acquired in a business combination or by way of a government grant, at fair value on the date of acquisition / grant

ii. for separately acquired assets, at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

Internally generated assets for which the cost is clearly identifiable are capitalised at cost. Research expenditure is recognised as an expense when it is incurred. Development costs are capitalised only after the technical and commercial feasibility of the asset for sale or use has been established. Thereafter, all directly attributable expenditure incurred to prepare the asset for its intended use are recognised as the cost of such assets. Internally generated brands, websites and customer lists are not recognised as intangible assets.

The carrying value of intangible assets includes deemed cost which represents the carrying value of intangible assets recognised as at 1st April, 2015 measured as per the previous GAAP.

The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g., patents, licenses, trademarks, franchise and servicing rights) or the likelihood of technical, technological obsolescence (e.g., computer software, design, prototypes) or commercial obsolescence (e.g., lesser known brands are those to which adequate marketing support may not be provided). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit and Loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and / or impairment losses.

The useful lives of intangible assets are reviewed annually to determine if a reset of such useful life is required for assets with finite lives and to confirm that business circumstances continue to support an indefinite useful life assessment for assets so classified. Based on such review, the useful life may change or the useful life assessment may change from indefinite to finite. The impact of such changes is accounted for as a change in accounting estimate.

g. 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.

The recoverable amount is the higher of the asset's net selling price and its 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 of cash generating unit 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 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 the previous years.

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 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.

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 expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.

(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 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.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

j. Foreign Currency Transactions

The functional and presentation currency of the Company is Indian Rupee.

Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. 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.

Gains / losses arising on settlement as also on translation of monetary items are recognised in the Statement of Profit and Loss.

k. 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 recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

Recognition: Financial assets include Investments, Trade Receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: 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.

Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

l. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. In the event that the proceeds have been drawn down or is likely to be drawn down in its entirety, any difference between the proceeds (net of transaction costs, including fees paid on establishing the loan facility) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. To the extent that it is probable that some or all of the facility will not be drawn down, the fee is capitalised as prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains / (losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

m. 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.

n. 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

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.

o. 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 and tax laws enacted or substantively enacted, if applicable 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 that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

p. 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.

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 unless the receipts increase in line with expected general inflation to compensate for expected inflationary cost increases, in which case, the same is recognised in accordance with the terms of the lease.

q. 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 so recognised is the best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

r. 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.

s. 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.

t. 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. (Refer Note - 40)

Segments are organised 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.

Segment revenue arising from third party customers is reported on the same basis as revenue in the financial statements. Segment results represent profits before finance charges, unallocated corporate expenses and taxes.

"Unallocated Corporate Expenses" include revenue and expenses that relate to initiatives / costs attributable to the Company as a whole and are not attributable to segments.

u. 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.

v. 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 2018 (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									
At 1 April 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**
Additions	–	–	32.59	–	–	–	11.72	–	44.31
Disposals	–	–	(5.20)	–	–	–	–	–	(5.20)
At 31 March 2018	**151.93**	**275.20**	**710.90**	**3.95**	**23.35**	**1.09**	**38.48**	**61.84**	**1266.74**

(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 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**
Charge for the year	–	12.51	73.53	0.68	5.31	0.16	7.60	8.38	108.17
Disposals	–	–	–	–	–	–	–	–	–
At 31 March 2018	–	**37.53**	**208.90**	**2.17**	**15.93**	**0.63**	**20.13**	**21.66**	**306.95**
Net carrying amount									
At 31 March 2017	**151.93**	**250.18**	**548.14**	**2.46**	**12.73**	**0.62**	**14.23**	**48.56**	**1028.85**
At 31 March 2018	**151.93**	**237.67**	**502.00**	**1.78**	**7.42**	**0.46**	**18.35**	**40.18**	**959.79**

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 holding company on operating lease.

3.2 Intangible assets

(Amount in ₹ lakhs)

Particulars	Technical know how**	Computer software	Trademarks	Total
Gross carrying amount				
At 1 April 2016	–	**11.66**	**0.50**	**12.16**
Additions	–	1.38	–	1.38
At 31 March 2017	–	**13.04**	**0.50**	**13.54**
Additions	–	0.29	–	0.29
At 31 March 2018	–	**13.33**	**0.50**	**13.83**
Accumulated amortization				
At 1 April 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**
Charge for the year	–	3.66	0.05	3.71
At 31 March 2018	–	**10.45**	**0.10**	**10.55**
Net carrying amount				
At 31 March 2017	–	**6.25**	**0.45**	**6.70**
At 31 March 2018	–	**2.88**	**0.40**	**3.28**

* 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 had 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 2018 (Contd.)

4. Biological assets other than bearer plants

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening value of biological assets	**6776.89**	6338.10
Biological assets acquired during the year	**31.99**	77.21
Cost Incurred during the year	**8339.57**	6562.23
Changes in fair value *	**(580.16)**	2699.68
Biological assets sold during the year	**(5452.46)**	(8269.40)
Harvested potatoes transferred to inventories and sold during the year	**(139.14)**	(266.62)
Harvested potatoes transferred to inventories	**(322.04)**	(364.31)
Closing value of biological assets	**8654.65**	6776.89

* Represents aggregate gain/(loss) arising on account of change in fair value less costs to sell during the year.

As at 31 March 2018, the Company had 8779846 Nos. TECHNITUBER® Seed Potatoes (31 March 2017 - 7648265 Nos.).

As at 31 March 2018, there were 77548 MT of field generated seed potatoes (31 March 2017 - 57455 MT). During the year, output of agricultural produce (potatoes) is 4739 MT (31 March 2017 - 18050 MT).

In October 2017 - 12573 MT (October 2016 - 12083 MT) of seed potatoes were planted and in February/March 2018 - 82558 MT (February/March 2017 - 74967 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 as at 31 March 2018 ₹ 8.41 lakhs (31 March 2017 - ₹ 8.79 lakhs)

Groups of Biological Assets : The Company's biological assets comprise– 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.

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, 2018, due to insignificant biological transformation till balance sheet date, the biological assets of the Company are valued at cost, which approximates fair value.

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 market risks arising from fluctuations in the demand and price environment in potato markets. While it has no control over market behavior, the Company seeks to continually reinforce its market standing on the strength of its proprietary technology, package of agronomy practices and farmer relationships and by diversifying the geographies in which it operates. It also aligns its production to anticipated demand and recognises and disposes excess stocks to the extent practical. Early generations of the company's field produced seed potatoes are also exposed to the inherent risk in agriculture of crop losses due to weather or disease that it seeks to address by widening the geographical spread of farms and farmers, multiple varieties of crop (with each one of them having some resistance to virus, other diseases and climatic conditions) and expertise in agronomy. Accordingly, the Company employs its wide-ranging processes, procedures and protocols developed on the basis of its long experience, including regular inspection of crops and monitoring of weather conditions during the growing phase and preventive pest and disease sprays, to mitigate such risks.

5. Current investments

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Investment in mutual funds (measured at fair value through profit or loss)		
Quoted		
Birla Sun Life Fixed Term Plan - Series LQ (1113 D) Nil (2017- 50,00,000) Units of ₹ 10.00 each	–	626.10
Reliance Fixed Horizon Fund -XXVI - Series 31 Nil (2017- 50,00,000) Units of ₹ 10.00 each	–	629.55
Total quoted investments (A)	–	1255.65
Unquoted		
Reliance Medium Term Fund Nil (2017- 24,73,428) Units of ₹10.00 each	–	858.02
ICICI Prudential Ultra Short Term Plan Nil (2017- 50,32,098) Units of ₹10.00 each	–	861.11
ICICI Prudential Banking & PSU Debt Fund Nil (2017- 46,26,539) Units of ₹10.00 each	–	875.78
Birla Sun Life Short Term Fund Nil (2017- 13,75,081) Units of ₹10.00 each	–	860.02
HDFC Short Term Opportunities Fund Nil (2017- 47,12,535) Units of ₹10.00 each	–	852.99
SBI Premier Liquid Fund Nil (2017- 13,384) Units of ₹1000.00 each	–	341.61
Total unquoted investments (B)	–	4649.53
Total Current Investments (A+B)	–	5905.18
Total current investments		
Aggregate amount of quoted investments and market value thereof	–	1255.65
Aggregate amount of unquoted investments	–	4649.53
Aggregate amount of impairment in the value of investments	–	-

6. Other Financial assets

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Non-Current		
Security deposits	**9.40**	5.79
Total	**9.40**	5.79
Current		
Security deposits	–	3.45
Interest accrued on fixed deposits	**0.28**	0.26
Total	**0.28**	3.71

7. Deferred tax assets/(liabilities) (net)

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Deferred tax assets	**352.89**	–
Deferred tax liabilities	–	(104.82)
Total	**352.89**	**(104.82)**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

Movement in deferred tax assets/(liabilities) balances

FY 2017-18

(Amount in ₹ lakhs)

Particulars	Opening Balance	Recognized in profit or loss	Recognized in OCI	Closing Balance
Deferred tax assets in relation to:				
Remeasurements of net defined benefit liability	0.42	–	(0.42)	–
Total Deferred tax assets	0.42	–	(0.42)	–
Deferred tax liabilities in relation to :				
Gain on financial assets designated at FVTPL	350.07	(350.07)	–	–
Remeasurements of net defined benefit liability	0.21	–	(0.05)	0.16
Total Deferred tax liabilities	350.28	(350.07)	(0.05)	0.16
Deferred tax assets/(liabilities) (net) before MAT credit entitlement	(349.86)	350.07	(0.37)	(0.16)
MAT Credit Entitlement	245.04	108.01	–	353.05
Deferred tax assets/(liabilities) (net)	**(104.82)**	**458.08**	**(0.37)**	**352.89**

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	–	0.11	0.21
Total Deferred tax liabilities	**253.05**	**97.12**	**0.11**	**350.28**
Deferred tax assets/(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 assets/(liabilities) (net)	**19.58**	**(124.71)**	**0.31**	**(104.82)**

8. Other assets

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Non-current		
Others		
– Prepaid expenses	2.08	3.46
– Security deposits	10.06	10.51
– Advance income tax including TDS recoverable (Net of provision for income tax)"	59.74	20.92
Total	71.88	34.89
Current		
Unsecured considered good		
– Advances to suppliers	81.34	280.18
– Advances to employees	0.99	0.97
– Prepaid expenses	26.10	23.72
– Balance with government authorities	44.85	18.24
Unsecured considered doubtful		
– Advances to suppliers	3.28	3.93
– Provision for doubtful advances	(3.28)	(3.93)
Total	153.28	323.11

9. Inventories

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Inventories (valued at lower of cost and net realisable value)		
Raw materials and components (Refer Note 21)	216.01	138.99
Finished goods (Agricultural Produce) *	322.04	364.31
Traded goods	275.15	271.31
Stores & Spares	15.19	20.96
Total	828.39	795.57

* Agricultural produce has been valued at fair value less cost to sell at the time of harvest and written down by ₹ 103.00 lakhs (31 March 2017 ₹ 1144.06 lakhs) to arrive at fair value less cost to sell.

10. Trade receivables

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Current		
Unsecured, considered good (Refer Note 37)	149.23	305.04
Unsecured, considered doubtful	183.70	183.70
Less : Allowance for doubtful receivables	(183.70)	(183.70)
Total	149.23	305.04

11. Cash and cash equivalents

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Balances with Banks		
– In current account	163.66	58.23
Cash on hand	0.24	0.75
Total	163.90	58.98

12. Equity share capital

Authorised Equity Share capital

(Amount in ₹ lakhs)

Particulars	Number of Shares	Amount
As at 1 April 2016	40000000	4000.00
Increase during the year	–	–
As at 31 March 2017	40000000	4000.00
Increase during the year	–	–
As at 31 March 2018	**40000000**	**4000.00**
Issued, subscribed and fully paid-up		
As at 1 April 2016	37962800	3796.28
Increase during the year	–	–
As at 31 March 2017	37962800	3796.28
Increase during the year	–	–
As at 31 March 2018	**37962800**	**3796.28**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

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 2016	37962800	3796.28
Shares issued/(bought back) during the year	–	–
Balance at 31 March 2017	37962800	3796.28
Shares issued/(bought back) during the year	–	–
Balance at 31 March 2018	**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 2018		
Equity shares of ₹ 10 each fully paid		
ITC Limited, holding company	37962794	3796.28
ITC Limited, holding company, jointly with other share holders	6	*
As at 31 March 2017		
Equity shares of ₹ 10 each fully paid		
ITC Limited, holding company	37962794	3796.28
ITC Limited, 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 2018		As at 31 March 2017	
	Number of shares held	% holding of equity shares	Number of shares held	% holding of equity shares
Equity Shares of ₹ 10 each fully paid				
ITC Limited, holding company	**37962794**	**99.99%**	37962794	99.99%

13. Other equity

Retained Earnings

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Balance at beginning of year	**8467.78**	10218.47
Add : Profit / (Loss) for the year	**(1407.08)**	1451.85
Add/(Less) : Other comprehensive income/(expense) arising from remeasurement of net defined benefit obligation (net of income tax)	**5.37**	(4.16)
Less : Payment of interim dividend	**(3416.65)**	(2657.40)
Less : Dividend distribution tax on interim dividend	**(695.55)**	(540.98)
Balance at end of year	**2953.87**	**8467.78**
Capital Contribution for Share Based Payments		
Balance at beginning of year	–	183.95
Add : Value of share based payment recognised as capital contribution	–	–
Less : Reimbursement of value of Share Based Payments	–	(183.95)
Balance at end of year	–	–
Total	**2953.87**	**8467.78**

14. Provisions

(Amount in ₹ lakhs)

Particulars	Non-Current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits (refer note 33)				
Provision for gratuity	15.81	17.78	-	-
Provision for leave benefits	-	-	43.88	41.59
Provision for long term incentive plan	-	84.22	-	-
Total	15.81	102.00	43.88	41.59

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

15. Current borrowings

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Secured		
Short term loan from bank	1056.28	–
Total	1056.28	–

Other information :

a) Short term loan is secured by way of exclusive charge on current assets.

b) Loan is in the nature of fixed rate short tenure loan at 8.15% p.a.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents	163.90	58.98
Borrowings	(1056.28)	-
Net debt	(892.38)	58.98

(Amount in ₹ lakhs)

Particulars	Cash and Cash equivalents	Brrowings	Total
Net debt as on 1 April 2016	111.03	-	111.03
Cash flows	(52.05)	-	(52.05)
Interest expense	-	-	-
Interest paid	-	-	-
Net debt as on 31 March 2017	58.98	-	58.98
Cash flows	104.92	(1055.34)	(950.42)
Interest expense	-	(161.73)	(161.73)
Interest paid	-	160.79	160.79
Net debt as on 31 March 2018	163.90	(1056.28)	(892.38)

16. Trade payables

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
- Dues to micro enterprises and small enterprises	–	–
- Dues to other than micro enterprises and small enterprises	2447.47	2007.79
Total	2447.47	2007.79

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 2018 (31 March 2017 : ₹ Nil).

17. Other current financial liabilities

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Employee related payables	80.01	74.97
Deposit from dealers / customers	5.18	1.80
Payable for fixed asset	2.02	9.70
Payable to holding company (Refer Note 39)	23.77	368.27
Total	110.98	454.74

18. Other current liabilities

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Advances from customers	891.18	253.98
Statutory dues including provident fund and tax deducted at source	31.22	15.73
Total	922.40	269.71

19. Revenue from operations

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products		
Biological assets	5452.46	8269.40
Agricultural Produce	395.98	515.37
Traded Goods	1726.99	1954.46
	7575.43	10739.23
Other operating revenues		
Sale of old empty bags	81.92	70.46
Others	31.84	25.72
	113.76	96.18
Total	7689.19	10835.41

20. Other income

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income on Bank Deposits and Others	13.47	0.03
Lease rental income [Refer Note 32(ii)]	103.11	101.93
Provisions/Liabilities written back to the extent no longer required	113.86	513.20
Gain on disposal of property, plant and equipment	1.88	0.11
Exchange differences (net)	6.13	–
Gain on sale of current investments	269.32	228.28
Gain on fair value measurement of investments	–	481.45
Total	507.77	1325.00

21. Cost of raw material and components consumed

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Inventory at the beginning of the year	138.99	84.17
Add: purchases	906.60	766.86
	1045.59	851.03
Less: inventory at the end of the year	216.01	138.99
Cost of raw material and components consumed	829.58	712.04

Details of raw material and components consumed

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Plantlets	8.79	8.79
Chemicals and fertilizers	65.59	74.30
Packing stores	755.20	628.95
Total	829.58	712.04

Details of inventory

(Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Raw materials and components		
Chemicals and fertilizers	6.84	19.81
Packing stores	209.17	119.18
Total	216.01	138.99

22. Purchases of stock-in-trade and biological assets

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Biological assets		
– Field generated seed potatoes	31.99	77.21
Stock-in-trade		
– Potatoes	1131.54	1140.74
– Apples	229.67	182.71
– Onions	107.23	44.03
– Insecticides, fungicides and micronutrients	–	46.34
– Banana Tissue Culture Plantlets	–	7.00
Total	1500.43	1498.03

23. Changes in inventories of finished goods, stock-in- trade and biological assets

(Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Finished goods - Traded goods		
Inventories at the end of the year	275.15	271.31
Inventories at the beginning of the year	271.31	438.10
(Increase)/decrease (a)	(3.84)	166.79
Finished Goods - Agricultural Produce		
Inventories at the end of the year	322.04	364.31
Inventories at the beginning of the year	364.31	319.27
(Increase)/decrease (b)	42.27	(45.04)
Biological assets		
Inventories at the end of the year	8654.65	6776.89
Inventories at the beginning of the year	6776.89	6338.10
(Increase)/decrease (c)	(1877.76)	(438.79)
Total Changes in inventories of finished goods, stock-in- trade and biological assets (a+b+c)	(1839.33)	(317.04)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

Details of inventory and Biological assets (Amount in ₹ lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Finished Goods		
Field generated potatoes (Agriculture Produce)	322.04	364.31
Total (a)	322.04	364.31
Traded goods		
Potatoes	275.15	271.31
Total (b)	275.15	271.31
Total (a+b)	597.19	635.62
Biological assets	8654.65	6776.89
Total	8654.65	6776.89

24. Employee benefits expense (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries and wages	786.58	775.45
Contribution to provident and other funds (Refer Note 33)	35.62	24.76
Share-based payments to employees (Refer Note 34)	210.62	165.52
Staff welfare expenses	26.66	29.13
Total	1059.48	994.86

25. Finance costs (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest expense	161.73	0.14
Total	161.73	0.14

26. Depreciation and amortisation expense (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Depreciation of property, plant and equipment (Refer Note 3)	108.17	105.45
Amortisation of intangible assets (Refer Note 3)	3.71	3.51
Total	111.88	108.96

27. Other expenses (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Consumption of stores and spares	7.20	10.33
Farming Charges	3858.59	3650.47
Power and fuel	126.70	126.28
Freight and forwarding charges	808.44	836.25
Lease rent [Refer Note 32(i)]		
- Agricultural land	946.72	826.91
- Office and Others	74.44	63.87
Storage and handling cost	1810.06	1492.65
Rates and taxes	5.07	5.16
Insurance	22.30	22.06
Repairs and maintenance		
- Plant and machinery	23.29	20.99
- Buildings	0.05	0.71
- Others	28.89	24.83
Advertising and sales promotion	0.30	2.39
Sales commission	2.58	3.33
Travelling and conveyance	99.78	108.22
Telephone, postage and telegram expenses	17.10	22.31
Printing and stationery	5.78	5.35
Legal and professional fees	31.28	71.57
Payment to auditors (Refer Note 27.1 below)	13.62	13.56
Exchange differences (net)	–	11.36
Expenditure towards corporate social responsibility (CSR) (Refer Note 30)	56.00	53.50
Miscellaneous expenses	81.58	85.00
Total	8019.77	7457.10

27.1.Payment to auditors (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
As Auditor:		
Audit fee	9.44	9.20
Tax audit fee	1.77	1.73
In other capacities		
Re-imbursement of expenses	0.64	0.90
Other services	1.77	1.73
Total	13.62	13.56

28. Income taxes

28.1.Tax expenses recognised in Statement of Profit and Loss (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Current tax		
In respect of the current year	131.95	129.76
In respect of the prior year	(21.38)	–
Less : MAT credit entitlement	–	(35.75)
Total (a)	110.57	94.01
Deferred tax		
In respect of the current year	(350.07)	160.46
Total (b)	(350.07)	160.46
Grand Total (a+b)	(239.50)	254.47

28.2 Tax expenses recognised in Other comprehensive income (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Deferred tax charge/(credit) :		
Arising on remeasurements of net defined benefit liability	(0.37)	0.31
Total	(0.37)	0.31

28.3 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 2018	For the year ended 31 March 2017
Profit/(Loss) before tax	(1646.58)	1706.32
Income Tax expense calculated at 33.063% (2017-33.063%)	(544.41)	564.16
Effects of :		
– Difference in recognition of income from sale of investments	196.59	–
– Agricultural income/(Loss) - exempt from Income tax in determining taxable profit	(584.95)	256.61
– Benefit of previously unrecognised unabsorbed depreciation to reduce deferred tax expense	–	53.08
– Adjustments for current tax of prior periods	(21.38)	–
– Difference in tax rate	(65.97)	–
– Others	(3.90)	–
Income Tax expenses recognised in Statement of Profit and Loss	(239.50)	254.47

The tax rate used for the year 2016-17 and 2017-18 reconciliations above is the corporate tax rate of 33.063% (30% + surcharge @ 7% and education cess @ 3%) in 2017-18 and 33.063% (30% + surcharge @ 7% and education cess @ 3%) in 2016-17 payable on taxable profits under the Income Tax Act, 1961.

29. Earnings per share (EPS) (Amount in ₹ lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Profit/(Loss) after tax	(1407.08)	1451.85
Net profit/(loss) for calculation of basic EPS	(1407.08)	1451.85
Net profit/(Loss) as above	(1407.08)	1451.85
Net profit/(loss) for calculation of diluted EPS	(1407.08)	1451.85
	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)]	(3.71)	3.82
Diluted [Nominal value of shares ₹10 (Previous Year : ₹10)]	(3.71)	3.82

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

30. CSR Expenditure

(a) Gross amount required to be spent by the Company during the year ₹. 55.88 lakhs (previous year ₹. 53.42 lakhs).

(b) Amount spent during the year on:

(₹ in lakhs)

S.No.	Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(i)	Construction/acquisition of any asset	–	–
(ii)	On purposes other than (i) above	**56.00**	53.50
		(53.50)	(51.00)

(Figures in bracket indicate previous year figures)

31. Contingent liabilities

(₹ in lakhs)

Particulars	As at 31 March 2018	As at 31 March 2017
Claims against the Company not acknowledged as debts **		
Disputed income tax matters*	**320.38**	409.92

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 denied 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 appeal with the Commissioner of Income Tax (Appeals) against the said demand. 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 possible net liability included in the above is ₹ 156.62 lakhs (2017- ₹ 246.16 lakhs).

** These amounts represent the estimates 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.

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 2018	For the year ended 31 March 2017
Lease rentals charged to the Statement of Profit and Loss	**1021.16**	890.78

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 its employees 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. The Company presents the entire liability towards compensated absences as a current liability in the Balance Sheet, since it does not have an unconditional right to defer its settlement for 12 months after reporting date.

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 had been charged to the Statement of Profit and Loss during the previous year. Based on the assessment of likelihood of achievement of performance criteria, the same has been written back during the year.

Defined Contribution Plan

The Company has defined contribution plans and contributions are made to provident fund and employee's 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 employee state insurance is being deposited with the Employee State Insurance Corporation, 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 are calculated using the discount rate with reference to bond yield, if plan asset underperform, these will create the deficit.

The following tables sets out the Defined Benefits Plan as per Actuarial Valuation as on 31 March 2018 and 31 March 2017 and recognised in the financial statements in respect of Employee Benefit Scheme.

(₹ in Lakhs)

	Particulars		For the year ended	
			31 March 2018	31 March 2017
I	**Components of Employer Expense**			
	(A) Recognised in Statement of Profit and Loss			
	1	Current Service Cost	**7.74**	7.14
	2	Past Service Cost	3.99	-
	3	Net Interest Cost	0.77	0.52
	4	**Total expense recognised in the Statement of Profit and Loss**	**12.50**	7.66
	(B)	**Re-measurements recognised in Other Comprehensive Income**		
	5	(Return) on plan assets (excluding amounts included in Net interest cost)	**(1.11)**	3.27
	6	Effect of changes in demographic assumptions	**2.51**	1.15
	7	Effect of changes in financial assumptions	**(2.73)**	2.14
	8	Changes in asset ceiling (excluding interest income)	-	-
	9	Effect of experience adjustments	**(4.41)**	(2.09)
	10	**Total re-measurements included in OCI**	**(5.74)**	4.47
	11	**Total defined benefit cost recognised in Statement of Profit and Loss and Other Comprehensive Income (4+10)**	**6.76**	12.13

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

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 24. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.

(₹ in Lakhs)

	Particulars		For the year ended 31 March 2018	For the year ended 31 March 2017
II	**Actual Returns**		**4.00**	(0.45)
III	**Net (Asset/Liability recognised in Balance Sheet)**			
	1	Present Value of Defined Benefit Obligation	**63.57**	55.57
	2	Fair Value of Plan Assets	**47.76**	37.79
	3	Status [(Surplus/Deficit)]	**15.81**	17.78

			As at 31 March 2018		As at 31 March 2017	
			Current	Non-Current	Current	Non-Current
	4	Net (Asset)/Liability recognised in Balance Sheet	–	**15.81**	–	17.78

(₹ in Lakhs)

	Particulars		For the year ended 31 March 2018	For the year ended 31 March 2017
IV	**Change in Defined Benefit Obligation (DBO)**			
	1	Present Value of DBO at the beginning of the year.	**55.57**	45.06
	2	Current Service Cost	**7.74**	7.14
	3	Past Service Cost	**3.99**	-
	4	Interest Cost	**3.66**	3.34
	5	Re-measurement gains/(losses):		
		Effect of changes in demographic assumptions.	**2.51**	1.15
		Effect of changes in financial assumptions.	**(2.73)**	2.14
		Effect of experience adjustments.	**(4.41)**	(2.09)
	6	Benefits Paid	**(2.76)**	(1.17)
	7	Present Value of DBO at the end of the year.	**63.57**	55.57

(₹ in Lakhs)

	Particulars		For the year ended 31 March 2018	For the year ended 31 March 2017
V	**Change in Fair Value of Assets**			
	1	Plan Assets at the beginning of the year	**37.79**	37.33
	2	Return on Plan Assets	**2.89**	2.81
	3	Re-measurement of Gains/(Losses) on plan assets	**1.11**	(3.27)
	4	Actual Company Contributions	**8.73**	2.09
	5	Benefits paid	**(2.76)**	(1.17)
	6	Plan Assets at the end of the year	**47.76**	37.79

	Particulars		As at 31 March 2018	As at 31 March 2017
VI	**Actuarial Assumptions**			
	1	Discount Rate (%)	**7.50**	6.75
	2	Expected Return on plan Assets (%)	**7.50**	6.75
	3	Attrition Rate	**10.00**	12.50
	4	Long term rate of compensation increase (%)	**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 2018	31 March 2017
VII	**Investments with insurer ***	**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 2018	For the year ended 31 March 2017
IX	**Net Asset/Liability recognised in Balance sheet (Including Experience adjustment impact)**			
	1	Present Value of Defined Benefits Obligations	**63.57**	55.57
	2	Fair Value of Plan Assets	**47.76**	37.79
	3	Status [(Surplus)/Deficit]	**15.81**	17.78
	4	Experience Adjustment of Plan Assets [Gain/ (loss)]	**0.21**	(3.27)
	5	Experience Adjustment of Obligation [Gain/ (loss)]	**(4.41)**	(2.09)

X Expected contributions to defined benefit plan for year ending 31 March 2019 are ₹ 8.80 lakhs. Details of expected cash flows for following years is given below: (₹ in Lakhs)

	Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
1	Expected employer contributions next year	**8.80**	9.94
2	Expected benefits payment		
	Year 1	**4.63**	5.35
	Year 2	**4.63**	5.27
	Year 3	**4.97**	5.23
	Year 4	**4.90**	5.21
	Year 5	**5.24**	4.98
	Next 5 years	**29.20**	23.15

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 calculating 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)

	Particulars		DBO as at 31 March 2018	DBO as at 31 March 2017
	1	Discount Rate + 100 basis points	**59.22**	52.11
	2	Discount Rate - 100 basis points	**68.48**	59.45
	3	Attrition Rate +1%	**62.38**	54.76
	4	Attrition Rate -1%	**64.87**	56.47
	5	Long term rate of Compensation Increase Rate +1%	**67.71**	58.18
	6	Long term rate of Compensation Increase Rate -1%	**59.78**	53.09

Amount towards defined contribution plans have been recognised under 'Contribution to provident and other fund' in Note 24 - ₹23.12 lakhs (2017: ₹ 17.09 lakhs).

XII. Weighted Average Duration of Defined Benefit Obligations

The weighted average duration of defined benefit obligation is 6 years (2017: 6 years).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

34. Share Based Payment

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.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 210.62 lakhs (2017 – ₹ 165.62 lakhs) (Refer Note 24) by way of share based payments. Such charge has been recognised as employee benefits expense with corresponding credit to other financial liabilities. Out of the above, ₹ 111.92 lakhs (2017- ₹ 86.00 lakhs) is attributable to key management personnel [Mr. Sachidanand S. Madan ₹ 94.33 lakhs (2017 - ₹ 66.40 lakhs); Mr. Sanjeev Madan ₹ 17.59 lakhs (2017 - ₹ 19.59 lakhs)]

The summary of movement of such options granted by ITC and status of the outstanding options is as under:

Particulars *	As at 31 March 2018	As at 31 March 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	1,58,776	99,454
Add: Granted during the year @	34,045	74,372**
Less: Lapsed during the year	–	–
Add / (Less): Movement due to transfer of employees within the group.	–	–
Less: Exercised during the year	11,474	15,050
Outstanding at the end of the year	1,81,347	1,58,776
Options exercisable at the end of the year	1,15,032	94,355

* The Weighted average exercise price of the options granted under the ITC ESOS to all Optionees covered under the Scheme is computed by ITC as a whole.

@ Includes 16,875 (2017 – 10,945) number of options granted to the Key Management Personnel of the Company.

** Includes effect of bonus shares in 2016-17.

35. 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 of equity as detailed in the Statement of Changes in Equity as well as borrowings. The Company does not have any long-term debt obligation and funds its operations mainly through internal accruals and short term borrowings. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value. Further, the Company is not exposed to any externally imposed capital requirements.

b. Dividend

(₹ in lakhs)

Particulars	31/03/2018	31/03/2017
Equity shares Interim dividend for the year ended 31 March 2018 of ₹ 9 per fully paid share (31 March 2017 - of ₹ 7 per fully paid share)	3416.65	2657.40

36. Categories of Financial Instrument

(₹ in lakhs)

Particulars	As at 31 March 2018		As at 31 March 2017	
	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
b) Measured at amortised cost				
Cash and Bank Balances	163.90	163.90	58.98	58.98
Trade Receivables	149.23	149.23	305.04	305.04
Other Financial Assets	9.68	9.68	9.50	9.50
B. Financial Liabilities				
Measured at amortised cost				
Borrowings	1056.28	1056.28	–	–
Trade Payables	2447.47	2447.47	2007.79	2007.79
Other Financial Liabilities	110.98	110.98	454.74	454.74

37. 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.

Particulars	Currency	As at 31 March 2018	As at 31 March 2017
Trade receivables	AUD$	–	2,37,702
Trade receivables	EUR€	300	–

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. The Company's main interest rate risk arises from short-term borrowings where the rate of interest is fixed. The Company's borrowings are carried at amortised cost. The borrowings of the Company at the end of the reporting period are ₹ 1056.28 lakhs (2017: Nil) taken at the rate of 8.15% per annum. Since the loan taken from bank is in the nature of fixed rate short tenure loan, the net exposure to interest risk is negligible, hence, no sensitivity analysis is given.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2018 is Nil (31 March 2017 - ₹ 5905.18 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 its bankers.

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

(₹ in lakhs)

As at 31 March 2018 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**
Borrowings	1056.28	–	1056.28	–	–	1056.28
Trade Payables	2447.47	2155.74	–	291.73	–	2447.47
Other Financial Liabilities	110.98	57.74	42.16	11.08	–	110.98
Total	**3614.73**	**2213.48**	**1098.44**	**302.81**	–	**3614.73**

(₹ 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**

* 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 previous year. 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 2018	For the year ended 31 March 2017
Balance at the beginning of the year	**183.70**	183.70
Provided during the year	–	–
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 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 2018	31 March 2017
Investments in Mutual Funds	Level 1	Net Asset Value as declared by the Fund/quoted prices in active markets	**Nil**	5905.18

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

39. Related party disclosures

(a) Names of related parties and nature of relationship

Holding Company : ITC Limited

(b) Other related parties with whom transactions have taken place during the year

Enterprises under common control : Technico Pty Limited, Australia (TPL)
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 (till 15th March, 2018)
Mr. Pawan Kumar Verma	:	Independent Director (till 15th March, 2018)
Mr. Sanjeev Kumar Madan	:	Chief Financial Officer

(d) Details of transactions carried out during the financial year ended 31 March 2018 with related parties in the ordinary course of business:

(₹ in lakhs)

Particulars	Holding Company (ITC Limited)		Entities under Common Control		KMP	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Sale of products						
- ITC Limited	174.58	526.03	–	–	–	–
- Technico Pty Limited	–	–	171.40	134.98	–	–
Lease rental income						
- ITC Limited	103.11	101.93	–	–	–	–
Remuneration of managers on deputation reimbursed #						
- ITC Limited	260.82	226.54	–	–	–	–
Value of Share based payment						
- Reimbursement	210.62	349.47*	–	–	–	–
Interim Dividend						
- ITC Limited	3416.65	2657.40	–	–	–	–
Purchase of services						
- ITC Limited	0.84	5.95	–	–	–	–
-ITC Infotech India Limited	–	–	12.94	13.09	–	–
Expenses reimbursed						
- ITC Limited	22.69	24.14	–	–	–	–
Expenses recovered						
- ITC Limited	0.06	–	–	–	–	–
- Technico Pty Limited	–	–	8.89	9.38	–	–
Sitting fees - Directors						
- Mr. Hari Mohan Jha	–	–	–	–	1.50	1.80
- Mr. Pawan K. Verma	–	–	–	–	1.40	1.60
Remuneration paid**						
- Mr. Sachidanand S. Madan	–	–	–	–	127.76	119.23
- Other KMP	–	–	–	–	39.41	38.87

Reimbursement of managers on deputation includes remuneration paid to Mr. Sachidanand S. Madan (Wholetime Director) disclosed separately.
* Including ₹ 183.95 lakhs pertaining to financial year 2015-16.

(e) Details of balances with the related parties :

(₹ in lakhs)

Particulars	Holding Company (ITC Limited)		Entities under Common Control	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Trade receivables				
- ITC Limited	56.64	–	–	–
– Technico Pty Limited	–	–	–	117.85
Other payables				
- ITC Limited	23.77	368.27	–	–

****Compensation of key managerial personnel**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

(₹ in lakhs)

The remuneration of directors and other members of key managerial personnel #	For the year ended 31 March 2018	For the year ended 31 March 2017
Short term benefits	167.17	158.10

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. The amount outstanding are unsecured and will be settled in cash.

40. Segment reporting

The operating segments are presented in a manner consistent with the internal reporting provided to the Board of Directors, which is the CODM.

Business segments comprises:

A. Seed Business: TECHNITUBER® Seed, Field Produced seed potatoes, Banana Tissue Culture

B. Fruits and Vegetables Business: Trading in table potatoes, Potatoes for processing industry, Onion, Apple etc.

A. Segment Results :

(₹ in lakhs)

Particulars	**For the year ended 31 March 2018**	For the year ended 31 March 2017
Segment Revenue:		
- Seed	**5848.44**	8836.81
- Fruits and Vegetables	**1726.99**	1902.42
Gross Revenue from sale of products	**7575.43**	10739.23
Segment Results:		
- Seed	**(1659.24)**	922.44
- Fruits and Vegetables	**(155.51)**	25.83
Segment Total	**(1814.75)**	948.27
Unallocated Expenses net of unallocated Income	**(60.55)**	(48.43)
Profit/(Loss) before Interest etc. and taxation	**(1754.20)**	996.70
Finance Costs	**161.73**	0.14
Income from current and non-current investments, interest earned on deposits, profit/loss on sale of investments etc.	**(269.35)**	(709.76)
Profit/(Loss) before tax	**(1646.58)**	1706.32
Tax expenses	**(239.50)**	254.47
Profit/(Loss) for the year	**(1407.08)**	1451.85

B. Segment Assets and Liabilities:

(₹ in lakhs)

Particulars	**As at 31 March 2018**		As at 31 March 2017	
	Assets	**Liabilities**	Assets	Liabilities
Seed	**10314.41**	**3346.60**	8603.17	2702.21
Fruits and Vegetables	**456.03**	**169.48**	656.46	160.70
Segment Total	**10770.44**	**3516.08**	9259.63	2862.91
Unallocated Assets and Liabilities	**576.53**	**1080.74**	5985.08	117.74
Total	**11346.97**	**4596.82**	15244.71	2980.65

Segment Assets and Liabilities are measured in the same way as in the financial statements. These assets are allocated based on the operations of the respective segment.

C. Geographical segment wise revenue:

(₹ in lakhs)

S. No.	Particulars	**For the year ended 31 March 2018**	For the year ended 31 March 2017
(a)	Revenue from domestic market	**7404.03**	10601.17
(b)	Revenue from overseas market	**171.40**	138.06
	Total	**7575.43**	10739.23

No customer individually accounts for more than 10 % of the revenue of the Company.

D. Depreciation and Amortization :

(₹ in lakhs)

Particulars	**For the year ended 31 March 2018**	For the year ended 31 March 2017
Seed	**110.94**	108.96
Fruits and Vegetables	**0.94**	-
Total	**111.88**	108.96

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (Contd.)

E. Non Cash expenditure other than depreciation and amortization : (₹ in lakhs)

Particulars	For the year ended 31 March 2018	For the year ended 31st March 2017
Seed	–	0.94
Fruits and Vegetables	–	–
Total	–	0.94

41. 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.

42. Disclosure for Specified Bank Notes (SBN's) as required by notification no. G.S.R. 308 (E) issued by Ministry of Corporate Affairs is not applicable to the Company for the year ended 31 March 2018.

43. The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28 March 2018 which includes Ind AS 115 'Revenue from Contracts with Customers' and Appendix B to Ind AS 21, Foreign currency transactions and advance consideration. The new standard and amendment will come into effect for the annual reporting periods beginning on or after 1 April 2018. The Company is currently assessing the impact of the application of Ind AS 115 and Appendix B to Ind AS 21 on the financial statements of the Company.

44. The financial statement for the year ended 31 March 2018 are adopted and authorized for issue by Board of Directors on 1 May 2018.

45. 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

Avijit Mukerji
Partner
Membership no.: 056155

Place: Kolkata
Date: 1 May 2018

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2018

Your directors submit their report for the financial year ended 31 March 2018.

Directors

The names of the directors in office at any time during or since the end of the year are:

Mr Surampudi Sivakumar
Mr Arup Kumar Mukerji
Mr Sachidanand Madan
Mr David Charles McDonald
Mr Allan Hendry

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:

49 Bowral 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$2,522,595 (2017: A$2,456,296) and earned a net profit of A$ 1,450,497 (2017: A$1,358,386). Net Profit for the year reflects higher sales and superior margins. The impact of higher other income earned in the previous year, mainly due to foreign exchange gains, has been compensated by lower selling and administrative expenses in the current period.

No dividends have been paid or declared during the financial year.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the year.

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.

Signed in accordance with a resolution of the Board of Directors:

Allan Hendry
Director
Place: Sydney, Australia
Dated: 1st May 2018

DIRECTORS' DECLARATION FOR THE YEAR ENDED 31 MARCH, 2018

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 2018 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
Place: Sydney, Australia
Date: 1st May 2018

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 2018 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 1st day of May 2018

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 2018, 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 2018 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 2018, 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 1st day of May 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH, 2018

	Note	2018 $	2018 ₹	2017 $	2017 ₹
Continuing operations					
Sale of goods		**2,522,595**	**125,653,736**	2,456,296	123,502,563
Cost of sales:					
Other cost of sales		**(1,100,131)**	**(54,798,955)**	(1,223,555)	(61,520,345)
Inventory write off and write down		–	–	–	–
Gross profit		**1,422,464**	**70,854,781**	1,232,741	61,982,217
Other income	2(a)	**297,577**	**14,822,697**	555,802	2,7945,725
Middle East & North Africa expenses		**(7,675)**	**(382,302)**	(89,749)	(4,512,580)
Research and development expenses		**(31,554)**	**(1,571,746)**	(54,843)	(2,757,506)
Occupancy expenses		**(3,273)**	**(163,032)**	(3,273)	(164,566)
Administration expenses:					
Other administration expenses		**(141,320)**	**(7,039,333)**	(254,935)	(12,818,132)
Profit from continuing operations before income tax expense		**1,536,219**	**76,521,065**	1,385,743	69,675,158
Income tax expense	3	**(85,722)**	**(4,269,925)**	(27,357)	(1,375,510)
Total comprehensive income attributable to members of Technico Pty Ltd		**1,450,497**	**72,251,140**	1,358,386	68,299,648
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**1,450,497**	**72,251,140**	1,358,386	68,299,648
Profit from continuing operations after income tax expense		**1,450,497**	**72,251,140**	1,358,386	68,299,648
Net profit for the period		**1,450,497**	**72,251,140**	1,358,386	68,299,648
Net profit attributable to members of Technico Pty Limited		**1,450,497**	**72,251,140**	1,358,386	68,299,648

BALANCE SHEET AS AT 31 MARCH, 2018

	Note	2018 $	2018 ₹	2017 $	2017 ₹
Current assets					
Cash and cash equivalents	4	**3,168,329**	**158,559,024**	2,417,371	119,853,254
Trade and other receivables	5	**1,684,745**	**84,313,064**	1,437,175	71,255,137
Other	6	**46,392**	**2,321,688**	38,316	1,899,707
Total current assets		**4,899,466**	**245,193,776**	3,892,862	193,008,098
Non-current assets					
Other financial assets	7	**969,736**	**48,530,438**	969,736	48,079,511
Property, plant and equipment	8	–	–	–	–
Intangible assets	9	**14,161**	**708,687**	14,571	722,430
Total non-current assets		**983,897**	**49,239,125**	984,307	48,801,941
Total assets		**5,883,363**	**294,432,901**	4,877,169	241,810,039
Current liabilities					
Trade and other payables	10	**721,410**	**36,102,963**	1,165,711	57,795,951
Provisions	11	–	–	–	–
Total current liabilities		**721,410**	**36,102,963**	1,165,711	57,795,951
Total liabilities		**721,410**	**36,102,963**	1,165,711	57,795,951
Net assets		**5,161,953**	**258,329,938**	3,711,458	184,014,088
Equity					
Contributed equity	12	**19,489,182**	**975,336,113**	19,489,182	966,273,644
Accumulated losses	13	**(14,327,229)**	**(717,006,175)**	(15,777,724)	(782,259,556)
Total equity		**5,161,953**	**258,329,938**	3,711,458	184,014,088

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH, 2018

	Contributed Equity $	Retained earnings $	Total $
At 1 April 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
Profit for the period	—	1,450,497	1,450,497
At 31 March 2018	19,489,182	(14,327,229)	5,161,953

	Contributed Equity ₹	Retained earnings ₹	Total ₹
At 1 April 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
Profit for the period	—	72,251,140	72,251,140
Balance sheet exchange rate variance	9,062,469	6,997,759	2,064,710
At 31 March 2018	**975,336,113**	**(717,006,175)**	**258,329,938**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2018

	2018		2017	
	$	₹	$	₹
Cash flow from operating activities				
Receipts from customers	**2,462,597**	**122,665,158**	3,521,795	177,075,853
Receipts of sundry income	**9,736**	**484,963**	15,099	759,178
Payments to suppliers and employees	**(1,800,243)**	**(89,672,444)**	(2,460,240)	(123,700,767)
Goods and services tax received/(paid)	**5,743**	**286,066**	5,791	291,171
Interest received	**76,125**	**3,791,885**	140,615	7,070,122
Borrowing costs	**–**	**–**	–	–
Net cash flows from operating activities	**753,958**	**37,555,628**	1,223,060	61,495,557
Cash flow from investing activities				
Additions/(disposals) to intangible assets	**–**	**–**	–	–
Payments for protection of technology	**(2,999)**	**(149,384)**	(9,191)	(462,123)
Net cash flows from/(used in) investing activities	**(2,999)**	**(149,384)**	(9,191)	(462,123)
Cash flows from financing activities				
Sale of investment in subsidiary/trademark	**–**	**–**	–	–
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)
Net increase/(decrease) in cash held	**750,958**	**37,406,194**	(23,286,131)	(1,170,826,667)
Add opening cash brought forward	**2,417,371**	**119,853,254**	25,703,502	1,310,364,532
Non cash exchange gain/(loss) on translation of opening cash balance	**–**	**1,299,576**	–	(19,984,601)
Cash and cash equivalents at end of period	**3,168,329**	**158,559,024**	2,417,371	119,853,254

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:

49 Bowral 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 50.045 for the current year balance sheet (2017: INR 49.58) and the average rate of 1 AUD = INR 49.8113 for the current year income statement and cash flow statement (2017: INR 50.28), 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 2018. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(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	*2018*	*2017*
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-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

	2018		2017	
	$	₹	$	₹
Note 2: Revenues and expenses				
Revenue and expenses from continuing activities				
(a) Revenue & Other Income				
Finance revenue	**76,125**	**3,791,885**	140,615	7,070,122
Agronomy support income	**9,736**	**484,963**	40,613	2,042,022
Sundry income	**189,648**	**9,446,613**	53,915	2,710,846
Realised foreign exchange gain	**–**	**–**	320,659	16,122,735
Unrealised foreign exchange gain	**22,068**	**1,099,236**	–	–
Profit on sale of investment/Trademark (net)	**–**	**–**	–	–
	297,577	**14,822,697**	555,802	27,945,725
Breakdown of finance revenue:				
Bank interest	**76,125**	**3,791,885**	140,615	7,070,122
(b) Depreciation, amortisation and costs of inventories included in the income statement (continued)				
Amortisation of non-current assets:				
Technology and trademarks	**3,409**	**169,807**	3,304	166,125
Total amortisation of non-current assets	**3,409**	**169,807**	**3,304**	**166,125**
(c) Employee benefit expense				
Wages and salaries	**28,914**	**1,440,244**	113,167	5,690,037
Workers' compensation costs	**446**	**22,216**	388	19,509
Annual leave provision	**–**	**–**	(25,968)	(1,305,671)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	2018		2017	
	$	₹	$	₹
Note 3: Income tax				
The major components of income tax expenses are:				
Income statement				
Current income tax				
Current income tax charge	**85,722**	**4,269,925**	62,570	3,146,020
Overprovision – prior year	**–**	**–**	(35,213)	(1,770,510)
Income tax expense reported in the income statement	**85,722**	**4,269,925**	27,357	1,375,510
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%	**460,865**	**22,956,285**	415,723	20,902,552
Amortisation of technology	**(101)**	**(5,031)**	(101)	(5,078)
Movement in employee entitlements	**–**	**–**	(7,790)	(391,681)
Write back or write down of investments in wholly owned subsidiaries	**–**	**–**	–	–
Non-deductible expenses/timing differences	**(25,627)**	**(1,276,514)**	(90,220)	(4,536,262)
Recoupment of prior year tax losses	**(349,415)**	**(17,404,815)**	(290,255)	(14,594,021)
Income tax attributable to ordinary activities	**85,722**	**4,269,925**	27,357	1,375,510

Income tax losses

Future income tax benefits arising from revenue timing differences and tax losses of the parent entity amounted to $349,415 (2017: $290,255). 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.

	2018		2017	
	$	₹	$	₹
Note 4: Cash and cash equivalents				
Current				
Cash at bank	**270,385**	**13,531,417**	102,497	5,081,801
Deposits at call	**2,897,944**	**145,027,607**	2,314,874	114,771,453
Term deposit	**—**	**—**	—	—
	3,168,329	**158,559,024**	2,417,371	119,853,254

(a) Terms and conditions relating to the above financial instruments:

(i) cash at bank has a weighted average interest rate of 0% (2017: 0%); and

(ii) deposits at call has a weighted average effective interest rate of 2.51% AUD account (2017: 2.95% AUD Account)

(b) Reconciliation of net profit/(loss) after tax to the net cash flows from operations:	Note				
Net profit		**1,450,497**	**72,251,140**	1,358,386	68,299,648
Non-cash items:					
Amortisation/disposal of non-current assets		**3,409**	**169,807**	3,304	166,125
(Profit)/loss on sale of investments	7	**–**	**–**	–	–
Income tax expense		**–**	**–**	–	–
Changes in assets and liabilities:					
(Increase)/decrease in trade and other receivables		**(247,570)**	**(12,331,784)**	384,052	19,310,135
Decrease/(increase) in other current assets		**(8,076)**	**(402,276)**	13,210	664,199
Increase/(decrease) in trade creditors and accruals		**(444,302)**	**(22,131,210)**	(509,922)	(25,638,878)
Increase in employee provisions		**—**	**—**	(25,970)	(1,305,672)
Cash flows from operations		**753,958**	**37,555,628**	1,223,060	61,495,557

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	Note	2018 $	2018 ₹	2017 $	2017 ₹
Note 5: Trade and other receivables					
Current					
Trade debtors	(a)	**1,684,745**	**84,313,064**	1,438,627	71,327,127
Provision for doubtful debts		**–**	**–**	–	–
		1,684,745	**84,313,064**	1,438,627	71,327,127
Other debtors	(a)	**–**	**–**	(1,452)	(71,990)
		1,684,745	**84,313,064**	1,437,175	71,255,137

(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 6: Other assets				
Current				
Prepayments	**5,956**	**298,068**	8,903	441,410
Interest accrual	**40,436**	**2,023,620**	29,413	1,458,297
	46,392	**2,321,688**	38,316	1,899,707
Note 7: Other financial assets				
Non-current				
Shares in subsidiaries:				
At cost	**4,880,863**	**244,262,789**	4,880,863	241,993,188
Provision for write-down (a)	**(3,911,127)**	**(195,732,351)**	(3,911,127)	(193,913,677)
Total other financial assets	**969,736**	**48,530,438**	969,736	48,079,511

(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) 2018 $	2018 ₹	2017 $	2017 ₹
Technico Asia Holdings Pty Ltd (formerly known as Technico China Pty Ltd)	Australia	100	**3,684,522**	**184,391,903**	3,684,522	182,678,601
			(2,714,786)	**(135,861,465)**	(2,714,786)	(134,599,090)
			969,736	**48,530,438**	969,736	48,079,511
Technico Technologies Inc	Canada	100	**1,196,341**	**59,870,885**	1,196,341	59,314,587
			(1,196,341)	**(59,870,885)**	(1,196,341)	(59,314,587)
			–	**–**	–	–

	2018 $	2018 ₹	2017 $	2017 ₹
Note 8: Property, plant and equipment				
Non-current				
Plant and equipment at cost	–	–	2,838	140,708
Accumulated depreciation and impairment	–	–	(2,838)	(140,708)
Net carrying amount	–	–	–	–
Total net carrying amount of plant and equipment	–	–	–	–
Total property, plant and equipment at cost	–	–	2,838	140,708
Accumulated depreciation, amortisation and impairment	–	–	(2,838)	(140,708)
Total property, plant and equipment	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	2018		2017	
	$	₹	$	₹
Note 9: Intangible assets				
Non-current				
TECHNITUBER® technology, patents and trademarks at cost	**3,412,831**	**170,795,127**	3,409,832	169,059,470
Less: Accumulated amortisation	**(3,398,670)**	**(170,086,440)**	(3,395,261)	(168,337,040)
	14,161	**708,687**	14,571	722,430
Movement in intangibles				
Balance at beginning of the year	**14,571**	**729,205**	8,684	430,552
Additions	**2,999**	**150,085**	9,191	455,690
Withdrawals	**–**	**–**	–	–
Amortisation expense	**(3,409)**	**(170,603)**	(3,304)	(163,812)
Balance at the end of the year	**14,161**	**708,687**	14,571	722,430
Note 10: Trade and other payables				
Current				
Trade creditors	**645,870**	**32,322,564**	883,680	43,812,854
Sundry creditors and accruals	**75,540**	**3,780,399**	282,031	13,983,097
	721,410	**36,102,963**	1,165,711	57,795,951

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.

Note 11: Provisions				
Current				
Employee entitlements	**–**	**–**	–	–
Note 12: Contributed equity				
(a) Issued and paid up capital				
Ordinary shares fully paid 10,015,502 shares (2017: 10,015,502)	**19,598,046**	**980,784,212**	44,098,046	2,186,381,121
Share capital redemption	**–**	**–**	(24,500,000)	(1,214,710,000)
Discount on issue	**(108,864)**	**(5,448,099)**	(108,864)	(5,397,477)
	19,489,182	**975,336,113**	19,489,182	966,273,644

(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.

Note 13: Reserves and accumulated losses				
Accumulated losses	**14,327,229**	**717,006,175**	15,777,724	782,259,606
Balance at beginning of year	**15,777,724**	**782,259,556**	17,136,110	873,598,888
Net (profit)/loss attributable to the members of Technico Pty Ltd	**(1,450,497)**	**(65,253,381)**	(1,358,386)	(91,339,332)
Total unavailable for appropriation	**14,327,229**	**717,006,175**	15,777,724	782,259,556
Dividends paid or provided for	**–**	**–**	–	–
Balance at end of period	**14,327,229**	**717,006,175**	15,777,724	782,259,556
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.

Note 16: Remuneration of auditors				
Amounts received or due and receivable by auditor:				
Audit of the entity by auditor/group auditor	**12,000**	**597,736**	12,000	603,360
Other services in relation to the entity	**13,500**	**672,453**	9,500	477,660
	25,500	**1,270,189**	21,500	1,081,020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2018

Your directors submit their Report for the financial year ended 31 March 2018.

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

Technico Technologies Inc., Canada registered sales of Canadian Dollar (C$) 0.20 million (previous year C$ 0.28 million) and posted a net profit of C$ 0.04 million (previous year C$ 0.05 million). Sale and Profits are lower due to reduction in exports.

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

The growth of the business has been impacted due to weather & disease pressure which had far reaching impact for the Seed Potato industry in the province. With increasing demand for processing potatoes, we see a gradual recovery over the next two to three years.

Environmental regulation and performance

Your company is not subject to any particular or significant environmental regulation.

Bhavani Parameswar
Director
Place: New Jersey, USA
Date: April 25, 2018

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, 2018 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, 2018 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, 2018

Fredericton, New Brunswick CHARTERED PROFESSIONAL ACCOUNTANTS

BALANCE SHEET
AS AT MARCH 31, 2018

ASSETS

	2018 $	2018 ₹	2017 $	2017 ₹
Current Assets				
Cash	**198,187**	**10,038,172**	226,758	11,018,171
Accounts receivable	**29,851**	**1,511,953**	4,066	197,567
Inventory	**90,892**	**4,603,680**	104,856	5,094,953
Prepaid expenses	**5,849**	**296,252**	3,376	164,040
	324,779	**16,450,057**	339,056	16,474,731
Property and Equipment (note 4)	**57,953**	**2,935,319**	66,464	3,229,486
	382,732	**19,385,376**	405,520	19,704,217

	2018 $	2018 ₹	2017 $	2017 ₹
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	**27,415**	**1,388,570**	38,259	1,859,005
Current portion of long-term debt	**28,650**	**1,451,123**	58,031	2,819,726
	56,065	**2,839,693**	96,290	4,678,731
Unamortized Government Assistance (note 5)	**1,350**	**68,378**	2,735	132,894
	57,415	**2,908,071**	99,025	4,811,625
SHAREHOLDERS' EQUITY				
Capital Stock (note 9)	**1,171,614**	**59,342,249**	1,186,964	57,674,581
Deficit	**(846,297)**	**(42,864,944)**	(880,469)	(42,781,989)
	325,317	**16,477,305**	306,495	14,892,592
	382,732	**19,385,376**	405,520	19,704,217

Approved By The Board:

_____ Director

STATEMENT OF RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 2018

	2018 $	2018 ₹	2017 $	2017 ₹
Deficit At Beginning Of Year	**(880,469)**	**(42,781,989)**	(926,979)	(47,489,134)
Net Income For The Year	**34,172**	**1,695,614**	46,510	2,321,315
Change In Unrealized Foreign Exchange During The Year	**–**	**(1,778,569)**	–	2,385,830
Deficit At End Of Year	**(846,297)**	**(42,864,944)**	(880,469)	(42,781,989)

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2018

	2018 $	2018 ₹	2017 $	2017 ₹
Sales	**200,520**	**9,949,802**	277,107	13,830,410
Cost Of Sales	**122,979**	**6,102,218**	181,506	9,058,964
Gross Profit	**77,541**	**3,847,584**	95,601	4,771,446
Expenses				
Advertising and trade shows	**271**	**13,447**	–	–
Amortization of property and equipment	**7,010**	**347,836**	8,191	408,813
Bank charges	**480**	**23,818**	602	30,046
Bad debts	**9,000**	**446,580**	–	–
Insurance	**6,613**	**328,137**	5,589	278,947
Interest on long-term debt	**1,350**	**66,987**	4,534	226,292
Occupancy costs	**9,611**	**476,898**	6,771	337,941
Office and supplies	**1,350**	**66,987**	1,795	89,588
Professional services	**12,289**	**609,780**	13,030	650,327
Staff training	**–**	**–**	1,119	55,849
Telephone	**2,981**	**147,917**	2,984	148,931
Vehicle and travel	**479**	**23,768**	1,237	61,739
Wages and benefits	**20,435**	**1,013,985**	21,966	1,096,323
	71,869	**3,566,140**	67,818	3,384,796
	5,672	**281,444**	27,783	1,386,650
Other Income				
Government assistance-Interest subsidy	**1,350**	**66,987**	4,534	226,292
Net revenue-Support services (note 10)	**27,150**	**1,347,183**	14,193	708,373
	28,500	**1,414,170**	18,727	934,665
Net Income For The Year	**34,172**	**1,695,614**	46,510	2,321,315

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018 $	2018 ₹	2017 $	2017 ₹
Cash Provided By (Required For):				
Operating Activities				
Net income for the year	**34,172**	**1,695,614**	46,510	2,321,315
Items not affecting cash				
Amortization of property and equipment	**7,010**	**347,836**	8,191	408,813
Amortization capitalized to inventory	**1,502**	**74,529**	1,674	83,549
Foreign currency fluctuations	**–**	**511,087**	–	(437,628)
	42,684	**2,629,066**	56,375	2,376,049
Changes in non-cash operating working capital (note 8)	**(25,139)**	**(1,273,289)**	84,812	4,121,013
	17,545	**1,355,777**	141,187	6,497,062
Financing Activities				
Capital stock issuance (redemption)	**(15,350)**	**(777,478)**	(12,010)	(583,566)
Repayment of long-term debt	**(29,381)**	**(1,488,148)**	(35,466)	(1,723,293)
Unamortized government assistance	**(1,385)**	**(70,150)**	(4,534)	(220,307)
	(46,116)	**(2,335,776)**	(52,010)	(2,527,166)
Increase (Decrease) In Cash During The Year	**(28,571)**	**(979,999)**	89,177	3,969,896
Cash Position At Beginning Of Year	**226,758**	**11,018,171**	137,581	7,048,275
Cash Position At End Of Year	**198,187**	**10,038,172**	226,758	11,018,171

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

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. 50.65 (2017 CAD $1 = Rs. 48.59) to the balance sheet and the average annual exchange rate of CAD $1 = Rs. 49.62 (2017 CAD $1 = Rs. 49.91) 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 $1,502 (2017-$1,674)

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 $288,318 (2017-$297,092).

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	2018 Net	2017 Net
	$	$	$	$
Land	46,564	–	46,564	46,564
Buildings	289,698	288,247	1,451	1,933
Equipment	290,202	280,264	9,938	17,967
	626,464	568,511	57,953	66,464

	Cost	Accumulated Amortization	2018 Net	2017 Net
	₹	₹	₹	₹
Land	2,358,467	–	2,358,467	2,262,545
Buildings	14,673,204	14,599,711	73,493	93,925
Equipment	14,698,731	14,195,372	503,359	873,016
	31,730,402	28,795,083	2,935,319	3,229,486

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

	2018 $	2018 ₹	2017 $	2017 ₹
Non-interest bearing loan payable to the Atlantic Canada Opportunities Agency, net of an unamortized fair value discount of $1,350 (2017-$2,735) at 4.5%, in annual installments of $30,000, unsecured, due August 2018.	28,650	1,451,123	58,031	2,819,726
Less current portion	28,650	1,451,123	58,031	2,819,726
	–	–	–	–

Principal repayment of long-term debt net of implicit interest over the next year is as follows:

	$	₹
2018	28,650	1,451,123

7. Income Taxes

The company has non capital-losses for income tax purposes of $835,374 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	201,733	10,217,776
2027	283,750	14,371,938
2028	214,636	10,871,313
2030	115,010	5,825,257
2031	12,550	635,658
2032	7,695	389,752
	835,374	42,311,694

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

	2018 $	2018 ₹	2017 $	2017 ₹
Accounts receivable	(25,785)	(1,306,010)	22,699	1,102,944
Inventory	13,964	707,277	49,787	2,419,150
Prepaid expenses	(2,474)	(125,308)	(212)	(10,301)
Accounts payable and accrued liabilities	(10,844)	(549,248)	12,538	609,220
	(25,139)	(1,273,289)	84,812	4,121,013

9. Capital Stock

	2018 $	2018 ₹	2017 $	2017 ₹
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	55,107,099	1,087,998	52,865,823
83,616 Class A preferred shares (2017 - 98,966 shares)	83,616	4,235,150	98,966	4,808,758
	1,171,614	59,342,249	1,186,964	57,674,581

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 15,350 Class A preferred shares for $15,350 (2017 12,010 Class A preferred shares for $12,010).

10. Net Revenue - Support Services

	2018 $	2018 ₹	2017 $	2017 ₹
Revenue	177,184	8,791,870	170,601	8,514,697
Expenses				
Wages and benefits	145,520	7,220,702	151,894	7,581,030
Office rent	4,514	223,985	4,514	225,294
	150,034	7,444,687	156,408	7,806,324
Net Revenue - Support services	27,150	1,347,183	14,193	708,373

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 2018

Your directors present their report on the company for the financial year ended 31 March 2018.

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:

49 Bowral 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 [2017: 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: 1st May 2018

DIRECTORS' DECLARATION FOR THE YEAR ENDED 31 MARCH 2018

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 2018 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: 1st May 2018

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 2018 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 1st day of May 2018

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 2018, 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 2018 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 2018, 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 1st day of May 2018

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

		2018		2017	
	Notes	$	₹	$	₹
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 2018

	Notes	2018 $	2018 ₹	2017 $	2017 ₹
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**	**48,530,438**	969,736	48,079,511
Property, plant and equipment		–	–	–	–
Intangible assets		–	–	–	–
Total non-current assets		**969,736**	**48,530,438**	969,736	48,079,511
Total assets		**969,736**	**48,530,438**	969,736	48,079,511
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**	**48,530,438**	969,736	48,079,511
Equity					
Contributed equity	6	**3,684,522**	**184,391,903**	3,684,522	182,678,601
Accumulated losses	7	**(2,714,786)**	**(135,861,465)**	(2,714,786)	(134,599,090)
Total equity		**969,736**	**48,530,438**	969,736	48,079,511

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Contributed equity $	Retained earnings $	Total $
At 1 April 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
Profit for the period	–	–	–
At 31 March 2018	**3,684,522**	**(2,714,786)**	**969,736**

	Contributed equity ₹	Retained earnings ₹	Total ₹
At 1 April 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
Unrealised exchange gain/(loss)	1,713,302	(1,262,375)	450,927
At 31 March 2018	**184,391,903**	**(135,861,465)**	**48,530,438**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 $	2018 ₹	2017 $	2017 ₹
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 2018

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 50.045 for the current year balance sheet (2017: INR 49.58) and the average rate of 1 AUD = INR 49.8113 for the current year income statement and cash flow statement (2017: INR 50.28), 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 2018. 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

	2018 $	2018 ₹	2017 $	2017 ₹
Current				
Trade and other receivables	–	–	–	–

	2018		2017	
	$	₹	$	₹
Note 3: Other financial assets				
Non-current				
Shares in subsidiaries:				
At cost	**3,684,522**	**184,391,903**	3,684,522	182,678,601
Provision for write-down	**(2,714,786)**	**(135,861,465)**	(2,714,786)	(134,599,090)
Total other financial assets	**969,736**	**48,530,438**	969,736	48,079,511

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)			
			2018		2017	
		%	$	₹	$	₹
Technico Horticultural (Kunming) Co Ltd	China	100	**3,684,522**	**184,391,903**	3,684,522	182,678,601
			(2,714,786)	**(135,861,465)**	(2,714,786)	(134,599,090)
			969,736	**48,530,438**	969,736	48,079,511

	2018		2017	
	$	₹	$	₹
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.

	2018		2017	
	$	₹	$	₹
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**	**184,391,903**	3,684,522	182,678,601

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.

Note 7: Reserves and accumulated losses				
Accumulated losses				
Balance at beginning of year	**(2,714,786)**	**(135,861,465)**	(2,714,786)	(134,599,090)
Net profit attributable to the members of Technico Asia Holdings Ltd	–	–	–	–
Total available for appropriation	**(2,714,786)**	**(135,861,465)**	(2,714,786)	(134,599,090)
Dividends paid or provided for	–	–	–	–
Aggregate amount transferred (to)/from reserves	–	–	–	–
Balance at end of period	**(2,714,786)**	**(135,861,465)**	(2,714,786)	(134,599,090)

Note 8: Events subsequent to reporting date

There are no subsequent events to be reported.

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Your management submits its report for the financial year ended 31 December 2017.

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 4,004,287 (2016: CNY 5,078,757) and posted a profit of CNY 468,263 (2016: Loss of CNY 833,227). Superior selling prices and margins coupled with containment of power consumption have led to improved financial performance in the year under review.

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: 1st May 2018

AUDITOR'S REPORT

To the Management

Technico Horticultural (Kunming) Co., Ltd.

I. Audit Opinion

We have audited the accompanying financial statements of Technico Horticultural (Kunming) Co., Ltd., which include the Consolidated and Separate Statements of Financial Position as of 31 December 2017, the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Cash Flows and the Consolidated and Separate Statements of Changes in Shareholders' Equity for the year then ended and the notes to the financial statements.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards of China and presented fairly, in all material respects, the consolidated and separate financial position of Technico Horticultural (Kunming) Co., Ltd. as at 31 December 2017, and the Company's consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section "Auditors' Responsibility for the Financial Statements" in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Technico Horticultural (Kunming) Co., Ltd. is responsible for preparing and presenting the financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

Those charged with governance are responsible for monitoring the Company's financial reporting process.

IV. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.

B. Understand the internal controls related to auditing in order to design appropriate audit procedures.

C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.

D. Conclude on the appropriateness of management's application of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to the Company's financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence as well as, where applicable, the relevant precautions.

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclosure such items in the audit report.

Ruihua Certified Public Accountant(LLP) Chinese Certified Public Accountants:
Yunnan Branch Chinese Certified Public Accountants:
Kunming, The People's Republic of China

Date: 28th April, 2018

BALANCE SHEET AS ON 31ST DECEMBER 2017

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	31-Dec-16		31-Dec-17	
		CNY	INR	CNY	INR
CURRENT ASSETS	1				
Cash and cash equivalents	2	3,970,472	38,821,688	**4,334,992**	**42,527,569**
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	3,573,373	34,939,008	**3,791,238**	**37,193,178**
Advance to suppliers debts	7	0	0	**0**	**0**
Dividend receivable	8	0	0	**0**	**0**
Interest receivable	9	10,544	103,098	**10,872**	**106,654**
Other notes receivable	10	0	0	**206**	**2,022**
Inventories	11	834,646	8,160,834	**1,001,699**	**9,826,971**
Including : Raw materials	12	0	0	**0**	**0**
Finished goods	13	508,354	4,970,483	**675,407**	**6,625,950**
In one year expired noncurrent assets	14	0	0	**0**	**0**
Other current assets	15	15,379	150,374	**14,588**	**143,108**
Total current assets	16	8,404,414	82,175,002	**9,153,594**	**89,799,501**
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	27,066,113	264,641,625	**27,066,113**	**265,526,687**
Less : Accumulated depreciations	26	23,245,548	227,285,669	**23,739,550**	**232,892,107**
Fixed assets-net value	27	3,820,565	37,355,955	**3,326,563**	**32,634,580**
less : Fixed assets depreciation reserves	28	0	0	**0**	**0**
Fixed assets-net equity	29	3,820,565	37,355,955	**3,326,563**	**32,634,580**
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	1,291,106	12,623,920	**1,250,119**	**12,264,040**
Including : right to use land	36	1,291,106	12,623,920	**1,250,119**	**12,264,040**
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	5,111,671	49,979,876	**4,576,682**	**44,898,620**
TOTAL ASSETS	46	13,516,086	132,154,878	**13,730,275**	**134,698,121**
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	8,100	79,199	**0**	**0**
Advances from customers	53	0	0	**0**	**0**
Employee pay payable	54	96,834	946,800	**98,458**	**965,905**
Including :accrued wages	55	96,834	946,800	**98,458**	**965,905**
accrued welfarism	56	0	0	**0**	**0**
Including : staff and workers' bonus and welfare fund	57	0	0	**0**	**0**

BALANCE SHEET AS ON 31ST DECEMBER 2017 (Contd.)

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	31-Dec-16		31-Dec-17	
		CNY	INR	CNY	INR
Taxes and dues payable	58	218,009	2,131,603	0	0
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	205,031	2,004,709	175,442	1,721,139
Due within one year of noncurrent liabilities	63	0	0	0	0
Other current liabilities	64	0	0	0	0
Total current liabilities	65	527,973	5,162,311	273,900	2,687,044
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	527,973	5,162,311	273,900	2,687,044
OWNERS' EQUITY	78	0	0	0	0
Practical capital collected (or share capital)	79	19,013,598	185,907,356	19,013,598	186,529,101
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	19,013,598	130,328,708	19,013,598	130,328,708
Less : Investment returned	87	0	0	0	0
Net paid in capital	88	19,013,598	130,033,997	19,013,598	130,033,997
Capital reserves	89	42,667	441,992	42,667	441,992
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 capitalizad on return of investment	96	0	0	0	0
Unaffirmed investment loss	97	0	0	0	0
Undistributed profit	98	-6,068,152	-27,292,247	-5,599,889	-22,726,964
Including : cash dividends	99	0	0	0	0
*Margin of Translation of Foreign Currency Financial Statements	100	0	23,808,824	0	24,262,053
Total equity attributable to equity holders of the Parent	101	12,988,112	126,992,566	13,456,375	132,011,077
*minority stockholder's interest	102	0	0	0	0
Total owners' equity	103	12,988,112	126,992,566	13,456,375	132,011,077
Less : assets loss	104	0	1	0	1
Total owners'equity : net value less loss on assets	105	12,988,112	126,992,566	13,456,375	132,011,077
TOTAL LIABILITIES AND OWNERS' EQUITY	106	13,516,086	132,154,878	13,730,275	134,698,121

Income statement and profit appropriation 2017

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2017		2016	
		CNY	INR	CNY	INR
Income for main business	1	**4,004,287.43**	**39,039,399.87**	5,078,756.96	50,692,596.84
Less: cost of main business	2	**2,712,407.19**	**26,444,342.61**	4,829,189.13	48,201,585.46
Taxation and additional of main	3				
Main business profit	4	**1,291,880.25**	**12,595,057.26**	249,567.83	2,491,011.38
Add: other profit	5				
Less: Operating expenses	6	**148,815.05**	**1,450,857.45**	155,850.06	1,555,586.20
Management expenses	7	**804,019.80**	**7,838,710.64**	947,120.32	9,453,492.05
Including : Business entertainment	8				
Research and development expense	9				
Financial Expenses	10	**-138,740.69**	**-1,352,638.48**	-18,526.77	-184,921.25
Including : Interest exchange	11				
Interest income	12	**68,449.34**	**667,340.00**	76,931.59	767,877.28
Foreign exchange profit and loss	13	**-72,321.69**	**-705,093.08**	57,004.19	568,975.92
Operation Profit	14	**477,786.09**	**4,658,127.66**	-834,875.78	-8,333,145.62
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
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	**9,523.19**	**92,845.29**		
Including : Loss on disposal of long-term assets	24				
Loss on non-monetary assets exchange	25				
Loss on debt restructuring	26				
Total Profit	27	**468,262.90**	**4,565,282.37**	-833,226.94	-8,316,688.06
Less: Income tax	28				
Net Profit	29	**468,262.90**	**4,565,282.37**	-833,226.94	-8,316,688.06
Add:Undistributed Profit at the beginning of year	30	**-6,068,152.34**	**-59,160,844.42**	-5,234,925.40	-52,251,360.90
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	**-5,599,889.44**	**-54,595,562.06**	-6,068,152.34	-60,568,048.95
Less: Appropriated profit	38				
Common stock turn to capital	39				
Undivided Profit	40	**-5,599,889.44**	**-54,595,562.06**	-6,068,152.34	-60,568,048.95
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 2017

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2016		2017	
		RMB	INR	RMB	INR
1. Cash Flow from Operating Activities	1				
Cash from selling commodities or offering labor	2	38,33,892	3,82,67,230	**41,06,486**	**4,02,85,859**
Refund of tax and fee received	3		0		**0**
Other cash received related to operating activities	4	73,001	7,28,642	**1,92,943**	**18,92,830**
Cash Inflow Subtotal	5	39,06,893	3,89,95,872	**42,99,429**	**4,21,78,689**
Cash paid for commodities or labor	6	15,03,382	1,50,05,707	**12,89,053**	**1,26,45,996**
Cash paid to and for employees	7	19,84,183	1,98,04,724	**18,56,882**	**1,82,16,574**
Taxes and fees paid	8	37,106	3,70,362	**4,52,483**	**44,38,995**
Other cash paid related to operating activities	9	36,401	3,63,326	**3,35,875**	**32,95,039**
Cash Outflow Subtotal	10	35,61,071	3,55,44,119	**39,34,294**	**3,85,96,603**
Cash flow generated from operating activities Net Amount	11	3,45,822	34,51,753	**3,65,135**	**35,82,086**
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 Inflow Subtotal	18		0		**0**
Cash paid for buying fixed assets: intangible assets and other long-term investm	19	1,38,750	13,84,905	**0**	**0**
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 Outflow Subtotal	23	1,38,750	13,84,905	**0**	**0**
Cash flow generated from investing activities Net Amount	24	-1,38,750	-13,84,905	**0**	**0**
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 Inflow Subtotal	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 Outflow Subtotal	35		0		0
Cash flow from financing activities Net Amount	36		0		**0**
4. Foreign Currency Translation Gains: Losses :	37	1,080	10,777	**-616**	**-6,039**
5. Net Increase Of Cash and Cash Equivalents	38	2,08,152	20,77,625	**3,64,520**	**35,76,047**
Add : cash and cash equivalents beginning bal.	39	37,62,320	3,75,52,848	**39,70,472**	**3,89,51,522**
6. cash and cash equivalents ending bal.	40	39,70,472	3,96,30,473	**43,34,992**	**4,25,27,569**

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	12,822.71	437.02
Cash in bank	4,322,168.99	3,970,035.03
Total	4,334,991.70	3,970,472.05

(2) Account receivable

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	3,810,289.01	100.00	19,051.44	3,591,329.28	100.00	17,956.65
Total	3,810,289.01	100.00	19,051.44	3,591,329.28	100.00	17,956.65

(3) Other receivables

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	206.08	100.00				
Total	206.08	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	675,407.48	1,138,354.110
Total	1,001,699.30	1,464,645.930
Less: Provision for loss on realization of inventory		630,000.00
Total	1,001,699.30	834,645.93

(5) Fixed assets

Item	Beginning balance	Increase of this year	Decrease of this year	Ending book balance
(1) Total original book value	27,066,112.82			27,066,112.82
Including: Houses and building	11,705,911.00			11,705,911.00
Production equipment	14,869,595.66			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	23,245,547.93	494,002.03		23,739,549.96
Including: Houses and building	9,890,988.76	363,437.54		10,254,426.30
Production equipment	12,910,653.02	129,745.32		13,040,398.34
Transportation	143,412.31			143,412.31
Office and other equipment	300,493.84	819.17		301,313.01
(3) Total net book value	3,820,564.89			3,326,562.86
Including: Houses and building	1,814,922.24			1,451,484.70
Production equipment	1,958,942.64			1,829,197.32
Transportation	15,934.69			15,934.69
Office and other equipment	30,765.32			29,946.15
(4) Total impairment provision				
Including: Houses and building				
Production equipment				
Transportation				
Office and other equipment				
(5) Total book value	3,820,564.89			3,326,562.86
Including: Houses and building	1,814,922.24			1,451,484.70
Production equipment	1,958,942.64			1,829,197.32
Transportation	15,934.69			15,934.69
Office and other equipment	30,765.32			29,946.15

(6) Intangible assets

Item	Beginning balance	Increase of this year	Decrease of this year	**Ending balance**
(1) Total original price	2,049,375.00			**2,049,375.00**
Including:Land use rights	2,049,375.00			**2,049,375.00**
(2) Total accumulated amortization	758,268.75	40,987.50		**799,256.25**
Land use rights	758,268.75	40,987.50		**799,256.25**
(3) Total impairment provision				
Including:Land use rights				
(4) Total book value	1,291,106.25			**1,250,118.75**
Including:Land use rights	1,291,106.25			**1,250,118.75**

(7) Accounts payable

Aging	**Ending balance**	Beginning balance
Within 1 year (including 1 year)		8,100.00
1-2 years (including 2 years)		
2-3 years (including 3 years)		
Over 3 years		
Total		8,100.00

(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)	**175,442.00**	205,030.80
1-2 years (including 2 years)		
2-3 years (including 3 years)		
Over 3 years		
Total	**175,442.00**	205,030.80

(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	**-6,068,152.34**
Add: Net Profit	**468,262.90**
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	**-5,599,889.44**

(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	**4,004,287.43**	5,078,756.96	**2,712,407.19**	4,829,189.13
Total	**4,004,287.43**	5,078,756.96	**2,712,407.19**	4,829,189.13

(14) Finance expense

	Amount incurred this year	Amount incurred last year
Interest expense		
Less: Interest income	**68,449.35**	76,931.59
Foreign exchange loss	**82,493.91**	57,004.19
Less: Foreign exchange gain	154,815.59	
Bank fee	**2,030.34**	1,400.63
Total	**-138,740.69**	-18,526.77

5. **Contingencies**
   Up to 31 December 2017, there are no material contingencies for the Company.

6. **Promised events**
   Up to 31 December 2017, 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 2017, there are no other material matters specially stated for the Company.

DIRECTORS REPORT

Your Directors are pleased to submit their Report and the Audited Accounts of your Company for the year ended 31st Asadh 2074 (15th July 2017).

SOCIO ECONOMIC ENVIRONMENT

The economy of Nepal, in the year under review was a mélange of positive and negative indicators. Good monsoons and substantial improvement in the power supply situation aided a turnaround in agriculture and industry and resulted in GDP growth of 6.9% (0.01% in the previous year). Against a degrowth of 6.3% witnessed in the previous year, the industry sector grew by 10.9% during the year under review. The average consumer inflation during the year eased to 4.5% (9.9% in the previous year) on the back of a positive impact on the supply side coupled with base year effect.

The merchandise trade deficit, however, increased to 35.3% of GDP as against 31.3% during the previous year. Moreover, the share of inward remittances from expatriate Nepalese – the primary source of foreign exchange for the country – continued to slow down and hit 26.8% of share of GDP as against 29.6% in the previous year. Consequently, the Current Account recorded a deficit of 0.4% versus a surplus of 6.2% in the previous fiscal. These factors, coupled with the recent floods and substantial land inundation in the Terai continue to challenge the macroeconomic stability of the country over the short to medium term.

New legislations like the Industrial Enterprises Act, Labour Act and Social Security Act incorporate features that will, no doubt, enhance the ease of doing business. Further measures like contemporisation of legislation in areas like Foreign Investment and alignment of laws on Intellectual Property with the provisions of the WTO Framework and the Paris Convention of the World Intellectual Property Organization will further boost investor confidence and strengthen the long term health of the economy.

Similarly, interpretation and implementation of laws which, at times, are at odds with legislative intent need to be addressed. For example, while the Income Tax Act permits set-off of losses of one business with the profits of another business carried out by the same entity, assessment authorities do not permit such set-off, interpreting the law differently. Such denial of set-off acts as a disincentive for companies such as yours that are investing in new lines of business which invariably make losses in the initial years.

Your Company continues to engage with the policy-makers on such matters to induct clarity and contemporaneity in the regulatory framework that can contribute in revitalizing investment and industrial activity in Nepal.

Despite the fact that the legal cigarette industry occupies an important place in the country's economy, having substantial share in the manufacturing GDP, the discriminatory taxation and restrictive regulatory framework governing the industry continue to pose extraordinary challenges and complexities for the industry. The industry provides livelihood, directly and indirectly to more than 4 lakh farmers, farm workers and others engaged in the cultivation of tobacco and the tobacco trade and contributes approximately 10% of the total excise revenue collected by the Government. Moreover, in the backdrop of diminishing share of manufacturing in the GDP, the legal cigarette industry is one of the handful of industries that has adequate domestic manufacturing capacity.

Notwithstanding these factors, the Government unfortunately elected to once again increase the excise duty on domestic manufacture of cigarettes in the last Budget while leaving the tax rates on imported cigarettes unaltered. Unlike the global trend of more than 90% of tobacco consumption in cigarette form, in Nepal the consumption of tobacco in the form of duty-paid cigarettes is around 20%. Notably the share of duty paid cigarettes has dropped significantly over the years. Despite the low share of tobacco consumption, duty-paid cigarettes contribute more than 84% of the total tobacco revenue collected by the Government. Notwithstanding this, the cigarette centric taxation policy of the Government has resulted in punitive and discriminatory taxation of this product. According to the affordability index of cigarettes published by WHO, duty-paid cigarettes in Nepal are the least affordable in entire South East Asia region. The affordability index (% of per capita GDP required to purchase 2000 cigarettes of most popular brand) which stands at 23.10% is one of the highest in the world.

In contrast, the balance 80% of tobacco consumption in the country – in the form of Bidis, Smokeless Tobacco (SLT) products like khaini, gutka, snuff and betel-quid with tobacco ("Paan") and illicit cigarettes are lightly taxed or evade tax. Also, by virtue of fragmented manufacture over thousands of units operating in the unorganized sector these products manage to evade taxes substantially and stay outside the purview of regulatory oversight, thus avoiding compliance with the statutory provisions of the Tobacco Products Control Act (TOPCA), including those relating to Graphic Health Warnings (GHW). Moreover, the quality credentials of most of these products are highly suspect due to the unhygienic conditions under which they are manufactured and the mostly inferior inputs used in their manufacture. The high tax cost of duty-paid cigarettes has been driving consumption to revenue inefficient products like bidi, SLT and illicit cigarettes which, due to reasons of low tax incidence as well as tax evasion are offered to consumers at very attractive and affordable prices.

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. However, a skewed focus on cigarettes has resulted in a taxation policy that not only sub-optimises the revenue potential of tobacco but also spurs growth of contraband cigarette trade and encourages consumption of inferior quality tobacco products, thereby defeating the health objectives of tobacco control as well. The 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. Your Company continues to engage with the policy-makers on the importance of a balanced and equitable approach to tobacco taxation.

The regulatory framework for cigarettes also continues to stifle the legal cigarette industry. As per provisions of the Tobacco Products Control and Regulation Act (TOPCA), cigarette packages have to carry Graphic Health Warnings (GHW) covering at least 75% of the area of the cigarette packet. Whilst the legal cigarette industry adheres to statutory compliances in this regard scrupulously, the smuggled international brands of cigarettes do not bear the GHW required under Nepalese laws. Consequently, these cigarettes are perceived to be "safer" alternative by many consumers, resulting in almost unfettered growth of contraband cigarettes. Thus, even the regulatory framework on cigarettes helps, unwittingly, in encouraging the growth of illicit trade in cigarettes. In this context it would be pertinent to note that as per a WHO Report[1] published earlier this year out of the 195 countries / jurisdictions, 52 do not require warning or have small warnings and 65 others have medium size health warnings (covering less than 49% of the front and back of the package).

USA, China and Japan – the top three countries that account for more than half the global cigarette consumption do not mandate any GHW on cigarette packages and have, instead, adopted textual warnings only.

Country	Annual Consumption (Billions)	Per Capita Cigarette Consumption	Health Warning Requirement
USA	282	1028	Text (only on side panel)
China	2512	1711	Text – 30% (front & back)
Japan	193	1841	Text – 30% (front & back)
Nepal	12	420	Pictorial -75% of the entire pack area

Source - The Tobacco Atlas, 4th Edition (American Cancer Society)

Significantly, GHW proposed by the US Food and Drug Administration (FDA) in the past were held to be unconstitutional by the United States Court of Appeals, for the District of Columbia Circuit... In reaching this conclusion the Court noted that, ***"FDA failed to present any data—much less the substantial evidence*** *required under the APA****—showing that enacting their proposed graphic warnings will accomplish the agency's stated objective of reducing smoking rates……. FDA has not provided a shred of evidence—much less the "substantial evidence"*** *required by the APA****—showing that the graphic warnings will "directly advance" its interest in reducing the number of Americans who smoke. FDA……offers no evidence showing that such warnings have directly caused a material decrease in smoking rates in any of the countries that now require them."*** The Court further observed that one of the principal researchers relied upon by the FDA had also conceded, on the basis of survey of relevant literature on the subject that there is no way to attribute declines in smoking to the new health warnings.

In line with the global lack of correlation between GHW and decline in smoking, no correlation has been established in Nepal either between implementation of GHW and reduction in consumption / increase in cessation of tobacco. Despite this, the Ministry of Health issued two new Directives in Kartik'71 and Poush'71 (November 2014 and January 2015) which, inter alia, requires manufacturers to print multiple pictorial warnings and warning messages on at least 90% of the pack area.

Like the 75% GHW, the proposed 90% GHW are also excessively large. Also, they are even more gruesome and unreasonable in comparison with the existing 75% GHW. There is no evidence that smoking causes the diseases depicted in the dreadful pictures neither there is any proof that such warnings lead to decreased consumption of tobacco. These warnings will only have unintended consequences including:

- further fillip to contraband trade of non GHW bearing international brands of cigarettes that, by virtue of being duty-evaded are available

[1]WHO Report on the Global Tobacco Epidemic, 2017

in the market at a fraction of the cost of duty-paid Nepalese cigarettes.

- denial of an opportunity to consumers to make informed choices in a competitive market since the requirement of large GHW will preclude the possibility of providing adequate consumer information on the cigarette packet.
- commoditisation of the market where price will be the sole or prime driver of consumer choice thus eroding the Intellectual Property Rights of Trademark owners and jeopardizing the significant and substantial investments made over the years in creating and nurturing such Trademarks.

The proposed 90% GHW has since been challenged in the Hon'ble Supreme Court of Nepal. As stated in the previous year, numerous representations in this regard have been made by farmers, retailers and the legal cigarette industry to the Ministry of Industry – the implementing agency under TOPCA. Your Company, along with other industry players has also made recommendations to the Ministry of Health to keep the implementation of the new Directives on 90% GHW in abeyance. In the interim your Company, per advise of the regulator and as required statutorily, continues to print 75% GHW on the packs of cigarettes manufactured by the Company.

Even as your Company continues, as in the past to ensure compliance with the relevant regulations on tobacco, it remains engaged with the regulators and other policy-makers for an equitable, evidence-based, practical, reasonable and non-discriminatory tobacco regulatory and taxation framework that addresses the economic and societal imperatives of tobacco vis-à-vis the economy as well as the tobacco control objectives of the government. In its dialogue with the Government your Company continues to underscore the need for a balanced agenda on tobacco, tailored to Nepalese conditions that takes into account the important role that tobacco plays in the country's economy and the adverse impact on farmer earnings, employment opportunities, export potential and revenue generation likely to be accelerated by punitive and discriminatory taxation and a harsh and restrictive regulatory framework.

COMPANY PERFORMANCE

Your Company posted Gross Revenue from sale of products of NRs. 2,971 (₹ 1,857) crore for the year ended 31st Asadh 2074 against NRs. 2,568 (₹ 1,605) crore during the previous year. Profit before taxation increased to NRs. 1,130 (₹ 706) crore from NRs. 930 (₹ 581) crore during the previous year. The Company registered Profit for the year (after Tax expense and allocation towards Corporate Social Responsibility) amounting to NRs. 783 (₹ 489) crore as against NRs. 649 (₹ 406) crore in previous year. Total comprehensive income for the year stood at NRs. 784 (₹ 490) crore against NRs. 646 (₹ 404) crore in the previous year. Earnings per share for the year, after allocation of Employee Housing Reserve stand at NRs. 357 (₹ 223) {Previous year NRs. 296 (₹ 185)}. Net cash flows from operations aggregated NRs. 743 (₹ 464) crore compared to NRs. 793 (₹ 496) crore in the previous year.

CONTRIBUTION TO THE EXCHEQUER

Your Company continues to be one of the largest contributors to the Exchequer, accounting for about 3 % of the total revenues of the Government. For the year under review your Company paid NRs. 1,624 (₹ 1,015) crore by way of Excise Duty, Excise Sticker charges, VAT, Customs Duty, Dividend Distribution Tax and Income Tax {Previous Year: NRs. 1,382 (₹ 864) crore}. Your Company's Excise Duty contribution to the exchequer constitutes about 10 % of the Government's total Excise revenue while the VAT and Income Tax contribution constitute nearly 3 % of the Government's total VAT & Income Tax revenue.

EMPLOYMENT GENERATION

Your Company is one of the largest employers in the private sector and plays a very significant role in providing livelihood, directly and indirectly, to more than 4 lakh people involved in this sector – farmers, farm workers and others involved in manufacturing, distribution and sales. Further, the Company's Agarbatti and Matches businesses provide employment opportunities 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 on a sustainable basis.

FAST MOVING CONSUMER GOODS (FMCG) BUSINESSES

- **CIGARETTES**

  During the year, the Company further strengthened its Market Standing with leadership across segments, through sustained focus on product quality, portfolio of offerings and superior execution of Trade Marketing & Distribution strategies. The persistent focus on developing world class product offerings through product innovation and adoption of benchmarked international standards sets your Company's products at a significant competitive advantage vis-à-vis other industry players.

  The manufacturing system of your Company continued to deliver benchmarks in Quality, Productivity and Sustainability. During the year the Integrated laboratory at the Simara Cigarette Factory was accredited with ISO/IEC 17025:2005 – General requirements for competence of Testing & Calibration Laboratories.

  The Seratar Cigarette Factory continued to deliver an impressive performance across all parameters through structured capability building across people, technologies and processes. The stabilization of this Unit has further consolidated and strengthened your Company's Supply Chain capabilities.

  In line with the objectives of strengthening hygiene and driving consistency in Quality processes and protocols, new metrics including HQRS (Hygiene Quality Rating System) and mPEX (Manufacturing Process Excellence) were introduced during the year.

  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 best practices for sustainable agricultural. The adoption of these and other inputs provided by your Company has led to a consistent improvement in quality of domestic grades of tobacco, thereby improving usage and marketability of the crop, resulting in improved returns for the farmer.

- **OTHER FMCG PRODUCTS**

  AGARBATTI

  During the year your Company sustained the growth momentum in the Agarbatti category and continued to improve its market standing. The diverse portfolio of offerings catering to all consumer segments, improvement in availability and visibility across markets, brand investments and strategic consumer activation programs resulted in the growth of consumer franchise. Whilst outsourced manufacturing was scaled up to cater to the growing demand, focus was maintained on delivery of products with superior quality.

  In keeping with its commitment to contributing towards the growth of societal capital, your Company has built a symbiotic relationship with numerous Small and Medium Enterprises in this space – these SMEs provide employment opportunities to economically deprived sections of society and concomitantly serve the purpose of strengthening your Company's Supply Chain capacity and capability. This initiative underlines your Company's commitment towards enabling inclusive growth in the economy.

  SAFETY MATCHES

  During the year your Company strengthened its market leadership in the Safety Match industry, leveraging the investments made in the Wooden Matches segment and its Trade Marketing & Distribution reach to ensure availability across markets. Your Company is now the largest player in both Wax and Wooden Matches segments. The supply chain of Matches that is operated through the outsourced, contract manufacturing model continues to deliver superior quality.

  APPAREL

  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 apparel business offers a diverse range of products spanning Formal Wear, Casual Wear and Denims that cater to the quality conscious and discerning consumer. Your Company continues to focus on generating brand saliency and loyalty through strategic targeted marketing initiatives and ramping up efficiencies in the supply chain.

  BRANDED PACKAGED FOOD PRODUCTS

  With the objective of identifying viable investment opportunities, your Company has recently commenced import of confectionery products under the 'Toffichoo' and 'mint-o' trademarks from the holding company on a trial basis. Based on the outcome of the trials your Company proposes to manufacture these products in Nepal.

ENVIRONMENT HEALTH AND SAFETY

The high standards of environmental and occupational health and safety attained by your Company continue to be reinforced through institutionalising adoption of benchmarked systems and processes that ensure sustenance of the safe work environment created for employees. During the year under review the Seratar Cigarette Factory was assessed in the area of safety systems and processes by M/s Frost and Sullivan. It is encouraging to report that in the very first year of reporting the unit was ranked 'Pro-active' on safety excellence. The unit was also accredited with ISO 14001:2015 Certification in Environment Management System.

DIVIDEND

Your Board of Directors have declared an Interim Dividend of NRs. 60.50 (₹ 37.81) per Ordinary Share for the year ended 31st Asadh 2074. The outflow on this account, inclusive of Dividend Tax, will amount to NRs. 121.97 (₹ 76.23) crore. Your Board has also recommended a Final Dividend of NRs. 291 (₹ 181.88) 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, during the financial year 2009-10 the Full Bench of the Hon'ble Supreme Court passed an Order dated 29th October, 2009 in favour of your Company in respect of certain Excise and Income Tax litigation related to tax demands on the basis of alleged theoretical production.

The Inland Revenue Department, citing the judgments passed in favour of your Company by the Hon'ble Supreme Court on 11th February, 2011 and 12th August, 2013 decided the following administrative review petitions in favour of the Company:

- VAT demand – NRs. 19.01 (₹ 11.88) crore for the financial years 2058-59 (2001-02) and 2064-65 (2007-08).
- Income Tax demand – NRs. 4.91 (₹ 3.07) crore 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 based on similar 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 theoretically produced cigarettes. The allegations made by the Department are despite the fact that the Company's cigarette factory has always been under 'physical control' procedures of the Revenue authorities and all the cigarettes that are produced are duly accounted for and certified by the said authorities. No fresh demand has been received during the year on this account and the cumulative pending demand on the Company on account of theoretical production stands at NRs. 68.97 (₹ 43.11) crore, as detailed below, and are under appeal before the Hon'ble Supreme Court.

- Demand of Excise Duty – NRs. 27.80 (₹ 17.38) crore.
- Demand of VAT – NRs. 17.49 (₹ 10.93) crore.
- Demand of Income Tax – NRs. 23.68 (₹ 14.8) crore.

Your Company is advised by eminent counsel that the allegations made by the Department have no legal or factual basis and that the Demand Notices served on your Company are not sustainable, particularly in the light of the favourable Order dated 29th October, 2009 of the Hon'ble Supreme Court. The subsequent decisions of the Hon'ble Supreme Court and the Inland Revenue Department have further reinforced this position. Consequently, your Company does not accept any liability in this behalf.

RISK MANAGEMENT

Your Company has adopted a systems-based approach to risk management. Your Company's Corporate Governance Policy lays down the structure, roles and responsibilities of the key entities in the governance process and also mandates periodic review of key areas of operations. The Corporate Governance Policy is supported by strong internal control systems anchored to robust policies and procedures covering areas like Finance & Accounting and Information Technology. Transactional controls are built into your Company's ERP systems that are used as a business enabler and also to maintain the Books of Account.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Your Company, as a responsible corporate citizen, places immense emphasis on contributions toward building the societal, environmental and economic capital of the nation. Towards this end your Company pursues an integrated CSR strategy that operates through the following platforms:

- **"Prakriti"** - Platform for initiatives on environmental preservation.
- **"Asha"** - Platform for initiatives on social empowerment.
- **"Suswasthya"** - Platform for promoting community health.

As a part of the ongoing endeavours in this respect your Company continues to:

- provide assistance to farmers in villages proximate to the Simara Cigarette Factory, in developing agro-forestry through high quality Poplar plantation and promoting the concept of "Grow Wood Grow Food" through inter cropping.
- support the animal husbandry sector by providing extension services covering animal breeding, health and nutrition in order to drive yield improvement and higher returns for underprivileged farmers.
- provide community health services through various "Suswasthya" programmes including periodic health camps and health and hygiene awareness programmes in the catchment areas of the manufacturing units.

Such initiatives, being consistent with the CSR guidelines enunciated by Nepal Rastra Bank for banks and financial institutions, will continue to be pursued.

In accordance with the Industrial Enterprises Act, 2073 that has taken effect this year, your Company has allocated 1% of annual profit towards discharging CSR and unutilized funds will be spent on the basis of annual plan and programs as mandated by law.

EMPLOYEES

Your Directors place on record their sincere appreciation of the contribution made by the employees during the year under review. Employee relations continued to be cordial and the terms and conditions of employment offered by your Company remains one of the best in the country.

DIRECTORS

Mr. Sanjiv Puri, nominated by ITC Limited, was appointed Chairman of your Company with effect from 28th February, 2017, in place of Mr. Y C Deveshwar, who stepped aside from his executive role concurrently on completion of his term as Executive Chairman of ITC Limited on 4th February, 2017. Your Directors would like to place on record their sincere appreciation for the vision, leadership and guidance provided by Mr. Deveshwar during his tenure as the Chairman of the Company.

On appointment of Mr. Sanjiv Puri as Chairman, Mr. B Sumant was appointed a Director of the Company and ceased to be Alternate Director to Mr. Y C Deveshwar with effect from 28th February 2017. Mr. Sandeep Kaul was appointed Alternate Director to Mr. Sanjiv Puri with effect from the said date. There was no other change in the composition of the Board of Directors during the year.

The details of shares held in the Company by your Directors as on 31st Asadh 2074 are annexed to this Report **(Annexure I)**. Your 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, the Managing Director or their close relatives.

The details of payments made during the year to your Directors, the Managing Director and other officials are also annexed to this Report **(Annexure II)**.

Further, details of Management expenses for the year 2073-74 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 your Company, retire at the ensuing Annual General Meeting and being eligible, offer 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: 15th September, 2017 (30th Bhadra, 2074)

Sanjiv Puri	**B Sumant**	**A K Poddar**
Chairman	Director	Managing Director

Annexure I

Sl. No.	Name of Director	Number of Ordinary Shares of NRs. 100 (₹ 62.5)/- each held singly and / or jointly as on 31st Asadh 2074 (15th July 2017)
1.	S Puri	Nil
2.	A K Mukerji	Nil
3.	B B Chatterjee	Nil
4.	B Sumant	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 2073/74, the following amounts have been paid to the Directors:

- Board Meeting Fee – NRs. 70,588 (₹ 44,118)
- Incidental expenses – NRs. 23,529 (₹ 14,706)

Payment to / on behalf of the Managing Director for the financial year 2073/74:

- Salary – NRs. 12,068,562 (₹ 75,42,851)
- Allowances – NRs. 2,980,408 (₹ 1,862,755)

In addition to the above, the Managing Director 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.

Payment to / on behalf of Company officials for the financial year 2073/74:

- Salary – NRs. 27,882,982 (₹ 17,426,864)
- Allowances – NRs. 6,633,916 (₹ 4,146,198)

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.

The Managing Director and some of the other officials have been granted stock options under the Employee Stock Option Scheme(s) of the Holding Company (ITC Limited). Such options are granted at 'market price' [within the meaning of Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014]. Since such options are not tradable, no perquisite or benefit is immediately conferred upon the employee by such grant of options. The Company however has recorded employee benefits expense by way of share based payments to employees, in accordance with NFRS 2, out of which NRs. 19,714,877 (₹ 12,321,798) is attributable to Managing Director and NRs. 22,839,386 (₹ 14,274,616) is attributable to other officials.

Annexure III

MANAGEMENT EXPENSES

The expenses incurred by the Company for its management and administration for the financial year 2073/74 comprising rent, electricity, fuel & water, rates & taxes, insurance premium, repairs & improvements, safety & pollution control cost, maintenance, travel & conveyance, postage, telephone, 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.1,253,871,139 (₹ 783,669,462).

AUDITOR'S REPORT TO THE SHAREHOLDERS OF SURYA NEPAL PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **Surya Nepal Private Limited**, which comprise the Statement of Financial Position as at 31st Asadh 2074 (15th July 2017), the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of 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 Nepal Financial Reporting Standards, 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.

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 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 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 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, the financial statements give a true and fair view of the financial position of Surya Nepal Private Limited as at 31st Asadh 2074 (15th July 2017), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Report on the Requirements of the Company 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 statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows have been prepared in accordance with the requirements of the Company 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 Partner	Shashi Satyal Partner
Date: 30th Bhadra, 2074 (15th September, 2017) Place: Kolkata	N. Amatya & Co. Chartered Accountants	T R Upadhya & Co. Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT 31ST ASADH 2074 (15TH JULY 2017)

	Note	Figures in NRs. As at 31st Asadh 2074 (15th July 2017)	Figures in ₹ As at 31st Asadh 2074 (15th July 2017)	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 1st Shrawan 2072 (17th July 2015)	Figures in ₹ As at 1st Shrawan 2072 (17th July 2015)
ASSETS							
NON-CURRENT ASSETS							
a) Property, Plant & Equipment	3A	**5,417,747,028**	**3,386,091,894**	5,920,144,364	3,700,090,228	6,530,860,481	4,081,787,802
b) Capital Work-in-Progress	3B	**108,987,762**	**68,117,352**	326,222,815	203,889,260	526,776,326	329,235,204
c) Intangible Assets	3C	**83,670,238**	**52,293,898**	133,350,679	83,344,174	183,031,120	114,394,450
d) Financial Assets							
i) Investments	4	**25,632,338**	**16,020,211**	25,632,338	16,020,211	25,632,338	16,020,211
ii) Loans	5	**36,562,388**	**22,851,493**	43,549,509	27,218,443	54,867,320	34,292,075
iii) Others	6	**–**	**–**	880,825	550,516	880,825	550,516
e) Deferred Tax Assets (Net)	7	**37,803,709**	**23,627,318**	25,637,795	16,023,622	–	–
f) Other Non-Current Assets	8	**2,039,776,665**	**1,274,860,415**	1,416,450,081	885,281,301	1,963,991,974	1,227,494,984
CURRENT ASSETS							
a) Inventories	9	**4,074,432,459**	**2,546,520,286**	3,499,847,331	2,187,404,581	2,734,741,010	1,709,213,131
b) Financial Assets							
i) Trade Receivables	10	**77,255,350**	**48,284,594**	81,033,402	50,645,876	151,655,480	94,784,676
ii) Cash and Cash Equivalents	11	**337,726,550**	**211,079,093**	1,819,743,962	1,137,339,977	19,544,858	12,215,537
iii) Other Bank Balances	12	**2,900,064,129**	**1,812,540,081**	62,795	39,247	61,821	38,638
iv) Loans	5	**9,679,258**	**6,049,536**	11,231,374	7,019,609	10,777,791	6,736,119
v) Others	6	**26,762,767**	**16,726,730**	869,940	543,713	2,588,700	1,617,938
c) Other Current Assets	8	**344,631,907**	**215,394,943**	360,134,343	225,083,965	292,715,542	182,947,215
TOTAL ASSETS		**15,520,732,548**	**9,700,457,844**	13,664,791,553	8,540,494,723	12,498,125,586	7,811,328,496
EQUITY AND LIABILITIES							
EQUITY							
a) Equity Share Capital	13	**2,016,000,000**	**1,260,000,000**	2,016,000,000	1,260,000,000	2,016,000,000	1,260,000,000
b) Other Equity		**10,287,490,023**	**6,429,681,267**	8,515,791,016	5,322,369,386	6,795,170,108	4,246,981,318
LIABILITIES							
NON-CURRENT LIABILITIES							
a) Provisions	14	**138,191,748**	**86,369,843**	143,283,593	89,552,246	133,099,865	83,187,415
b) Deferred Tax Liabilities (Net)	7	**–**	**–**	–	–	50,256,606	31,410,379
CURRENT LIABILITIES							
a) Financial Liabilities							
i) Borrowings	15	**–**	**–**	–	–	926,827,907	579,267,442
ii) Trade Payables	16	**833,732,775**	**521,082,984**	810,605,924	506,628,703	853,607,307	533,504,567
iii) Other Financial Liabilities	17	**36,345,658**	**22,716,037**	66,407,225	41,504,516	233,965,611	146,228,509
b) Other Liabilities	18	**1,855,876,151**	**1,159,922,594**	1,718,763,039	1,074,226,899	1,286,570,437	804,106,525
c) Provisions	14	**26,233,215**	**16,395,758**	66,543,697	41,589,811	39,643,296	24,777,060
d) Current Tax Liabilities (Net)	19	**326,862,978**	**204,289,361**	327,397,059	204,623,162	162,984,449	101,865,281
TOTAL EQUITY AND LIABILITIES		**15,520,732,548**	**9,700,457,844**	13,664,791,553	8,540,494,723	12,498,125,586	7,811,328,496

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

This is the Statement of Financial Position referred to in our Report of even date.

Vikas Bhutra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

B Sumant
Director

S Puri
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: 30th Bhadra 2074 (15th September 2017)

STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 31ST ASADH 2074 (15TH JULY 2017)

	Note	Figures in NRs. For the year ended 31st Asadh 2074 (15th July 2017)	Figures in ₹ For the year ended 31st Asadh 2074 (15th July 2017)	Figures in NRs. For the year ended 31st Asadh 2073 (16th July 2016)	Figures in ₹ For the year ended 31st Asadh 2073 (16th July 2016)
Gross Revenue from sale of products	20	**29,714,590,472**	**18,571,619,045**	25,677,016,402	16,048,135,252
Less: Duties	21	**8,007,654,184**	**5,004,783,865**	6,723,206,185	4,202,003,866
Net Revenue from sale of products		**21,706,936,288**	**13,566,835,180**	18,953,810,217	11,846,131,386
Other Operating Income	22	**26,282,857**	**16,426,786**	12,108,577	7,567,861
Net Revenue from operations		**21,733,219,145**	**13,583,261,966**	18,965,918,794	11,853,699,247
Raw Materials Consumed, etc.	23	**5,648,091,265**	**3,530,057,040**	5,203,027,622	3,251,892,263
Employee Benefits Expenses	24	**1,797,740,936**	**1,123,588,085**	1,423,795,728	889,872,330
Manufacturing, Admin, Selling Expenses etc.	25	**2,263,025,738**	**1,414,391,087**	1,974,996,975	1,234,373,110
Operating Profit		**12,024,361,206**	**7,515,225,754**	10,364,098,469	6,477,561,544
Other Income	26	**131,512,053**	**82,195,034**	33,497,910	20,936,194
Finance Cost	27	**8,045,311**	**5,028,319**	44,895,852	28,059,908
Depreciation and Amortization Expenses		**851,642,098**	**532,276,312**	1,052,104,332	657,565,208
Profit before Tax		**11,296,185,850**	**7,060,116,157**	9,300,596,195	5,812,872,622
Tax Expense	28	**3,388,202,262**	**2,117,626,414**	2,813,868,615	1,758,667,885
Corporate Social Responsibility		**78,296,867**	**48,935,542**	–	–
Profit for the year		**7,829,686,721**	**4,893,554,201**	6,486,727,580	4,054,204,737
Other Comprehensive Income					
(i) Items that will not be reclassified to profit or loss:					
- Remeasurements of defined benefit plans	29 (a)	**19,690,861**	**12,306,789**	(45,882,841)	(28,676,775)
(ii) Income tax relating to items that will not be reclassified to profit or loss	28	**(5,907,258)**	**(3,692,036)**	13,764,852	8,603,033
Total Other Comprehensive Income		**13,783,603**	**8,614,753**	(32,117,989)	(20,073,742)
Total Comprehensive Income for the year		**7,843,470,324**	**4,902,168,954**	6,454,609,591	4,034,130,995

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

This is the Statement of Profit or Loss and Other Comprehensive Income referred to in our Report of even date.

Vikas Bhutra Head of Finance	**Abhimanyu Kumar Poddar** Managing Director	**Saurya SJB Rana** Alternate Director	**B Sumant** Director	**S Puri** 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: 30th Bhadra 2074 (15th September 2017)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST ASADH 2074 (15TH JULY 2017)

A. Equity Share Capital

Figures in NRs. | Figures in ₹

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year	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 Asadh 2073 (15th July 2016)	2,016,000,000	–	2,016,000,000	1,260,000,000	–	1,260,000,000
For the year ended 31st Asadh 2074 (15th July 2017)	2,016,000,000	–	2,016,000,000	1,260,000,000	–	1,260,000,000

B. Other Equity

Figures in NRs. | Figures in ₹

	Reserves and Surplus				Items of Other Comprehensive Income	Total	Reserves and Surplus				Items of Other Comprehensive Income	Total
	General Reserve	Stock Option Payment Reserve	Employees' Housing Reserve	Retained Earnings	Remeasurement of Net Defined Benefit Plan		General Reserve	Stock Option Payment Reserve	Employees' Housing Reserve	Retained Earnings	Remeasure-ment of Net Defined Benefit Plan	
Balance as at 1st Shrawan 2072 (17th July 2015)	**108,778,401**	**–**	**1,867,227,440**	**4,819,164,267**	**–**	**6,795,170,108**	**67,986,501**	**–**	**1,167,017,150**	**3,011,977,667**	**–**	**4,246,981,318**
Profit for the year	–	–	–	6,486,727,580	–	6,486,727,580	–	–	–	4,054,204,737	–	4,054,204,737
Other Comprehensive Income (net of tax)	–	–	–	–	(32,117,989)	(32,117,989)	–	–	–	–	(20,073,742)	(20,073,742)
Total Comprehensive Income for the year	**–**	**–**	**–**	**6,486,727,580**	**(32,117,989)**	**6,454,609,591**	**–**	**–**	**–**	**4,054,204,737**	**(20,073,742)**	**4,034,130,995**
Recognition of share based payment *	(64,091,317)	64,091,317	–	64,091,317	–	64,091,317	(40,057,073)	40,057,073	–	40,057,073	–	40,057,073
Transferred to Employees' Housing Reserve	–	–	509,984,335	(509,984,335)	–	–	–	–	318,740,209	(318,740,209)	–	–
Interim Dividend	–	–	–	(604,800,000)	–	(604,800,000)	–	–	–	(378,000,000)	–	(378,000,000)
Final Dividend	–	–	–	(4,193,280,000)	–	(4,193,280,000)	–	–	–	(2,620,800,000)	–	(2,620,800,000)
Total	(64,091,317)	64,091,317	509,984,335	1,242,754,562	(32,117,989)	1,720,620,908	(40,057,073)	40,057,073	318,740,209	776,721,601	(20,073,742)	1,075,388,068
Balance as at 31st Asadh 2073 (15th July 2016)	**44,687,084**	**64,091,317**	**2,377,211,775**	**6,061,918,829**	**(32,117,989)**	**8,515,791,016**	**27,929,428**	**40,057,073**	**1,485,757,359**	**3,788,699,268**	**(20,073,742)**	**5,322,369,386**
Profit for the year	–	–	–	7,829,686,721	–	7,829,686,721	–	–	–	4,893,554,201	–	4,893,554,201
Other Comprehensive Income (net of tax)	–	–	–	–	13,783,603	13,783,603	–	–	–	-	8,614,753	8,614,753
Total Comprehensive Income for the year	**–**	**–**	**–**	**7,829,686,721**	**13,783,603**	**7,843,470,324**	**–**	**–**	**–**	**4,893,554,201**	**8,614,753**	**4,902,168,954**
Reimbursement of value of share based payment	–	(64,091,317)	–	–	–	(64,091,317)	–	(40,057,073)	–	-	–	(40,057,073)
Transferred to Employees' Housing Reserve	–	–	624,098,666	(624,098,666)	–	-	–	–	390,061,666	(390,061,666)	–	–
Interim Dividend	–	–	–	(756,000,000)	–	(756,000,000)	–	–	–	(472,500,000)	–	(472,500,000)
Final Dividend	–	–	–	(5,251,680,000)	–	(5,251,680,000)	–	–	–	(3,282,300,000)	–	(3,282,300,000)
Transferred to General Reserve	64,091,317	–	–	(64,091,317)	–	-	40,057,073	–	–	(40,057,073)	–	–
Total	64,091,317	(64,091,317)	624,098,666	1,133,816,738	13,783,603	1,771,699,007	40,057,073	(40,057,073)	390,061,666	708,635,462	8,614,753	1,107,311,881
Balance as at 31st Asadh 2074 (15th July 2017)	**108,778,401**	**–**	**3,001,310,441**	**7,195,735,567**	**(18,334,386)**	**10,287,490,023**	**67,986,501**	**–**	**1,875,819,025**	**4,497,334,730**	**(11,458,989)**	**6,429,681,267**

* refer Note 32 (ii).

For the year ended 31st Asadh, 2074 (15th July, 2017), the Board of Directors of the Company at its meeting held on 30th Bhadra 2074 (15th September 2017) have:

a) declared interim dividend of NRs. 60.50 (₹ 37.81) per share, amounting to NRs. 1,219,680,000 (₹ 762,300,000) and

b) recommended final dividend of NRs. 291.00 (₹ 181.88) per share amounting to NRs. 5,866,560,000 (₹ 3,666,600,000).

General Reserve: The reserve is an outcome of appropriation from one component of equity to another, neither being an item of other comprehensive income. It can be distributed / utilized by the Company.

Stock Option Payment Reserve: Represents fair value of equity settled share based payment in respect of employees seconded by the Holding Company (ITC Limited) at the request of the Company, who have been granted stock option by ITC Limited and reimbursement of which is sought by ITC Limited.

Employees' Housing Reserve: Created as per provisions of Labour Act, 2048 as prevailing at the Statement of Financial Position date.

Retained Earnings: This reserve represents the cumulative profits of the Company and can be distributed / utilized by the Company.

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

This is the Statement of Changes in Equity referred to in our Report of even date.

Vikas Bhutra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

B Sumant
Director

S Puri
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: 30th Bhadra 2074 (15th September 2017)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST ASADH 2074 (15TH JULY 2017)

		Figures in NRs. For the year ended 31st Asadh 2074 (15th July 2017)	Figures in ₹ For the year ended 31st Asadh 2074 (15th July 2017)	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)
A	**Cash Flow From Operating Activities**				
	Profit Before Tax	**11,296,185,850**	**7,060,116,156**	9,300,596,195	5,812,872,622
	Adjustments for :				
	Depreciation and amortization expenses	**851,642,098**	**532,276,311**	1,052,104,332	657,565,208
	Finance Cost	**8,045,311**	**5,028,319**	44,895,852	28,059,908
	Interest from Investments	**(1,470,625)**	**(919,141)**	(1,470,625)	(919,141)
	Interest on Short Term/Call Deposits	**(125,249,219)**	**(78,280,762)**	(15,235,197)	(9,521,998)
	Foreign currency translations and transactions - Net	**96,969**	**60,606**	(450,811)	(281,757)
	Loss on sale of property, plant and equipment - Net	**1,144,703**	**715,439**	4,120,706	2,575,441
	Doubtful and bad advances	**(9,416)**	**(5,885)**	(159,702)	(99,814)
	Operating Profit Before Working Capital Changes	**12,030,385,671**	**7,518,991,043**	10,384,400,750	6,490,250,469
	Adjustments for :				
	Trade Receivables, Loans, Advances and Other Assets	**(595,991,548)**	**(372,494,718)**	560,881,185	350,550,741
	Inventories	**(574,585,128)**	**(359,115,705)**	(765,106,321)	(478,191,451)
	Trade Payables, Other Liabilities and Provisions	**(18,549,147)**	**(11,593,217)**	461,112,029	288,195,018
	Cash Generated From Operation	**10,841,259,848**	**6,775,787,403**	10,641,287,643	6,650,804,777
	Income Tax Paid	**(3,406,809,515)**	**(2,129,255,947)**	(2,711,585,554)	(1,694,740,971)
	Corporate Social Responsibility Paid	**(5,280,982)**	**(3,300,614)**	–	–
	Net Cash From Operating Activities (A)	**7,429,169,351**	**4,643,230,842**	7,929,702,089	4,956,063,806
B	**Cash Flow From Investing Activities**				
	Purchase of property, plant and equipment	**(101,373,936)**	**(63,358,710)**	(389,700,962)	(243,563,101)
	Disposal of property, plant and equipment	**3,753,384**	**2,345,865**	12,345,133	7,715,708
	Investment in Bank Deposits				
	(Original Maturity more than 3 months)	**(2,900,000,000)**	**(1,812,500,000)**	–	–
	Interest Received	**102,473,275**	**64,045,797**	17,439,990	10,899,994
	Net Cash Used in Investing Activities (B)	**(2,895,147,277)**	**(1,809,467,048)**	(359,915,839)	(224,947,399)
C	**Cash Flow From Financing Activities**				
	Interest Paid	**(8,045,311)**	**(5,028,319)**	(45,130,050)	(28,206,281)
	Dividends Paid	**(6,007,680,000)**	**(3,754,800,000)**	(4,798,080,000)	(2,998,800,000)
	Net Cash Used in Financing Activities (C)	**(6,015,725,311)**	**(3,759,828,319)**	(4,843,210,050)	(3,027,006,281)
	Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	**(1,481,703,237)**	**(926,064,523)**	2,726,576,200	1,704,110,125
	Opening Cash and Cash Equivalents	**1,816,786,501**	**1,135,491,563**	(909,789,699)	(568,618,562)
	Closing Cash and Cash Equivalents	**335,083,264**	**209,427,040**	1,816,786,501	1,135,491,563

Notes:

1 The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in NAS - 7 "Statement of Cash Flows".

2 **Cash and Cash Equivalents:**

Cash and Cash Equivalents as above	**335,083,264**	**209,427,040**	1,816,786,501	1,135,491,563
Unrealised gain/(Loss) on foreign currency cash and cash equivalents	**2,643,286**	**1,652,053**	2,957,461	1,848,414
Cash and Cash Equivalents (Note 11)	**337,726,550**	**211,079,093**	1,819,743,962	1,137,339,977

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

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

Vikas Bhutra Head of Finance	**Abhimanyu Kumar Poddar** Managing Director	**Saurya SJB Rana** Alternate Director	**B Sumant** Director	**S Puri** 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: 30th Bhadra 2074 (15th September 2017)

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with requirements of Company Act, 2063 of Nepal and applicable Nepal Financial Reporting Standards (NFRS) and the relevant presentation requirements thereof. The Company adopted NFRS from 1st Shrawan, 2073 (16th July, 2016).

Up to the year ended 31st Asadh, 2073 (15th July, 2016), the Company prepared its financial statements in accordance with applicable Accounting Standards and Generally Accepted Accounting Principles (GAAPs) of Nepal. These are the Company's first NFRS financial statements. The date of transition to NFRS is 1st Shrawan, 2072 (17th July, 2015). Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliation is detailed in Note 32 (First Time Adoption).

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.

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 NFRS 2 – Share Based Payment, leasing transactions that are within the scope of NAS 17 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NAS 2 – Inventories or value in use in NAS36 - Impairment of Assets.

The preparation of financial statements in conformity with NFRS 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 NAS 1 - Presentation of Financial Statements based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

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. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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 (or other amount substituted for cost) of the assets after commissioning, less its residual value, over their useful lives on a straight line basis. Land is not depreciated.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	3 – 60 Years
Plant and Equipment	9 – 15 Years
Furniture and Fixtures	10 Years
Vehicles	6 – 10 Years
Office Equipment	5 Years
Computers	3 – 6 Years

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

Intangible Assets

Intangible Assets that the Company controls and from which it expects future economic benefits are capitalised upon acquisition and measured at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g., licences) or the likelihood of technical, technological obsolescence (e.g., computer software). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

Software is amortised over a period of five years.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit or Loss and Other Comprehensive Income. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and / or impairment losses.

The useful lives of intangible assets are reviewed annually to determine if a reset of such useful life is required for assets with finite lives and to confirm that business circumstances continue to support an indefinite useful life assessment for assets so classified. Based on such review, the useful life may change or the useful life assessment may change from indefinite to finite. The impact of such changes is accounted for as a change in accounting estimate.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

Foreign Currency Transactions

The functional and presentation currency of the Company is Nepalese Rupee.

Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Gains/Losses arising on settlement as also on translation of monetary items are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

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 the Statement of Profit or Loss and Other Comprehensive Income.

Financial instrument, Financial assets and Financial liabilities

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 recognised on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

Financial assets

Recognition: Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit or Loss and Other Comprehensive Income.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit or Loss and Other Comprehensive in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the NFRS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit or Loss and Other Comprehensive Income unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Statement of Financial Position.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Statement of Financial Position 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

Revenue is measured at the fair value of the consideration received or receivable for goods supplied, net of returns and discounts to customers. Revenue from the sale of goods includes excise duty and sticker charges payable by the Company but excludes amounts collected on behalf of third parties, such as value added tax.

Revenue from the sales of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, which is mainly upon delivery, the amount of revenue can be measured reliably and recovery of the consideration is probable.

Dividend Distribution

Dividends paid 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.

Employee Benefits

The Company makes contribution to both defined benefit and defined contribution schemes.

Provident Fund contributions are in nature of defined contribution scheme. Regular monthly contributions are made to the Provident Funds which are charged against revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The Company provides for defined benefits in the form of Gratuity and other retirement benefits. 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 or Loss and Other Comprehensive Income. Gain or Loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur. Gratuity is funded and deposited with Citizens Investment Trust, towards meeting the Gratuity obligation. Other retirement benefits are unfunded.

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 under the ITC Employee Stock Option Scheme to employees of ITC Limited ("ITC") seconded to the Company at its request is measured at the fair value of the options as on the grant date. The fair value of awards at grant date is calculated using the Black Scholes Option Pricing Model. The cost of stock options is recognized in the Statement of Profit or Loss and Other Comprehensive Income with a corresponding payable, when such reimbursement is sought by ITC.

Leases

Leases are recognised as a finance lease wherever 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

Rentals payable under operating leases are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the relevant lease.

Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit or Loss and Other Comprehensive Income 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 recognized 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 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.

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 assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

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.

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 so 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.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

2. Use of Estimates and Judgements

The preparation of financial statements in conformity with NFRS 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk effect on the amounts recognised in the financial statements:

A. Useful lives of property, plant and equipment and intangible assets:

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

B. Actuarial Valuation:

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 or 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.

C. Claims, Provisions and Contingent Liabilities:

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. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

[Amount in NRs]

Particulars	Gross Block							Depreciation and Amortization							Net Block		
	As at 01.04.2072 (17.07.2015)	Additions	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	Additions	Withdrawals/ Adjustments	As at 31.03.2074 (15.07.2017)	As at 01.04.2072 (17.07.2015)	For the Year*	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	For the Year	Withdrawals/ Adjustments	As at 31.03.2074 (15.07.2017)	As at 31.03.2074 (15.07.2017)	As at 31.03.2073 (15.07.2016)	As at 01.04.2072 (17.07.2015)
3A. Property, Plant and Equipment																	
Land & Land Development	305,147,856	–	–	305,147,856	–	–	305,147,856	–	–	–	–	–	–	–	305,147,856	305,147,856	305,147,856
Buildings	1,874,166,947	16,989,677	–	1,891,156,624	6,786,189	–	1,897,942,813	205,888,458	264,710,701	–	470,599,159	167,459,350	–	638,058,509	1,259,884,304	1,420,557,465	1,668,278,489
Plant and Machinery	6,895,701,380	377,749,964	–	7,273,451,344	263,753,334	–	7,537,204,678	2,690,171,598	607,367,702	–	3,297,539,300	566,484,094	–	3,864,023,394	3,673,181,284	3,975,912,044	4,205,529,782
Furniture and Fixtures	96,879,467	2,316,383	–	99,195,850	2,770,786	9,092,517	92,874,119	34,604,328	12,270,071	–	46,874,399	8,126,211	5,949,775	49,050,835	43,823,284	52,321,451	62,275,139
Vehicles	172,329,094	4,363,894	26,699,692	149,993,296	27,622,357	5,752,753	171,862,900	41,825,482	41,248,939	10,233,853	72,840,568	31,851,080	4,963,121	99,728,527	72,134,373	77,152,728	130,503,612
Computers	161,879,891	2,241,309	–	164,121,200	524,300	31,046,551	133,598,949	67,420,553	64,806,569	–	132,227,122	18,123,690	31,046,268	119,304,544	14,294,405	31,894,078	94,459,338
Office Equipment	99,723,427	4,512,386	–	104,235,813	3,005,442	3,788,511	103,452,744	35,057,162	12,019,909	–	47,077,071	9,917,232	2,823,081	54,171,222	49,281,522	57,158,742	64,666,265
Total	9,605,828,062	408,173,613	26,699,692	9,987,301,983	304,462,408	49,680,332	10,242,084,059	3,074,967,581	1,002,423,891	10,233,853	4,067,157,619	801,961,657	44,782,245	4,824,337,031	5,417,747,028	5,920,144,364	6,530,860,481
3B. Capital Work-in-Progress	526,776,326	203,465,323	404,018,834	326,222,815	59,141,177	276,376,230	108,987,762	–	–	–	–	–	–	–	108,987,762	326,222,815	526,776,326
3C. Intangible Assets																	
Capitalised Software	289,032,926	–	–	289,032,926	–	–	289,032,926	106,001,806	49,680,441	–	155,682,247	49,680,441	–	205,362,688	83,670,238	133,350,679	183,031,120
Grand Total	10,421,637,314	611,638,936	430,718,526	10,602,557,724	363,603,585	326,056,562	10,640,104,747	3,180,969,387	1,052,104,332	10,233,853	4,222,839,866	851,642,098	44,782,245	5,029,699,719	5,610,405,028	6,379,717,858	7,240,667,927

[Amount in ₹]

Particulars	Gross Block							Depreciation and Amortization							Net Block		
	As at 01.04.2072 (17.07.2015)	Additions	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	Additions	Withdrawals/ Adjustments	As at 31.03.2074 (15.07.2017)	As at 01.04.2072 (17.07.2015)	For the Year*	Withdrawals/ Adjustments	As at 31.03.2073 (15.07.2016)	For the Year	Withdrawals/ Adjustments	As at 31.03.2074 (15.07.2017)	As at 31.03.2074 (15.07.2017)	As at 31.03.2073 (15.07.2016)	As at 01.04.2072 (17.07.2015)
3A. Property, Plant and Equipment																	
Land & Land Development	190,717,410	-	-	190,717,410	-	-	190,717,410	-	-	-	-	-	-	-	190,717,410	190,717,410	190,717,410
Buildings	1,171,354,342	10,618,548	-	1,181,972,890	4,241,368	-	1,186,214,258	128,680,286	165,444,188	-	294,124,474	104,662,094	-	398,786,568	787,427,690	887,848,416	1,042,674,056
Plant and Machinery	4,309,813,363	236,093,728	-	4,545,907,091	164,845,834	-	4,710,752,925	1,681,357,249	379,604,814	-	2,060,962,063	354,052,559	-	2,415,014,622	2,295,738,303	2,484,945,028	2,628,456,114
Furniture and Fixtures	60,549,667	1,447,739	-	61,997,406	1,731,741	5,682,823	58,046,324	21,627,705	7,668,794	-	29,296,499	5,078,882	3,718,609	30,656,772	27,389,552	32,700,907	38,921,962
Vehicles	107,705,684	2,727,434	16,687,308	93,745,810	17,263,973	3,595,471	107,414,312	26,140,926	25,780,587	6,396,158	45,525,355	19,906,925	3,101,951	62,330,329	45,083,983	48,220,455	81,564,758
Computers	101,174,932	1,400,818	-	102,575,750	327,688	19,404,094	83,499,344	42,137,846	40,504,106	-	82,641,952	11,327,306	19,403,918	74,565,340	8,934,004	19,933,798	59,037,086
Office Equipment	62,327,142	2,820,241	-	65,147,383	1,878,401	2,367,819	64,657,965	21,910,726	7,512,443	-	29,423,169	6,198,270	1,764,426	33,857,013	30,800,952	35,724,214	40,416,416
Total	6,003,642,540	255,108,508	16,687,308	6,242,063,740	190,289,005	31,050,207	6,401,302,538	1,921,854,738	626,514,932	6,396,158	2,541,973,512	501,226,036	27,988,904	3,015,210,644	3,386,091,894	3,700,090,228	4,081,787,802
3B. Capital Work-in-Progress	329,235,204	127,165,827	252,511,771	203,889,260	36,963,236	172,735,144	68,117,352	–	–	–	–	–	–	–	68,117,352	203,889,260	329,235,204
3C. Intangible Assets																	
Capitalised Software	180,645,579	-	-	180,645,579	-	-	180,645,579	66,251,129	31,050,276	-	97,301,405	31,050,276	-	128,351,681	52,293,898	83,344,174	114,394,450
Grand Total	6,513,523,323	382,274,335	269,199,079	6,626,598,579	227,252,241	203,785,351	6,650,065,469	1,988,105,867	657,565,208	6,396,158	2,639,274,917	532,276,312	27,988,904	3,143,562,325	3,506,503,144	3,987,323,662	4,525,417,456

1. * Includes additional depreciation amounting to Nil [2072-73 - NRs. 399,836,691 (₹ 249,897,932)] arising from change in estimated useful life of certain Plant and Machinery, Computers and Other Assets.
2. The amount of expenditures recognised in the carrying amount of property, plant and equipment in the course of construction is NRs. 4,195,252 (₹ 2,622,033) [2072/73 - NRs. 6,099,620 (₹ 3,812,263)].
3. The amortization expense of intangible assets have been included under 'Depreciation and Amortization expense' in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Figures in NRs. As at 31st Asadh 2074 (15th July 2017)	Figures in ₹ As at 31st Asadh 2074 (15th July 2017)	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 1st Shrawan 2072 (17th July 2015)	Figures in ₹ As at 1st Shrawan 2072 (17th July 2015)
4. INVESTMENTS						
INVESTMENT IN GOVERNMENT OR TRUST SECURITIES (at amortized cost)						
Investment in Promissory Note issued by Nepal Government						
6.5% Bikash Rinpatra, 2075 - Unquoted	25,632,338	16,020,211	25,632,338	16,020,211	25,632,338	16,020,211
	25,632,338	16,020,211	25,632,338	16,020,211	25,632,338	16,020,211
5. LOANS						
NON-CURRENT						
Employee Loans	36,562,388	22,851,493	43,549,509	27,218,443	54,867,320	34,292,075
Total	36,562,388	22,851,493	43,549,509	27,218,443	54,867,320	34,292,075
CURRENT						
Employee Loans	9,679,258	6,049,536	11,231,374	7,019,609	10,777,791	6,736,119
Total	9,679,258	6,049,536	11,231,374	7,019,609	10,777,791	6,736,119
6. OTHER FINANCIAL ASSETS						
NON-CURRENT						
Deposits	–	–	880,825	550,516	880,825	550,516
Total	–	–	880,825	550,516	880,825	550,516
CURRENT						
Interest Accrued on						
– Investments	193,397	120,873	193,397	120,873	928,710	580,444
– Call and Other Deposit with Banks	24,245,945	15,153,716	850	531	22	14
– Commercial Advances	5,357	3,348	3,883	2,427	3,566	2,229
Derivative instruments not designated as hedging instruments	624,276	390,173	352,948	220,593	215,570	134,731
Deposits	880,825	550,516	–	–	–	–`
Recoverable from Holding Company	812,967	508,104	318,862	199,289	1,440,832	900,520
Total	26,762,767	16,726,730	869,940	543,713	2,588,700	1,617,938
7. DEFERRED TAX ASSETS /(LIABILITIES) (NET)						
Deferred Tax Assets	74,078,975	46,299,359	85,795,586	53,622,241	71,156,274	44,472,671
Less: Deferred Tax Liabilities	36,275,266	22,672,041	60,157,791	37,598,619	121,412,880	75,883,050
Deferred Tax Assets / (Liabilities) (Net)	37,803,709	23,627,318	25,637,795	16,023,622	(50,256,606)	(31,410,379)

Movement in Deferred Tax Assets / (Liabilities) Balances	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
2073/74	Opening Balance	Opening Balance	Recognized in Profit or Loss	Recognized in Profit or Loss	Recognized in OCI	Recognized in OCI	Closing Balance	Closing Balance
Deferred Tax Assets in relation to:								
On Provision for Retirement and Other Employee Benefits	62,948,187	39,342,617	(7,713,439)	(4,820,899)	(5,907,258)	(3,692,036)	49,327,490	30,829,682
On Provision for Doubtful Advances	617,080	385,675	(2,825)	(1,766)	–	–	614,255	383,909
On Provision for Inventories	22,230,319	13,893,949	1,906,911	1,191,819	–	–	24,137,230	15,085,768
Total Deferred Tax Assets	85,795,586	53,622,241	(5,809,353)	(3,630,846)	(5,907,258)	(3,692,036)	74,078,975	46,299,359
Deferred Tax Liabilities in relation to:								
On Overheads Allocation on Finished Goods	25,213,271	15,758,294	8,504,355	5,315,222	–	–	33,717,626	21,073,516
On Fiscal Allowances on Property, Plant and Equipment etc.	34,944,520	21,840,325	(32,452,347)	(20,282,717)	–	–	2,492,173	1,557,608
Other Timing Difference	–	–	65,467	40,917	–	–	65,467	40,917
Total Deferred Tax Liabilities	60,157,791	37,598,619	(23,882,525)	(14,926,578)	–	–	36,275,266	22,672,041
Deferred Tax Assets / (Liabilities) - Net	25,637,795	16,023,622	18,073,172	11,295,732	(5,907,258)	(3,692,036)	37,803,709	23,627,318
2072/73	Opening Balance	Opening Balance	Recognized in Profit or Loss	Recognized in Profit or Loss	Recognized in OCI	Recognized in OCI	Closing Balance	Closing Balance
Deferred Tax Assets in relation to:								
On Provision for Retirement and Other Employee Benefits	51,822,947	32,389,342	(2,639,612)	(1,649,758)	13,764,852	8,603,033	62,948,187	39,342,617
On Provision for Doubtful Advances	664,991	415,619	(47,911)	(29,944)	–	–	617,080	385,675
On Provision for Inventories	18,668,336	11,667,710	3,561,983	2,226,239	–	–	22,230,319	13,893,949
Total Deferred Tax Assets	71,156,274	44,472,671	874,460	546,537	13,764,852	8,603,033	85,795,586	53,622,241
Deferred Tax Liabilities in relation to:								
On Overheads Allocation on Finished Goods	15,432,284	9,645,178	9,780,987	6,113,117	–	–	25,213,271	15,758,295
On fiscal allowances on Property, Plant and Equipment etc.	105,980,596	66,237,873	(71,036,076)	(44,397,548)	–	–	34,944,520	21,840,325
Total Deferred Tax Liabilities	121,412,880	75,883,051	(61,255,089)	(38,284,431)	–	–	60,157,791	37,598,620
Deferred Tax Assets / (Liabilities) - Net	(50,256,606)	(31,410,380)	62,129,549	38,830,968	13,764,852	8,603,033	25,637,795	16,023,621

The Company has tax losses of NRs. 492,459,190 (₹ 307,786,994) [2072/73 - NRs. 620,286,984 (₹ 387,679,365); 2071/72 - NRs. 643,470,697 (₹ 402,169,186)] for which no deferred tax assets have been recognised. These losses will expire between financial year 2074/75 to 2079/80.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Figures in NRs. As at 31st Asadh 2074 (15th July 2017)	Figures in ₹ As at 31st Asadh 2074 (15th July 2017)	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 1st Shrawan 2072 (17th July 2015)	Figures in ₹ As at 1st Shrawan 2072 (17th July 2015)
8. OTHER ASSETS						
NON-CURRENT						
Capital Advances	–	–	–	–	2,009,883	1,256,177
Advances other than Capital Advances						
- Commercial Advances to Holding Company	**1,984,190,173**	**1,240,118,858**	1,325,963,086	828,726,929	1,877,429,096	1,173,393,185
- Security Deposits						
- With Statutory Authorities	**55,465,892**	**34,666,183**	90,189,468	56,368,418	84,255,468	52,659,668
- Others	**120,600**	**75,374**	297,527	185,954	297,527	185,954
Total	**2,039,776,665**	**1,274,860,415**	1,416,450,081	885,281,301	1,963,991,974	1,227,494,984
CURRENT						
Commercial Advances						
- Green Leaf / Sapling / Seeds Bought from Tobacco Farmers (net of loan disbursed by Bank)	**4,045,883**	**2,528,677**	4,725,322	2,953,326	3,743,710	2,339,819
- Other Goods and Services	**7,542,339**	**4,713,962**	10,348,416	6,467,760	26,438,086	16,523,804
Excise Duty Advance	**12,606,720**	**7,879,200**	34,755,455	21,722,159	949,670	593,544
Deposit with Statutory Authorities	**203,662,716**	**127,289,198**	193,590,812	120,994,258	151,096,435	94,435,272
Employee Advances	**2,130,313**	**1,331,446**	1,657,630	1,036,019	3,982,271	2,488,919
Unexpired Expenses	**116,216,594**	**72,635,371**	115,750,132	72,343,833	108,363,782	67,727,364
Margin Money Deposit	**509,165**	**318,228**	1,397,815	873,634	392,530	245,331
Less: Allowance for doubtful advances and deposits	**(2,081,823)**	**(1,301,139)**	(2,091,239)	(1,307,024)	(2,250,941)	(1,406,838)
Total	**344,631,907**	**215,394,943**	360,134,343	225,083,965	292,715,542	182,947,215
9. INVENTORIES						
(At lower of cost and net realisable value)						
Raw Materials (including in-transit)	**1,784,803,416**	**1,115,502,135**	1,709,757,851	1,068,598,657	1,271,295,381	794,559,613
Stock - In - Process	**126,632,567**	**79,145,354**	137,044,783	85,652,989	120,078,112	75,048,820
Finished Goods	**1,895,846,674**	**1,184,904,171**	1,410,425,127	881,515,704	1,097,073,637	685,671,023
Stores and Supplies (including in-transit)	**267,149,802**	**166,968,626**	242,619,570	151,637,231	246,293,880	153,933,675
Total	**4,074,432,459**	**2,546,520,286**	3,499,847,331	2,187,404,581	2,734,741,010	1,709,213,131
The above includes goods in transit as under						
Raw Materials	**49,019,149**	**30,636,968**	76,662,844	47,914,278	–	–
Stores and Supplies	**4,091,559**	**2,557,224**	15,889,527	9,930,954	–	–
Total	**53,110,708**	**33,194,192**	92,552,371	57,845,232	–	–

The cost of inventories recognised as an expense includes NRs. Nil [during 2072/73: NRs. 1,461,662 (₹ 913,539)] in respect of write-downs of inventory to net realisable value and has been reduced by NRs. 364,841 (₹ 228,026) [during 2072/73: NRs. Nil (₹ Nil)] in respect of the reversal of such write-downs.

Previous write-downs have been reversed as a result of increased sales prices.

10. TRADE RECEIVABLES (CURRENT)						
Secured, considered good	**814,651**	**509,157**	1,700,000	1,062,500	949,332	593,333
Unsecured, considered good	**76,440,699**	**47,775,437**	79,333,402	49,583,376	150,706,148	94,191,343
Doubtful	**339,012**	**211,883**	339,012	211,883	339,012	211,883
Less: Allowance for doubtful receivables	**(339,012)**	**(211,883)**	(339,012)	(211,883)	(339,012)	(211,883)
	77,255,350	**48,284,594**	81,033,402	50,645,876	151,655,480	94,784,676
11. CASH AND CASH EQUIVALENTS*						
Cash on Hand	**60,325**	**37,703**	91,825	57,391	91,325	57,078
Balances with Banks						
Current Accounts	**6,733,895**	**4,208,684**	22,197,640	13,873,525	1,388,036	867,523
Short Term - Call Deposits	**330,932,330**	**206,832,706**	1,796,041,352	1,122,525,845	18,065,497	11,290,936
Cheques on Hand	–	–	1,413,145	883,216	–	–
	337,726,550	**211,079,093**	1,819,743,962	1,137,339,977	19,544,858	12,215,537

* Cash and cash equivalents include cash on hand, cheques on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

12. OTHER BANK BALANCES						
In Deposit Accounts *	**2,900,000,000**	**1,812,500,000**	–	–	–	–
Earmarked Balance						
(Savings Account - Provident Fund)	**64,129**	**40,081**	62,795	39,247	61,821	38,638
	2,900,064,129	**1,812,540,081**	62,795	39,247	61,821	38,638

* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Figures in NRs. As at 31st Asadh 2074 (15th July 2017)	Figures in ₹ As at 31st Asadh 2074 (15th July 2017)	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 1st Shrawan 2072 (17th July 2015)	Figures in ₹ As at 1st Shrawan 2072 (17th July 2015)
13. EQUITY SHARE CAPITAL						
Authorised						
65,000,000 Ordinary Shares of NRs. 100 (₹ 62.5)/- each	**6,500,000,000**	**4,062,500,000**	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 (₹ 62.5)/- 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**	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
At the end of the year	20,160,000	20,160,000	20,160,000

Rights, preferences and restrictions attached to the Ordinary Shares
The Ordinary Shares of the Company, having par value of NRs. 100.00 (₹ 62.5) per share, rank pari passu in all respects including voting rights and entitlement to dividend.

14. PROVISIONS						
NON-CURRENT						
Provision for Retirement and Other Employee Benefits [Refer Note 29]						
Retirement Benefits	**78,101,846**	**48,813,654**	73,294,531	45,809,082	73,404,818	45,878,011
Other Benefits	**60,089,902**	**37,556,189**	69,989,062	43,743,164	59,695,047	37,309,404
Total	**138,191,748**	**86,369,843**	143,283,593	89,552,246	133,099,865	83,187,415
CURRENT						
Provision for Retirement and Other Employee Benefits						
Retirement Benefits	**13,457,533**	**8,410,958**	60,219,791	37,637,369	34,463,762	21,539,851
Other Benefits	**12,775,682**	**7,984,800**	6,323,906	3,952,442	5,179,534	3,237,209
Total	**26,233,215**	**16,395,758**	66,543,697	41,589,811	39,643,296	24,777,060
15. BORROWINGS (CURRENT)						
Secured						
Overdrafts / Other Demand Loans from Banks*	–	–	–	–	926,827,907	579,267,442
Total	–	–	–	–	926,827,907	579,267,442
16. TRADE PAYABLES (CURRENT)						
Trade Payables for Goods and Services						
– Holding Company	**435,347,986**	**272,092,491**	447,518,759	279,699,224	423,990,339	264,993,962
– Others	**398,384,789**	**248,990,493**	363,087,165	226,929,479	429,616,968	268,510,605
Total	**833,732,775**	**521,082,984**	810,605,924	506,628,703	853,607,307	533,504,567
17. OTHER FINANCIAL LIABILITIES (CURRENT)						
Payable for Property, Plant and Equipment	**4,517,542**	**2,823,464**	17,583,128	10,989,455	162,729,993	101,706,246
Retention Money						
- For Property, Plant and Equipment	**5,834,948**	**3,646,843**	6,915,943	4,322,464	45,859,821	28,662,388
- Others	**2,552,853**	**1,595,533**	2,651,988	1,657,493	2,324,564	1,452,853
Payable for Employee Benefits	**16,478,024**	**10,298,765**	32,931,120	20,581,950	14,047,235	8,779,522
Security Deposits from Customers	**6,050,000**	**3,781,250**	5,500,000	3,437,500	5,550,000	3,468,750
Interest Accrued but not due on current borrowings	–	–	–	–	234,198	146,374
Others (derivatives not designated as hedging instrument)	**912,291**	**570,182**	825,046	515,654	3,219,800	2,012,376
Total	**36,345,658**	**22,716,037**	66,407,225	41,504,516	233,965,611	146,228,509
18. OTHER LIABILITIES (CURRENT)						
Advances received from Customers	**432,757,642**	**270,473,526**	529,408,535	330,880,334	332,493,861	207,808,663
Statutory Liabilities	**130,360,034**	**81,475,021**	274,517,345	171,573,341	210,859,539	131,787,212
Provision for Corporate Social responsibility	**73,015,885**	**45,634,928**	–	–	–	–
Provision for Employee's Bonus under The Bonus Act, 2030	–	–	–	–	–	–
- Distribution by Company	**108,580,583**	**67,862,864**	91,988,036	57,492,523	89,956,799	56,222,999
- Deposit with Welfare Funds established under The Labour Act, 2048	**754,044,817**	**471,278,011**	552,225,799	345,141,124	433,513,580	270,945,988
- Deposit with National Level Welfare Fund established by Govt. of Nepal	**323,162,065**	**201,976,291**	236,668,199	147,917,624	185,791,534	116,119,709
Others	**33,955,125**	**21,221,953**	33,955,125	21,221,953	33,955,125	21,221,954
Total	**1,855,876,151**	**1,159,922,594**	1,718,763,039	1,074,226,899	1,286,570,437	804,106,525
19. CURRENT TAX LIABILITIES (NET)						
Provision for Income Tax	**3,499,236,151**	**2,187,022,594**	2,968,939,789	1,855,587,368	2,302,059,155	1,438,786,972
Less: Advance Tax paid / Withholding Tax deducted	**(3,172,373,173)**	**(1,982,733,233)**	(2,641,542,730)	(1,650,964,206)	(2,139,074,706)	(1,336,921,691)
Total	**326,862,978**	**204,289,361**	327,397,059	204,623,162	162,984,449	101,865,281

* Overdrafts / Other Demand Loans from Banks are secured by hypothecation of Property, Plant and Equipment, Investment, Inventories and Trade Receivables, both present and future.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Figures in NRs. For the year ended 31st Asadh 2074 (15th July 2017)	Figures in ₹ For the year ended 31st Asadh 2074 (15th July 2017)	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)
20. GROSS REVENUE FROM SALE OF PRODUCTS				
FMCG				
- Cigarettes	**29,259,997,900**	**18,287,498,688**	25,296,395,796	15,810,247,373
- Branded Packaged Food Products	**9,593,802**	**5,996,126**	–	–
- Others (Apparel, Safety Matches, Agarbattis)	**444,998,770**	**278,124,231**	380,620,606	237,887,879
Total	**29,714,590,472**	**18,571,619,045**	25,677,016,402	16,048,135,252
21. DUTIES				
Excise Duty	**7,872,105,603**	**4,920,066,002**	6,598,916,059	4,124,322,537
Sticker Charges	**135,548,581**	**84,717,863**	124,290,126	77,681,329
Total	**8,007,654,184**	**5,004,783,865**	6,723,206,185	4,202,003,866
22. OTHER OPERATING INCOME				
Provision for doubtful advance/debts written back	**9,416**	**5,885**	159,702	99,814
Miscellaneous Income	**26,273,441**	**16,420,901**	11,948,875	7,468,047
Total	**26,282,857**	**16,426,786**	12,108,577	7,567,861
23. RAW MATERIALS CONSUMED ETC.				
Leaf and Casing Materials	**2,911,851,119**	**1,819,906,949**	2,723,553,202	1,702,220,751
Wrapping Materials	**2,424,942,202**	**1,515,588,876**	2,226,549,530	1,391,593,456
Fabrics, Trims etc.	**15,184,516**	**9,490,323**	17,667,050	11,041,906
Purchases and Contract Manufacturing Charges	**323,378,117**	**202,111,323**	269,232,896	168,270,560
	5,675,355,954	**3,547,097,471**	5,237,002,678	3,273,126,673
Allocation of overheads etc. on Finished Goods (manufactured)				
Opening	**140,154,459**	**87,596,537**	106,179,403	66,362,127
Closing	**(167,419,148)**	**(104,636,968)**	(140,154,459)	(87,596,537)
Total	**5,648,091,265**	**3,530,057,040**	5,203,027,622	3,251,892,263
24. EMPLOYEE BENEFITS EXPENSES				
Salaries, Wages & Allowances	**476,539,447**	**297,837,154**	399,745,262	249,840,789
Contribution to Provident Fund	**16,365,370**	**10,228,356**	14,047,101	8,779,438
Provision for Retirement and Other Employee Benefits	**42,111,746**	**26,319,841**	31,161,483	19,475,927
Cost of Stock Option Reimbursable	**51,838,452**	**32,399,033**	64,091,317	40,057,073
Labour & Staff Welfare	**25,098,456**	**15,686,535**	33,868,531	21,167,832
Provision for Employees' Bonus	**1,185,787,465**	**741,117,166**	880,882,034	550,551,271
Total	**1,797,740,936**	**1,123,588,085**	1,423,795,728	889,872,330
25. MANUFACTURING, ADMIN, SELLING EXPENSES ETC.				
Hired Machine Expenses	**86,798,703**	**54,249,189**	72,717,902	45,448,689
Rent	**73,748,267**	**46,092,667**	71,777,840	44,861,150
Electricity, Fuel & Water	**118,175,602**	**73,859,751**	143,035,291	89,397,057
Rates & Taxes	**11,473,268**	**7,170,793**	5,889,483	3,680,927
Insurance Premium	**95,345,951**	**59,591,219**	91,239,742	57,024,839
Repairs & Improvements - Depreciable Assets	**185,101,372**	**115,688,358**	152,760,611	95,475,382
Maintenance - Owned Properties	**6,245,452**	**3,903,408**	7,903,407	4,939,629
Maintenance - Other Properties	**17,130,939**	**10,706,837**	9,634,769	6,021,731
Safety & Pollution Control Cost	**30,848,438**	**19,280,274**	16,316,949	10,198,093
Consumption of Stores & Spare Parts *	**49,833,152**	**31,145,720**	45,199,183	28,249,489
Freight	**74,956,775**	**46,847,984**	78,659,958	49,162,474
Product & Packaging Development - Tools / Accessories	**57,755,173**	**36,096,983**	15,178,479	9,486,549
Product Development & License Fees	**549,911,810**	**343,694,881**	475,056,407	296,910,254
Advertising	**4,262,827**	**2,664,267**	4,033,385	2,520,866
Market Research	**23,717,890**	**14,823,681**	17,781,540	11,113,463
Retail Accessories	**28,920,180**	**18,075,113**	21,140,702	13,212,939
Trade Distribution Expenses	**114,389,710**	**71,493,569**	115,640,162	72,275,101
Information Technology Services	**132,590,330**	**82,868,956**	137,422,847	85,889,279
Travel & Conveyance	**78,286,098**	**48,928,811**	68,551,458	42,844,661
Training & Recruitment Expenses	**3,577,912**	**2,236,195**	3,505,871	2,191,169
Postage, Telephone, Fax etc.	**5,851,840**	**3,657,400**	6,192,249	3,870,156
Bank Charges and Commission	**8,025,786**	**5,016,116**	4,084,520	2,552,825
Audit Fees	**925,000**	**578,125**	845,000	528,125
Legal Fees	**1,783,800**	**1,114,875**	506,000	316,250
Printing & Stationery	**5,972,209**	**3,732,631**	6,334,203	3,958,877
Consultancy Charges	**365,064,704**	**228,165,440**	280,778,059	175,486,287
Professional Service Charges & Other Fees	**106,495,479**	**66,559,674**	93,495,838	58,434,899
Business Entertainment Expenses	**7,130,879**	**4,456,799**	4,124,837	2,578,023
Promotion & Sponsorship	**12,546,009**	**7,841,256**	11,575,719	7,234,824
Board Meeting Fees	**70,588**	**44,118**	70,588	44,118
Donations	**561,750**	**351,094**	2,686,637	1,679,148
Books & Periodicals	**381,836**	**238,648**	355,638	222,274
Membership Fee	**414,755**	**259,222**	977,948	611,218
Loss / (gain) on Property, Plant & Equpiment Sold / Discarded (Net)	**1,144,703**	**715,439**	4,120,706	2,575,441
Miscellaneous Expenses {Refer (v) of Note 30}	**3,586,551**	**2,241,594**	5,403,047	3,376,904
Total	**2,263,025,738**	**1,414,391,087**	1,974,996,975	1,234,373,110

* Includes provision for obsolescence of spares NRs. 6,356,370 (₹ 3,972,731) [2072/73 - NRs. 11,873,275 (₹ 7,420,797)].

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Figures in NRs. For the year ended 31st Asadh 2074 (15th July 2017)	Figures in ₹ For the year ended 31st Asadh 2074 (15th July 2017)	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)
26. OTHER INCOME				
Interest Income from:				
a) Deposits with banks - carried at amortised cost	**125,249,219**	**78,280,762**	15,235,197	9,521,998
b) Interest from Investments - measured at amortised cost	**1,470,625**	**919,141**	1,470,625	919,141
c) Interest on employee loans - measured at amortised cost	**1,205,225**	**753,266**	1,500,429	937,768
d) Others - Interest received from customers, etc.	**6,800,156**	**4,250,098**	20,548,329	12,842,706
e) Net foreign exchange gain / (loss)	**(3,213,172)**	**(2,008,233)**	(5,256,670)	(3,285,419)
Total	**131,512,053**	**82,195,034**	33,497,910	20,936,194
27. FINANCE COST				
Interest expenses:				
a) On financial liabilities measured at amortised cost				
- Interest on Term Loan (from Holding Company)	**–**	**–**	912,953	570,596
- Interest on Short Term Loans / Overdrafts	**2,340,135**	**1,462,584**	27,005,373	16,878,358
b) Others				
- Interest on Trading Debts	**5,705,176**	**3,565,735**	16,977,526	10,610,954
Total	**8,045,311**	**5,028,319**	44,895,852	28,059,908
28. TAX EXPENSE				
A. Amount recognized in Profit or Loss				
Current Tax	**3,406,275,434**	**2,128,922,146**	2,875,998,164	1,797,498,853
Deferred Tax	**(18,073,172)**	**(11,295,732)**	(62,129,549)	(38,830,968)
Total	**3,388,202,262**	**2,117,626,414**	2,813,868,615	1,758,667,885
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 of defined benefit plans	**(5,907,258)**	**(3,692,036)**	13,764,852	8,603,033
Total	**(5,907,258)**	**(3,692,036)**	13,764,852	8,603,033
C. Reconciliation between tax expense and accounting profit				
Profit before tax	**11,296,185,850**	**7,060,116,156**	9,300,596,195	9,300,596,195
Income Tax expense calculated at the applicable tax rate (Cigarettes Manufacturing @ 30%, Garment Manufacturing @ 20% and Trading @ 25% with loss setoff between trading and Cigarette manufacturing)	**3,388,332,784**	**2,117,707,990**	2,791,180,114	1,744,487,572
Factors affecting tax charge for the year				
Effects of:				
– Difference in tax treatment of certain expense	**192,218**	**120,136**	22,688,501	14,180,313
– Benefit of previously unrecognised tax loss	**(322,740)**	**(201,713)**	–	–
Income Tax recognised in profit or loss	**3,388,202,262**	**2,117,626,413**	2,813,868,615	1,758,667,885

29.a.Defined Benefit Plans

Description of Plans

The Company provides for defined benefit in the form of Gratuity and other retirement benefits. Gratuity is funded and deposited with Citizen Investment Trust (CIT) towards meeting the gratuity obligation. Other retirement benefits are unfunded.

CIT is a public financial organization established under the Citizen Investment Trust Act, 2047. Nepal Government, Nepal Rastra Bank, Nepal Stock Exchange, Rastriya Bima Sansthan, etc. are the share holders of CIT, which is listed on Nepal Stock Exchange. CIT operates and manages various types of retirement schemes / programs. The Gratuity Fund Scheme is operated by a committee of CIT in accordance with terms and conditions of Gratuity Scheme Operation Procedure, 2055 as approved by Board of CIT.

The liabilities arising in the Defined Benefit Schemes are determined in accordance with the advice of independent, professional qualified actuaries, using the projected unit method at the year end. The Company makes regular contributions to these Employee Benefit Plans. Additional contributions are made to these plans as and when required based on actuarial valuation.

Risk Management

The Defined Benefit plans expose the Company to risk of actuarial deficit arising out of interest rate risk, salary cost inflation risk and investment risk. The Scheme's accounting liabilities are calculated using a discount rate set with reference to the yield as communicated by CIT. 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. Investment risk may arise from lower earnings in the investment portfolio which is managed by the committee of CIT referred above. The Committee managing the Gratuity Fund Scheme invests in various sectors as prescribed under Gratuity Scheme Operation Procedure, 2055. As per the CIT Act, 2047, in case the Trust fails to pay the amount deposited by Company and interest earned thereon, the same shall be paid by Government of Nepal.

			Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
			For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)	
			Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
			Funded		Funded		Funded		Funded	
1	**Components of Employer Expense**									
	–	**Recognised in Profit or Loss**								
	1	Current Service Cost	9,641,920	1,454,783	6,026,200	909,239	7,401,994	1,296,012	4,626,246	810,008
	2	Past Service Cost	3,853,879	20,649,863	2,408,674	12,906,164	-	-	-	-
	3	Net Interest Cost	706,844	3,062,614	441,777	1,914,133	690,427	3,420,131	431,517	2,137,582
	4	**Total expense recognised in the Statement of Profit or Loss**	**14,202,643**	**25,167,260**	**8,876,651**	**15,729,536**	**8,092,421**	**4,716,143**	**5,057,763**	**2,947,590**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

			Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
			For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)	
			Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
			Funded		Funded		Funded		Funded	
	—	**Re-measurements recognised in Other Comprehensive Income**								
	5	Return on Plan Assets (excluding amount included in Net Interest Cost)	(8,227,485)	-	(5,142,178)	-	8,086,118	-	5,053,824	-
	6	Effect of Changes in demographic assumptions	2,473,605	(498,358)	1,546,003	(311,474)	(3,624,521)	(198,153)	(2,265,326)	(123,846)
	7	Effect of Changes in financial assumptions	(22,732,902)	(13,617,698)	(14,208,064)	(8,511,061)	38,926,536	3,209,509	24,329,085	2,005,943
	8	Changes in asset ceiling (excluding interest income)	-	-	-	-	-	-	-	-
	9	Effect of experience adjustments	18,135,399	4,776,578	11,334,624	2,985,361	783,430	(1,300,078)	489,644	(812,549)
	10	**Total re-measurements included in Other Comprehensive Income**	**(10,351,383)**	**(9,339,478)**	**(6,469,615)**	**(5,837,174)**	**44,171,563**	**1,711,278**	**27,607,227**	**1,069,548**
	11	**Total defined benefit cost recognised in Statement of Profit or Loss and Other Comprehensive Income (4+10)**	**3,851,259**	**15,827,782**	**2,407,036**	**9,892,362**	**52,263,984**	**6,427,421**	**32,664,990**	**4,017,138**

The current service cost and net interest cost for the year pertaining to Gratuity and Retirement Benefits expenses have been recognised in "Provision for Retirement and Other Employee Benefits" under Note 24. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.

		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)	
		Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
II	**Actual Returns**	16,921,799	–	10,576,125	–	–	–	–	–

III	**Net Asset/(Liability) recognised in Statement of Financial Position**									
	1	Present Value of Defined Benefit Obligation	248,790,241	87,708,119	155,493,901	54,817,574	242,040,733	81,250,338	151,275,458	50,781,461
	2	Fair Value on Plan Assets	244,938,981	-	153,086,863	-	189,776,749	-	118,610,468	-
	3	Status [Surplus/(Deficit)]	(3,851,260)	(87,708,119)	(2,407,038)	(54,817,574)	(52,263,984)	(81,250,338)	(32,664,990)	(50,781,461)
	4	Restriction on Asset recognised	-	-	-	-	-	-	-	-

			Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
	5	Net Asset/(Liability) recognised in Statement of Financial Position	As at 31st Asadh, 2074 (15th July, 2017)		As at 31st Asadh, 2074 (15th July, 2017)		As at 31st Asadh, 2073 (15th July, 2016)		As at 31st Asadh, 2073 (15th July, 2016)		As at 1st Shrawan, 2072 (17th July, 2015)		As at 1st Shrawan, 2072 (17th July, 2015)	
			Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
		Gratuity	(3,851,260)	-	(2,407,038)	-	(52,263,984)	-	(32,664,990)	-	(30,685,661)		(19,178,538)	-
		Other Retirement Benefits	(9,606,273)	(78,101,846)	(6,003,921)	(48,813,654)	(7,955,807)	(73,294,531)	(4,972,379)	(45,809,082)	(3,778,100)	(73,404,817)	(2,361,313)	(45,878,011)

			Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
			For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)	
			Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
IV	**Change in Defined Benefit Obligations (DBO)**									
	1	Present Value of DBO at beginning of the year	242,040,732	81,250,338	151,275,458	50,781,461	200,291,878	77,182,917	125,182,424	48,239,323
	2	Current Service Cost	9,641,920	1,454,783	6,026,200	909,239	7,401,994	1,296,012	4,626,246	810,008
	3	Past service cost	3,853,879	20,649,863	2,408,674	12,906,164	–	–	–	–
	4	Interest Cost	9,401,158	3,062,614	5,875,724	1,914,133	8,776,544	3,420,131	5,485,340	2,137,582
	5	Remeasurement gains/(losses):	–	–	–	–	–	–	–	–
	a	Effect of Changes in demographic assumptions	2,473,606	(498,358)	1,546,004	(311,474)	(3,624,521)	(198,153)	(2,265,326)	(123,846)
	b	Effect of Changes in financial assumptions	(22,732,902)	(13,617,698)	(14,208,064)	(8,511,061)	38,926,536	3,209,509	24,329,085	2,005,943
	c	Changes in asset ceiling (excluding interest income)	–	–	–	–	–	–	–	–
	d	Effect of experience adjustments	18,135,399	4,776,578	11,334,624	2,985,361	783,430	(1,300,078)	489,644	(812,549)
	6	Curtailment Cost/(Credits)	–	–	–	–	–	–	–	–
	7	Settlement Cost/(Credits)	–	–	–	–	–	–	–	–
	8	Liabilities assumed in business combination	–	–	–	–	–	–	–	–
	9	Exchange difference on foreign plans	–	–	–	–	–	–	–	–
	10	Benefits Paid	(14,023,551)	(9,370,000)	(8,764,719)	(5,856,250)	(10,515,129)	(2,360,000)	(6,571,956)	(1,475,000)
	11	**Present Value of DBO at the end of the year**	**248,790,241**	**87,708,120**	**155,493,901**	**54,817,573**	**242,040,732**	**81,250,338**	**151,275,457**	**50,781,461**

V	**Best Estimate of Employer's Expected Contribution for the next year**	**Figures in NRs.**	**Figures in ₹**	**Figures in NRs.**	**Figures in ₹**	**Figures in NRs.**	**Figures in ₹**
		As at 31st Asadh, 2074 (15th July, 2017)	**As at 31st Asadh, 2074 (15th July, 2017)**	**As at 31st Asadh, 2073 (15th July, 2016)**	**As at 31st Asadh, 2073 (15th July, 2016)**	**As at 1st Shrawan, 2072 (17th July, 2015)**	**As at 1st Shrawan, 2072 (17th July, 2015)**
	Gratuity	3,851,260	2,407,038	52,263,984	32,664,990	30,685,661	19,178,538

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)	
		Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
VI	**Change in Fair Value of Assets**								
1	Plan Assets at beginning of the year	189,776,749	—	118,610,468	—	169,606,217	—	106,003,886	—
2	Asset acquired in Business Combination	—	—	—	—	—	—	—	—
3	Interest Income	8,694,315	—	5,433,947	—	8,086,117	—	5,053,823	—
4	Remeasurement Gains/(Losses)on plan assets	8,227,485	—	5,142,178	—	(8,086,118)	—	(5,053,824)	—
5	Actual Company Contributions	52,263,983	9,370,000	32,664,989	5,856,250	30,685,662	2,360,000	19,178,539	1,475,000
6	Benefits Paid	(14,023,551)	(9,370,000)	(8,764,719)	(5,856,250)	(10,515,129)	(2,360,000)	(6,571,956)	(1,475,000)
7	**Plan Assets at the end of the year**	**244,938,981**	—	**153,086,863**	—	**189,776,749**	—	**118,610,468**	—

VII	**Actuarial Assumptions**	As at 31st Asadh, 2074 (15th July, 2017)		As at 31st Asadh, 2073 (15th July, 2016)		As at 1st Shrawan, 2072 (17th July, 2015)	
		Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)
	Gratuity	6.50%	4.00%	4.00%	4.50%	4.50%	5.50%
	Other Retirement Benefits	6.50%		4.00%		4.50%	

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.

VIII	**Major Category of Plan Assets as a % of the Total Plan Assets**	As at 31st Asadh, 2074 (15th July, 2017)	As at 31st Asadh, 2073 (15th July, 2016)	As at 1st Shrawan, 2072 (17th July, 2015)
1	Government Securities			
2	High Quality Corporate Bonds			
3	Citizen Investment Trust 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 Citizen Investment Trust, 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.

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

The expected rate of return on plan assets is based on discount rate set with reference to the yield as communicated by CIT.

		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2074 (15th July, 2017)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 31st Asadh, 2073 (15th July, 2016)		For the year ended 1st Shrawan, 2072 (17th July, 2015)		For the year ended 1st Shrawan, 2072 (17th July, 2015)	
		Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits	Gratuity	Other Retirement Benefits
X	**Net Asset / (Liability) recognized in Statement of Financial Position (including experience adjustment impact)**												
1	Present Value of Defined Benefit Obligation	248,790,241	87,708,119	155,493,901	54,817,574	242,040,733	81,250,338	151,275,458	50,781,461	200,291,878	77,182,917	125,182,424	48,239,323
2	Fair Value on Plan Assets	244,938,981	–	153,086,863	–	189,776,749	–	118,610,468	–	169,606,217	–	106,003,886	–
3	Status [Surplus/(Deficit)]	(3,851,260)	(87,708,119)	(2,407,038)	(54,817,574)	(52,263,984)	(81,250,338)	(32,664,990)	(50,781,461)	(30,685,661)	(77,182,917)	(19,178,538)	(48,239,323)
4	Experience Adjustment of Plan Assets [Gain / (loss)]	8,227,485	–	5,142,178	–	8,086,118	–	5,053,824	–	645,836	–	403,648	–
5	Experience Adjustment of Obligation [(Gain) / Loss]	18,135,399	4,776,578	11,334,624	2,985,361	783,430	(1,300,078)	489,644	(812,549)	4,268,796	1,559,713	2,667,998	974,821

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 the Sensitivity Analysis from previous year.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

			Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
			DBO as at 31st Asadh, 2074 (15th July, 2017)	DBO as at 31st Asadh, 2074 (15th July, 2017)	DBO as at 31st Asadh, 2073 (15th July, 2016)	DBO as at 31st Asadh, 2073 (15th July, 2016)
	1	Discount rate +100 basis points	316,083,307	197,552,067	301,058,042	188,161,276
	2	Discount rate -100 basis points	359,696,831	224,810,519	348,795,826	217,997,391
	3	Salary Increase Rate +1%	352,369,842	220,231,151	339,281,536	212,050,960
	4	Salary Increase Rate -1%	322,245,830	201,403,644	308,924,664	193,077,915

Maturity Analysis Of The Benefit Payments

			Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
			DBO as at 31st Asadh, 2074 (15th July, 2017)	DBO as at 31st Asadh, 2074 (15th July, 2017)	DBO as at 31st Asadh, 2073 (15th July, 2016)	DBO as at 31st Asadh, 2073 (15th July, 2016)
	1	Year 1	41,435,936	25,897,460	21,482,155	13,426,347
	2	Year 2	30,474,000	19,046,250	31,620,247	19,762,654
	3	Year 3	21,004,778	13,127,986	24,619,588	15,387,243
	4	Year 4	32,814,913	20,509,321	17,150,439	10,719,024
	5	Year 5	39,533,210	24,708,256	25,845,694	16,153,559
	6	Next 5 Years	139,273,951	87,046,219	123,941,608	77,463,505

b. Amounts towards Defined Contribution Plans have been recognised under "Contribution to Provident fund" in Note 24.

30. Additional Notes to the Financial Statements

(i) These financial statements were authorised for issue by the Board of Directors on 30th Bhadra 2074 (15th September 2017).

(ii) Cost of inventory recognized as expense during the year amount to NRs. 7,106,074,538 (₹ 4,441,296,586) [2072/73 – NRs. 6,509,573,592 (₹ 4,068,483,495)].

(iii) Estimated amount of contracts remaining to be executed on capital account and not provided for NRs. 312,053,970 (₹ 195,033,731) [2072/73 - NRs. 47,513,340 (₹ 29,695,838); 2071/72 - NRs. 96,599,371 (₹ 60,374,607)].

(iv) Remuneration to Managing Director :

Particulars	For the year ended 31st Asadh 2074 (15th July 2017) In NRs.	For the year ended 31st Asadh 2074 (15th July 2017) In ₹	For the year ended 31st Asadh 2073 (15th July 2016) In NRs.	For the year ended 31st Asadh 2073 (15th July 2016) In ₹
Salary & Allowances	15,048,970	9,405,606	11,884,228	7,427,643
Other Benefits *	2,245,201	1,403,251	2,160,269	1,350,168
Post Employment Benefits	**	**	**	**
Total	**17,294,171**	**10,808,857**	**14,044,497**	**8,777,811**

Note:

The Managing Director and some of the other company employees have been granted stock options under the Employee Stock Option Scheme of the Holding Company (ITC Limited). Such options are granted at 'market price' [within the meaning of Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014]. Since such options are not tradable, no perquisite or benefit is immediately conferred upon the employee by such grant of options. The Company, however has recorded employee benefits expense by way of share based payments to employees, in accordance with NFRS 2, at NRs. 51,838,452 (₹ 32,399,033) for the year ended 31st Asadh 2074 [2072/73 – NRs. 64,091,317 (₹ 40,057,073)], out of which NRs. 19,714,877 (₹ 12,321,798) [2072/73 – NRs. 28,088,194 (₹17,555,121)] is attributable to Managing Director. During the year, 17,600 options (2072/73 – 16,000 options) were granted to the Managing Director.

* 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.

(v) Miscellaneous Expenses include reimbursement of expenses to statutory auditors amounting to NRs. 131,850 (₹ 82,406) [2072/73 - NRs. 146,600 (₹ 91,625)].

(vi) Related Party Disclosures

Nature of relationship and name of the related parties:

1. Holding Company
   ITC Limited, India
2. Fellow Subsidiary Companies
   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
      Technico Technologies Inc., Canada
      Technico Asia Holdings Pty Limited, Australia and its subsidiary
      Technico Horticultural (Kunming) Co. Limited, China
   h) Technico Agri Sciences Limited, India

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

i) Wimco Limited, India
j) Pavan Poplar Limited, India
k) Prag Agro 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
Indivate Inc., United States of America (w.e.f. 18.11.2016)
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 (ceased w.e.f 16.11.2016)
p) North East Nutrients Private Limited, India

The above list does not include ITC Global Holdings Pte. Limited, Singapore (in liquidation)

3. Associate of Holding Company
   a) Gujarat Hotels Limited, India
   b) International Travel House Limited, India
   – being associates of the Holding Company, and
   c) Tobacco Manufacturers (India) Limited, UK
   – of which the Holding Company is an associate
4. Associates of Holding Company's subsidiaries
   a) Russell Investments Limited, India
   b) Divya Management Limited, India
   c) Antrang Finance Limited, India
   – being associates of Russell Credit Limited, India and
   d) ATC Limited, India
   – being associate of Gold Flake Corporation Limited, India
5. Joint Venture of Holding Company
   a) Maharaja Heritage Resorts Limited, India
   b) Espirit Hotels Private Limited, India
   c) Logix Developers Private Limited, India
6. Joint Venture of Holding Company's Subsidiary
   a) ITC Essentra Limited, India
   – being joint venture of Gold Flake Corporation Limited

Note: King Maker Marketing, Inc. USA (KMM) ceased to be a subsidiary of Holding Company with effect from 16.11.2016 consequent to divestment of Holding Company's entire shareholding in KMM.

7. Key Management Personnel:

Y C Deveshwar	Chairman & Non-Executive Director (ceased w.e.f 28th February 2017)
S Puri	Chairman & Non-Executive Director (w.e.f 28th February 2017)
	Non-Executive Director (ceased w.e.f. 28th February 2017)
S Kaul	Alternate Director to Mr S Puri (w.e.f. 28th February 2017)
B Sumant	Non-Executive Director (w.e.f. 28th February 2017)
	Alternate Director to Mr Y C Deveshwar (ceased w.e.f. 28th February 2017)
A K Mukerji	Non-Executive Director
B B Chatterjee	Non-Executive Director
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

Disclosure of transactions between the Company and related parties during the year ended 31st Asadh, 2074 (15th July, 2017) and 31st Asadh, 2073 (15th July, 2016):

	For the year ended 31st Asadh, 2074 (15th July, 2017) In NRs.			For the year ended 31st Asadh, 2073 (15th July, 2016) In NRs.		
	Holding Company	Fellow Subsidiaries	Key Management Personnel*	Holding Company	Fellow Subsidiaries	Key Management Personnel*
Purchase of Goods/ Services	5,062,789,364	70,674,773		4,762,852,055	78,972,054	
Sitting Fees/ Incidental Expenses to Other Directors			94,118			97,059
Interest Expense	–			912,953		
Cost of Stock Option Reimbursable	51,838,452			64,091,317		
Machine Hire Charges	73,788,674			66,964,402		
Dividend Payments	3,544,531,200			2,830,867,200		
Expenses recovered	716,258			2,769,302		
Expenses reimbursed	1,632,323			3,500,875		
Advances Given	3,254,259,275			1,922,539,477		

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	For the year ended 31st Asadh, 2074 (15th July, 2017) In ₹			For the year ended 31st Asadh, 2073 (15th July, 2016) In ₹		
	Holding Company	Fellow Subsidiaries	Key Management Personnel*	Holding Company	Fellow Subsidiaries	Key Management Personnel*
Purchase of Goods/ Services	3,164,243,353	44,171,733		2,976,782,534	49,357,534	
Sitting Fees/ Incidental Expenses to Other Directors	-		58,824	-		60,662
Interest Expense	-			570,596		
Cost of Stock Option Reimbursable	32,399,033			40,057,073		
Machine Hire Charges	46,117,921			41,852,751		
Dividend Payments	2,215,332,000			1,769,292,000		
Expenses recovered	447,661			1,730,814		
Expenses reimbursed	1,020,202			2,188,047		
Advances Given	2,033,912,047			1,201,587,173		

* also refer to Note 30 (iv).

	For the year ended 31st Asadh, 2074 (15th July, 2017) In NRs.		For the year ended 31st Asadh, 2073 (15th July, 2016) In NRs.	
	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary
Purchase of Goods/ Services	3,256,401	824,942	3,241,063	1,433,810

	For the year ended 31st Asadh, 2074 (15th July, 2017) In ₹		For the year ended 31st Asadh, 2073 (15th July, 2016) In ₹	
	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary
Purchase of Goods/ Services	2,035,251	515,589	2,025,664	896,131

Disclosure of outstanding balances between the Company and related parties as on 31st Asadh, 2074 (15th July, 2017), 31st Asadh, 2073 (15th July, 2016) and 1st Shrawan, 2072 (17th July, 2015):

	As at 31st Asadh, 2074 (15th July, 2017) In NRs.		As at 31st Asadh, 2073 (15th July, 2016) In NRs.		As at 1st Shrawan, 2072 (17th July, 2015) In NRs.	
	Holding Company	Fellow Subsidiaries	Holding Company	Fellow Subsidiaries	Holding Company	Fellow Subsidiaries
- Advances / Other Receivables	1,985,003,140	-	1,326,281,948	-	1,878,869,928	-
- Creditors / Payables	435,347,986	52,100,937	447,518,759	66,436,764	423,990,339	81,231,500

	As at 31st Asadh, 2074 (15th July, 2017) In ₹		As at 31st Asadh, 2073 (15th July, 2016) In ₹		As at 1st Shrawan, 2072 (17th July, 2015) In ₹	
	Holding Company	Fellow Subsidiaries	Holding Company	Fellow Subsidiaries	Holding Company	Fellow Subsidiaries
- Advances / Other Receivables	1,240,626,963	-	828,926,218	-	1,174,293,705	-
- Creditors / Payables	272,092,491	32,563,086	279,699,224	41,522,978	264,993,962	50,769,688

	As at 31st Asadh, 2074 (15th July, 2017) In NRs.		As at 31st Asadh, 2073 (15th July, 2016) In NRs.		As at 1st Shrawan, 2072 (17th July, 2015) In NRs.	
	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary
- Creditors / Payables	10,267	-	89,268	-	210,442	122,028

	As at 31st Asadh, 2074 (15th July, 2017) In ₹		As at 31st Asadh, 2073 (15th July, 2016) In ₹		As at 1st Shrawan, 2072 (17th July, 2015) In ₹	
	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary	Associate of Holding Company	Joint Venture of Holding Company's Subsidiary
- Creditors / Payables	6,417	-	55,793	-	131,526	76,268

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(vii) Contingent liabilities:

A. 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 Excise 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 (₹ 11,962,283) 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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. 146,655,561 (₹ 91,659,726)] (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. 23,220,253 (₹ 14,512,658) [Previous year - NRs. 21,358,496 (₹ 13,349,060)], which are under appeal /reassessment.

(viii) The Company's significant leasing arrangements are in respect of operating leases for building premises (residential, office, godowns, etc.). These leasing arrangements which are not non-cancellable range between 1 year and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as 'Rent' under Note 25- Manufacturing, Selling and Administrative Expenses, etc.

(ix) Some of the employee(s) of the Company seconded from the Holding Company (ITC Limited), have been granted stock options under the ITC Employees Stock Option Scheme (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 Indian Rupee 1 each interalia upon payment of exercise price.

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

The Company has recognized the cost of options granted, as stated above, under the ITC Employee Stock Option Scheme (ITC ESOS) (equity - settled) in accordance with NFRS 2 – 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 NRs. 51,838,452 (₹ 32,399,033) [2072/73 – NRs. 64,091,317 (₹ 40,057,073)] (Refer Note 24) which represents the on-charge from ITC has been recognized as employee benefits expense with a corresponding payable, when such reimbursement is sought by ITC.

The details of such options granted by ITC and status of the outstanding options is as under:

Particulars	2073/74	2072/73
	No. of Options	No. of Options
Outstanding at the beginning of the year	220,040	184,925
Add: Granted during the year	48,450	38,885
Add: Corporate Action: Bonus by ITC	128,429	-
Less: Lapsed during the year	-	-
Add / (Less): Movement due to transfer of employees within group	36,820	-
Less: Exercised during the year	60,006	3,770
Outstanding at the end of the year	373,733	220,040
Options exercisable at the end of the year	247,303	135,324

(x) Figures have been rounded off to the nearest Nepalese Rupee.

31. Financial Instruments and Related Disclosures

1. Capital Management

The primary objective of the company's capital management is to maximize the shareholder value. The Company aims at maintaining a strong capital base and augments its internal generations with a judicious use of borrowing facilities to fund spikes in working capital that arise from time to time as well as requirements to finance business growth. The Company monitors the return on capital employed based on asset turnover and profitability ratio.

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.

2. Categories of Financial Instruments

Particulars	Note	Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹		Figures in NRs.		Figures in ₹	
		As at 31st Asadh 2074 (15th July 2017)		As at 31st Asadh 2074 (15th July 2017)		As at 31st Asadh 2073 (15th July 2016)		As at 31st Asadh 2073 (15th July 2016)		As at 1st Shrawan 2072 (17th July 2015)		As at 1st Shrawan 2072 (17th July 2015)	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	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	11	337,726,550	337,726,550	211,079,093	211,079,093	1,819,743,962	1,819,743,962	1,137,339,977	1,137,339,977	19,544,858	19,544,858	12,215,537	12,215,537
ii) Other Bank Balances	12	2,900,064,129	2,900,064,129	1,812,540,081	1,812,540,081	62,795	62,795	39,247	39,247	61,821	61,821	38,638	38,638
iii) Investments	4	25,632,338	23,253,419	16,020,211	14,533,387	25,632,338	23,557,665	16,020,211	14,723,541	25,632,338	23,850,543	16,020,211	14,906,589
iv) Loans	5	46,241,646	30,751,622	28,901,029	19,219,764	54,780,883	40,900,116	34,238,052	25,562,572	65,645,111	47,368,238	41,028,194	29,605,149
v) Trade Receivables	10	77,255,350	77,255,350	48,284,594	48,284,594	81,033,402	81,033,402	50,645,876	50,645,876	151,655,480	151,655,480	94,784,676	94,784,676
vi) Other Financial assets	6	26,138,491	26,138,491	16,336,557	16,336,557	1,397,817	1,276,642	873,636	797,901	3,253,955	3,045,612	2,033,723	1,903,507
Sub - total		**3,413,058,504**	**3,395,189,561**	**2,133,161,565**	**2,121,993,476**	**1,982,651,197**	**1,966,574,582**	**1,239,156,999**	**1,229,109,114**	**265,793,563**	**245,526,551**	**166,120,979**	**153,454,096**
b) Derivatives measured at fair value													
i) Derivative instruments not designated as hedging instruments	6	624,276	624,276	390,173	390,173	352,948	352,948	220,593	220,593	215,570	215,570	134,731	134,731
Sub - total		**624,276**	**624,276**	**390,173**	**390,173**	**352,948**	**352,948**	**220,593**	**220,593**	**215,570**	**215,570**	**134,731**	**134,731**
Total financial assets		**3,413,682,780**	**3,395,813,837**	**2,133,551,738**	**2,122,383,649**	**1,983,004,145**	**1,966,927,530**	**1,239,377,592**	**1,229,329,707**	**266,009,133**	**245,742,121**	**166,255,710**	**153,588,827**
B. Financial liabilities													
a) Measured at amortised cost													
i) Borrowings	15	–	–	–	–	–	–	–	–	926,827,907	926,827,907	579,267,442	579,267,442
ii) Trade Payables	16	833,732,775	833,732,775	521,082,984	521,082,984	810,605,924	810,605,924	506,628,703	506,628,703	853,607,307	853,607,307	533,504,567	533,504,567
iii) Other financial liabilities	17	35,433,367	35,433,367	22,145,855	22,145,855	65,582,179	65,582,179	40,988,862	40,988,862	230,745,811	230,745,811	144,216,133	144,216,133
Sub - total		**869,166,142**	**869,166,142**	**543,228,839**	**543,228,839**	**876,188,103**	**876,188,103**	**547,617,565**	**547,617,565**	**2,011,181,025**	**2,011,181,025**	**1,256,988,142**	**1,256,988,142**
b) Derivatives measured at fair value													
i) Derivative instruments not designated as hedging instruments	17	912,291	912,291	570,182	570,182	825,046	825,046	515,654	515,654	3,219,800	3,219,800	2,012,376	2,012,376
Sub - total		**912,291**	**912,291**	**570,182**	**570,182**	**825,046**	**825,046**	**515,654**	**515,654**	**3,219,800**	**3,219,800**	**2,012,376**	**2,012,376**
Total financial liabilities		**870,078,433**	**870,078,433**	**543,799,021**	**543,799,021**	**877,013,149**	**877,013,149**	**548,133,219**	**548,133,219**	**2,014,400,825**	**2,014,400,825**	**1,259,000,518**	**1,259,000,518**

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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 continues to focus on a system-based approach to 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 is based on internal policies and procedures which are in compliance with applicable regulations. The Company has a process of regular reviews / audits for monitoring of such risks.

a) Market risk

Market risk comprises of foreign currency risk and interest rate risk.

i. Foreign currency risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar, Euro and GBP) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency (other than Indian Rupee) are subject to reinstatement risks.

The carrying amounts of foreign currency denominated financial assets and liabilities including derivatives contracts are as follows:

(Amount in NRs.)

As at 31st Asadh, 2074 (15th July 2017)	USD	EURO	GBP	Total
Financial Assets	8,358,420	-	-	8,374,675
Financial Liabilities	54,203,455	565,497	14,685	54,783,638

(Amount in ₹)

As at 31st Asadh, 2074 (15th July 2017)	USD	EURO	GBP	Total
Financial Assets	5,224,013	-	-	5,234,172
Financial Liabilities	33,877,159	353,436	9,178	34,239,773

(Amount in NRs.)

As at 31st Asadh, 2073 (15th July 2016)	USD	EURO	GBP	Total
Financial Assets	8,638,555	-	-	8,638,555
Financial Liabilities	3,696,156	108,665	633	3,805,453

(Amount in ₹)

As at 31st Asadh, 2073 (15th July 2016)	USD	EURO	GBP	Total
Financial Assets	5,399,097	-	-	5,399,097
Financial Liabilities	2,310,098	67,916	396	2,378,410

(Amount in NRs.)

As at 1st Shrawan, 2072 (17th July 2015)	USD	EURO	GBP	Total
Financial Assets	8,153,703	-	-	8,153,703
Financial Liabilities	6,013,994	72,075,197	2,735,909	80,825,100

(Amount in ₹)

As at 1st Shrawan, 2072 (17th July 2015)	USD	EURO	GBP	Total
Financial Assets	5,096,064	-	-	5,096,064
Financial Liabilities	3,758,746	45,046,998	1,709,943	50,515,687

The Company uses derivatives, such as forward exchange contracts, to manage the business risk arising out of the underlying foreign currency transactions, which serves as an economic hedge. Such forward exchange contracts that were outstanding on respective reporting dates are as follows:

(Amount in Foreign Currency)

Currency	Cross Currency	As at 31st Asadh, 2074 (15th July 2017) Buy	As at 31st Asadh, 2073 (15th July 2016) Buy	As at 1st Shrawan, 2072 (17th July 2015) Buy
US Dollar	NRs	845,340	1,026,852	399,065
Euro	NRs	245,818	180,475	652,918
GBP	NRs	-	2,109	11,028

Hedges of Foreign currency risk and derivative financial instruments

The Company uses derivatives to hedge its exposure to changes in movement in foreign currency. Where such derivatives are not designated under hedge accounting and changes in the fair value of such hedges are recognised in the Statement of Profit or Loss and Other Comprehensive Income. The counter parties in these derivative instruments are highly rated commercial banks and the Company considers the risk of non-performance by such counter parties as not material.

Foreign currency sensitivity

As the foreign currency risk on the Statement of Financial Position date is not significant, no sensitivity disclosures have been made.

ii. Interest rate risk

The objectives of the Company's interest rate risk management processes are to lessen the impact of adverse interest rate movements on its statement of profit or loss and other comprehensive income and cash flows and to minimise counter party risks.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The Company is exposed to interest rate risk primarily with respect to its short terms borrowings from banks to fund spikes in working capital that arise from time to time. Such risks arise primarily due to changes in money supply within the economy and/or liquidity in banking system. In view of the short term nature of such borrowings, impact of such interest rate risk is insignificant.

The Company's investments are predominantly held in Fixed Deposits. Such deposits are held with highly rated commercial banks and have a short term tenure and are not subject to interest rate volatility. The Company ensures optimisation of cash through fund planning and robust cash management practices.

Counter party risk is managed by operating with highly rated commercial banks.

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's investment decisions relating to deployment of surplus liquidity are guided by the tenets of safety, liquidity and return. The Company also maintains adequate credit lines with the commercial banks to fund spikes in working capital that arise from time to time.

The Company's Current assets aggregate to NRs. 7,770,552,420 (₹ 4,856,595,263) [2072/73 – NRs. 5,772,923,147 (₹ 3,608,076,968); 2071/72 – NRs. 3,212,085,202 (₹ 2,007,553,254)] including Cash and cash equivalents and Other bank balances of NRs. 3,237,790,679 (₹ 2,023,619,174) [2072/73 – NRs. 1,819,806,757 (₹ 1,137,379,224); 2071/72 – NRs. 19,606,679 (₹ 12,254,175)] against an aggregate Current liability (excluding borrowings) of NRs. 3,079,050,777 (₹ 1,924,406,734) [2072/73 – NRs. 2,989,716,944 (₹ 1,868,573,091); 2071/72 – NRs. 2,576,771,100 (₹ 1,610,481,942)] on the reporting date.

Further, while the Company's total equity stands at NRs. 12,303,490,023 (₹ 7,689,681,267) [2072/73 – NRs. 10,531,791,016 (₹ 6,582,369,386); 2071/72 – NRs. 8,811,170,108 (₹ 5,506,981,318)], it has borrowings of NRs. Nil (₹ Nil) [2072/73 – NRs. Nil (₹ Nil); 2071/72 – NRs. 926,827,907 (₹ 579,267,442)]. In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

c) Credit risk

The Company's short term surpluses are deployed in fixed and call deposits with highly rated commercial banks. The investment in fixed and call deposits stood at NRs. 3,230,932,330 (₹ 2,019,332,706) [2072/73 – NRs. 1,796,041,352 (₹ 1,122,525,845); 2071/72 – NRs. 18,065,497 (₹ 11,290,936)] at amortised cost. The commercial banks for placement of such deposits are short listed and exposure limits are determined on the basis of their credit rating, financial statements and other relevant information which are periodically reviewed.

The Company has policy of dealing on cash terms, to the extent practicable. Credit is extended in business interest in accordance with guidelines which takes into account various factors such as market feedback, past trading patterns, etc. The Company during the course of its operations deals with a large number of customers limiting the risk of credit concentration. The Company's exposure to trade receivables on the reporting date, net of expected loss provisions stood at NRs. 77,255,350 (₹ 48,284,594) [2072/73 – NRs. 81,033,402 (₹ 50,645,876); 2071/72 – NRs. 151,655,480 (₹ 94,784,676)]. The Company's historical experience of collecting receivables and the level of default indicate that the credit risk is low. Loss allowances are recognized, where considered appropriate by the Management. The movement of the expected loss provision (allowance for bad and doubtful loans and receivables etc.) made by the Company are as under:

(Amount in NRs.)

Particulars	Expected Loss Provision	
	31st Asadh 2074 (15th July 2017)	31st Asadh 2073 (15th July 2016)
Opening Balance	2,430,251	2,589,953
Add: Provisions Made	–	–
Less: Utilisation for impairment / de-recognition	(9,416)	(159,702)
Closing Balance	2,420,835	2,430,251

(Amount in ₹)

Particulars	Expected Loss Provision	
	31st Asadh 2074 (15th July 2017)	31st Asadh 2073 (15th July 2016)
Opening Balance	1,518,907	1,618,721
Add: Provisions Made	–	–
Less: Utilisation for impairment / de-recognition	(5,885)	(99,814)
Closing Balance	1,513,022	1,518,907

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 market approach and 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.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis.

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:

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Fair Value Hierarchy

Particulars	Fair Value Hierarchy (Level)	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
		As at 31st Asadh 2074 (15th July 2017)	As at 31st Asadh 2074 (15th July 2017)	As at 31st Asadh 2073 (15th July 2016)	As at 31st Asadh 2073 (15th July 2016)	As at 1st Shrawan 2072 (17th July 2015)	As at 1st Shrawan 2072 (17th July 2015)
A. Financial Assets							
a) Measured at amortised cost *							
i) Investment in Government Bonds	2	23,253,419	14,533,387	23,557,665	14,723,541	23,850,543	14,906,589
ii) Loans	3	21,072,364	13,170,228	29,668,742	18,542,964	36,590,447	22,869,029
iii) Other Financial Assets	3	–	–	759,650	474,781	672,482	420,301
Sub-Total		**44,325,783**	**27,703,615**	**53,986,057**	**33,741,286**	**61,113,471**	**38,195,919**
b) Derivatives measured at fair value							
i) Derivative instruments not designated as hedging instruments	2	624,276	390,173	352,948	220,593	215,570	134,731
Sub-Total		**624,276**	**390,173**	**352,948**	**220,593**	**215,570**	**134,731**
Total financial assets		**44,950,059**	**28,093,788**	**54,339,005**	**33,961,879**	**61,329,041**	**38,330,650**
B. Financial liabilities							
a) Derivatives measured at fair value							
i) Derivative instruments not designated as hedging instruments	2	912,291	570,182	825,046	515,654	3,219,800	2,012,376
Total financial liabilities		**912,291**	**570,182**	**825,046**	**515,654**	**3,219,800**	**2,012,376**

* Represents Fair Value of Non-current Financial Instruments.

32. First Time Adoption of NFRS

(i) NFRS 1 (First-time Adoption of Nepal Financial Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters. The Company has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2072 (17th July, 2015) (the transition date) by:

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

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

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

d. applying NFRS in measurement of recognised assets and liabilities.

(ii) A. Reconciliation of total comprehensive income for the year ended 31st Asadh, 2073 (15th July, 2016) is summarized as follows:

Particulars	Notes	Year ended 31st Asadh, 2073 (15th July, 2016) In NRs.	Year ended 31st Asadh, 2073 (15th July, 2016) In ₹
Profit After Tax as reported under previous GAAP		**6,518,700,908**	**4,074,188,068**
Impact of recognising the cost of stock options at fair value	(iii) (b)	(64,091,317)	(40,057,073)
Reclassification of actuarial gains/losses, arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	(iv) (a)	45,882,841	28,676,776
Tax Adjustments	(iv) (a)	(13,764,852)	(8,603,033)
Profit After Tax as reported under NFRS		**6,486,727,580**	**4,054,204,737**
Other Comprehensive Income (net of tax)		**(32,117,989)**	**(20,073,742)**
Total Comprehensive Income as reported under NFRS		**6,454,609,591**	**4,034,130,995**

B. There is no change in total equity as reported under previous GAAP and as reported under NFRS.

(iii) NFRS 1 mandates certain exceptions and allows first-time adopters exemptions from the retrospective application of certain requirements under NFRS. The Company has applied the following exemptions in the financial statements:

a. The Company had revalued certain Freehold land, based on professional valuation, as at 17.12.2043 (31.03.1987) and had a balance of NRs. 12,181,280 (₹ 7,613,300) in Revaluation Reserve on the date of transition. On transition, such revaluation reserve has been adjusted in retained earnings.

b. Under previous GAAP, the cost of options granted to managers on secondment from ITC Limited under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method. Under this method, no expenses were required to be recognised in the Statement of profit or loss and other comprehensive income as the fair value of the shares on the date of grant equalled the exercise price. Under NFRS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date on a straight line basis over the vesting / service period. The cost of stock options is recognized in the Statement of profit or loss and other comprehensive income with a corresponding payable, when such reimbursement is sought by ITC.

(iv) In addition to the above, the principal adjustment made by the Company in restating its previous GAAP financial statements, including the statement of financial position as at 1st Shrawan, 2072 (17th July, 2015) and the financial statements as at and for the year ended 31st Asadh, 2073 (15th July, 2016) is detailed below:

a. Under previous GAAP, actuarial gains and losses related to the defined benefit schemes for gratuity and other retirement benefits were recognised in profit or loss. Under NFRS, 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.

Vikas Bhutra
Head of Finance

Abhimanyu Kumar Poddar
Managing Director

Saurya SJB Rana
Alternate Director

B Sumant
Director

S Puri
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: 30th Bhadra 2074 (15th September 2017)

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

2. **COMPANY PERFORMANCE**

Your Company earned total income of ₹ 344.05 lakhs during the year under review. The Company remains committed to its growth strategy through its joint venture interest in ITC Essentra Limited and continues to explore newer growth opportunities. The temporary surplus funds of the Company, in the meantime, have been deployed in bank fixed deposits and debt mutual funds.

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

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
Profits		
a. Profit Before Tax	**2,54,05,437**	2,79,80,300
b. Less : Tax Expense	**17,01,402**	24,35,629
c. Profit After Tax	**2,37,04,035**	2,55,44,671
d. Add : Other Comprehensive Income	**–**	–
e. Total Comprehensive Income	**2,37,04,035**	2,55,44,671
Retained Earnings		
a. At the beginning of the year	**8,70,41,730**	6,14,97,059
b. Add : Profit for the year	**2,37,04,035**	2,55,44,671
c. Add : Other Comprehensive Income	**–**	–
d. Less : Interim Dividend paid (recommended as Final Dividend)	**4,39,95,559**	–
e. Less : Income Tax on Interim Dividend	**89,56,461**	–
f. At the end of the year	**5,77,93,745**	8,70,41,730

3. **DIVIDEND**

Interim Dividend of ₹ 2.75 per Equity Share, aggregating ₹ 439.96 lakhs, was declared by your Directors on 14th March, 2018, out of the profits of the Company for payment to the Members whose names appeared in 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, 2018.

4. **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

During the year under review, Mr. Biswa Behari Chatterjee, consequent to his retirement from the services of ITC Limited, the Holding Company, stepped down as Non-Executive Director of your Company with effect from close of work on 3rd February, 2018. Mr. Subhatosh Banerjee and Ms. Anindita Guhamallick, on completion of their term, ceased to be Independent Directors of your Company with effect from 16th March, 2018. Your Directors place on record their appreciation for the contributions made by Mr. Chatterjee, Mr. Banerjee and Ms. Guhamallick during their respective tenure.

The Board of Directors of your Company ('the Board'), on the recommendation of the erstwhile Nomination and Remuneration Committee, appointed Mr. Rajesh Poddar (DIN: 00297605) as Additional Director of the Company with effect from 15th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 97 of the Articles of Association of the Company, Mr. Poddar will vacate office at the ensuing Annual General Meeting ('AGM') and is eligible for appointment as a Director of the Company. Your Board at the meeting held on 26th April, 2018 recommended for the approval of the Members, the appointment of Mr. Poddar as a Non-Executive Director of your Company, liable to retire by rotation. Requisite notice under Section 160 of the Act has been received by the Company for appointment of Mr. Poddar, who has also filed his consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Poddar's appointment is appearing in the Notice convening the ensuing AGM of the Company.

The Board, on the recommendation of the erstwhile Nomination and Remuneration Committee, re-appointed Ms. Nidhi Bajaj as the Manager of the Company from 1st October, 2017, in terms of the provisions of Sections 196 and 203 of the Act, subject to the approval of the Members of the Company. Appropriate resolution seeking your approval to Ms. Bajaj's re-appointment as Manager is appearing in the Notice convening the ensuing AGM of the Company. Ms. Bajaj is also the Company Secretary of the Company.

(b) **Retirement by Rotation**

In accordance with the provisions of Section 152(6) of the Act read with Article 92 of the Articles of Association of the Company, Mr. Rajiv Tandon (DIN: 00042227), 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.

5. **BOARD AND BOARD COMMITTEES**

Your Company, being a wholly owned subsidiary, is no longer required to constitute Audit Committee and Nomination and Remuneration Committee, in terms of Notification dated 13th July, 2017 issued by the Ministry of Corporate Affairs, Government of India. Accordingly, your Board dissolved the Audit Committee and Nomination and Remuneration Committee of the Company with effect from 16th March, 2018.

Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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. **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 2017-18 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)	FY 2017-18 (₹ in lakhs)	FY 2016-17 (₹ in lakhs)
ATC Limited (associate company)	**2,312.96**	2,102.79	**66.47**	22.11
ITC Essentra Limited (joint venture company)	**24,914.00**	27,146.84	**1,645.21**	994.18

8. **PARTICULARS OF EMPLOYEES**

The details of employees of the Company 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 risk management framework of the Company is commensurate with its size and nature of business. 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 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.

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 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.

11. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2018, 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, 2018, 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.

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 2** to this Report.

15. 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. 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-Fifth AGM. The Board has also recommended for the approval of the Members, remuneration of LBJ for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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.

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

On behalf of the Board

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

Dated : 26th April, 2018

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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	33	Chief Financial Officer	37,98,975/-	24,53,842/-	B. Com (Hons.), A.C.A.	10	01.01.2015	ITC Limited – Manager (Finance)
N. Bajaj	34	Manager & Company Secretary	29,44,487/-	21,09,221/-	B. Com (Hons.), M.B.L., A.C.S.	10	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 and employee's own contribution to provident fund.
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*
S. Dutta *Director*

Dated : 26th April, 2018

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, 2018

[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**

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**									
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)	**–**	**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**			
	Datewise 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	27,55,066
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	1,18,387
	(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)		**28,73,453**
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, 2018 are inadequate. The appointment of Ms. Bajaj 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.

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
	S. Dutta				
	R. Poddar				
	Total Amount (B)(2)				**Nil**
Total Amount (B) = (B)(1) + (B)(2)					**Nil**
Total Managerial Remuneration (A + B)					**28,73,453**
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, 2018 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	35,76,770
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	1,38,877
	(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		**37,15,647**

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*

S. Dutta *Director*

Dated : 26th April, 2018

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, 2018, 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, 2018, 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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.

For L. B. Jha & Co.
Chartered Accountants
(Firm's Registration number: 301088E)

Diptendra Narayan Roy
Partner
(Membership number: 300389)

Place : Kolkata
Date : 26th April, 2018

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 property, plant and equipment.
   (b) The property, plant and equipment 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 4 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, goods and services 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 or goods and services 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, 2018 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 16 (vi) 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's Registration number: 301088E)

Diptendra Narayan Roy
Partner
(Membership number: 300389)

Place : Kolkata
Date : 26th April, 2018

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, 2018 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 statement 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, 2018, 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
(Firm's Registration number: 301088E)

Diptendra Narayan Roy
Partner
(Membership number: 300389)

Place : Kolkata
Date : 26th April, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note		As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	3		10,921		24,103
(b) Financial Assets					
Investments	4		6,00,63,750		6,00,63,750
(c) Other non-current assets	5		7,13,971		1,37,038
Current assets					
(a) Financial Assets					
(i) Investments	6	25,27,649		–	
(ii) Cash and cash equivalents	7	1,47,065		1,76,71,043	
(iii) Other Bank Balances	8	15,12,94,939		17,59,72,799	
(iv) Others	9	1,18,10,323	16,57,79,976	24,57,280	19,61,01,122
TOTAL ASSETS			**22,65,68,618**		25,63,26,013
EQUITY AND LIABILITIES					
Equity					
(a) Equity Share capital	10	15,99,83,850		15,99,83,850	
(b) Other Equity		6,65,19,968	22,65,03,818	9,57,67,953	25,57,51,803
Liabilities					
Current liabilities					
(a) Financial Liabilities					
Other financial liabilities	11		64,800		5,74,210
TOTAL EQUITY AND LIABILITIES			**22,65,68,618**		25,63,26,013

The accompanying notes 1 to 16 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.
Chartered Accountants
(Firm's Registration number: 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY
Partner
(Membership number: 300389)
Kolkata, 26th April, 2018

R. TANDON *Chairman* — S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* — N. BAJAJ *Manager & Company Secretary*

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
I	Other Income	12	3,44,05,149	3,46,47,049
	Total Income (I)		**3,44,05,149**	3,46,47,049
II	**EXPENSES**			
	Employee benefits expense	13	84,13,925	61,44,207
	Depreciation expense		13,182	13,218
	Other expenses	14	5,72,605	5,09,324
	Total Expenses (II)		**89,99,712**	66,66,749
III	**Profit before tax (I - II)**		**2,54,05,437**	2,79,80,300
IV	**Tax expense:**			
	Current Tax	15	17,01,402	24,35,629
V	**Profit for the year (III - IV)**		**2,37,04,035**	2,55,44,671
VI	**Other Comprehensive Income**		–	–
VII	**Total Comprehensive Income for the year (V + VI)**		**2,37,04,035**	2,55,44,671
VIII	Earnings per share (Face Value of ₹ 10.00 each) – Basic and Diluted (in ₹)	16 (i)	**1.48**	1.60

The accompanying notes 1 to 16 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.
Chartered Accountants
(Firm's Registration number: 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY
Partner
(Membership number: 300389)
Kolkata, 26th April, 2018

R. TANDON *Chairman* — S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* — N. BAJAJ *Manager & Company Secretary*

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

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, 2017	15,99,83,850	–	15,99,83,850
For the year ended 31st March, 2018	15,99,83,850	–	15,99,83,850

B. Other Equity (₹)

	Reserves and Surplus		Total
	General Reserve	Retained Earnings	
Balance as at 31st March, 2016	87,26,223	6,14,97,059	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	**87,26,223**	**8,70,41,730**	**9,57,67,953**
Profit for the year	–	2,37,04,035	2,37,04,035
Other Comprehensive Income (net of tax)	–	–	–
Total Comprehensive Income for the year	–	**2,37,04,035**	**2,37,04,035**
Dividend paid	–	(4,39,95,559)	(4,39,95,559)
Income tax on Dividend paid	–	(89,56,461)	(89,56,461)
Balance as at 31st March, 2018	**87,26,223**	**5,77,93,745**	**6,65,19,968**

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. This Reserve can be utilised in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 16 are an integral part of the Financial Statements.

In terms of our report attached.
For L. B. Jha & Co.
Chartered Accountants
(Firm's Registration number: 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY
Partner
(Membership number: 300389)
Kolkata, 26th April, 2018

R. TANDON *Chairman* — S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* — N. BAJAJ *Manager & Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
A. Cash Flow from Operating Activities		
PROFIT BEFORE TAX	**2,54,05,437**	2,79,80,300
ADJUSTMENTS FOR:		
Depreciation expense	13,182	13,218
Interest Income	(1,15,86,377)	(1,43,75,219)
Dividend Income	(2,02,50,000)	(2,02,50,000)
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit and loss	(25,68,772)	–
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**(89,86,530)**	(66,31,701)
ADJUSTMENTS FOR:		
Other financial liabilities	(5,09,410)	5,37,635
CASH USED IN OPERATIONS	**(94,95,940)**	(60,94,066)
Income tax paid	(22,78,335)	(21,33,046)
NET CASH USED IN OPERATING ACTIVITIES	**(1,17,74,275)**	(82,27,112)
B. Cash Flow from Investing Activities		
Purchase of current investments	(44,67,51,000)	–
Sale / redemption of current investments	44,67,92,123	–
Dividend Income	2,02,50,000	2,02,50,000
Interest received	1,22,33,334	1,44,06,362
Investment in bank deposits (original maturity more than 3 months)	(18,49,84,541)	(13,27,92,308)
Redemption / maturity of bank deposits (original maturity more than 3 months)	20,96,62,401	12,38,88,361
Investment in deposits with housing finance company	(1,00,00,000)	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	**4,72,02,317**	2,57,52,415
C. Cash Flow from Financing Activities		
Dividend paid	(4,39,95,559)	–
Income tax on dividend paid	(89,56,461)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**(5,29,52,020)**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,75,23,978)**	1,75,25,303
OPENING CASH AND CASH EQUIVALENTS	**1,76,71,043**	1,45,740
CLOSING CASH AND CASH EQUIVALENTS (Note 7)	**1,47,065**	1,76,71,043

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 16 are an integral part of the Financial Statements.

In terms of our report attached.
For L. B. Jha & Co.
Chartered Accountants
(Firm's Registration number: 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY
Partner
(Membership number: 300389)
Kolkata, 26th April, 2018

R. TANDON *Chairman* — S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* — N. BAJAJ *Manager & Company Secretary*

NOTES TO THE FINANCIAL STATEMENTS

1. 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 Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. The date of transition to Ind AS is 1st April, 2015.

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. 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. The estimated useful lives of property, plant and equipment of the Company are as follows:

Office Equipment - Desktop	3 years

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.

Investment in Subsidiaries, Associates and Joint Ventures

Investment in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment, if any.

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

Recognition: Financial assets include investments, trade receivables, advances, security deposits, cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

The financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on their fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, advances, security deposits, cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed the Company shall reclassify all affected financial assets prospectively from the

reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are de-recognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income Recognition: 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.

Financial Liabilities

Trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are de-recognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

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.

Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

Employee Share Based Compensation

The cost of options granted by ITC Limited, the Holding Company, to eligible employees deputed to the 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 recognized 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.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

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.

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 so 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.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

2. Use of Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these 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, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Useful lives of property, plant and equipment:

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.

ii. Fair value measurements and valuation processes:

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses other methods, including third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share based payments are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(Amount in ₹)

Particulars	Gross Block							Depreciation and Amortization							Net Book Value	
	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017	**Additions**	**Withdrawals and adjustments**	**As at 31st March, 2018**	Upto 31st March, 2016	For the year	On Withdrawals and adjustments	Upto 31st March, 2017	**For the year**	**On Withdrawals and adjustments**	**Upto 31st March, 2018**	**As at 31st March, 2018**	As at 31st March, 2017
3. Property, Plant and Equipment																
Office Equipment	41,739	–	–	41,739	–	–	41,739	4,418	13,218	–	17,636	13,182	–	30,818	10,921	24,103
TOTAL	41,739	–	–	41,739	–	–	**41,739**	4,418	13,218	–	17,636	**13,182**	–	**30,818**	**10,921**	24,103

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
4. Non-current investments	**Unquoted**	Unquoted
INVESTMENT IN EQUITY INSTRUMENTS		
In Associates (at cost unless stated otherwise)		
ATC Limited		
55,650 (2017 - 55,650) Equity Shares of ₹ 100.00 each, fully paid	83,47,500	83,47,500
1,39,125 (2017 - 1,39,125) Equity Shares of ₹ 100.00 each, ₹ 70.00 paid	2,92,16,250	2,92,16,250
In Joint Ventures (at cost unless stated otherwise)		
ITC Essentra Limited		
22,50,000 (2017 - 22,50,000) Equity Shares of ₹ 10.00 each, fully paid	2,25,00,000	2,25,00,000
TOTAL	**6,00,63,750**	6,00,63,750
5. Other assets	**Non-Current**	Non-Current
Advance Tax (net of provisions)	7,13,971	1,37,038
TOTAL	**7,13,971**	1,37,038
6. Current investments	**Unquoted**	Unquoted
(at fair value through profit or loss unless stated otherwise)		
INVESTMENT IN MUTUAL FUNDS		
Aditya Birla Sun Life Savings Fund	25,27,649	–
7,349 (2017 - NIL) units of ₹ 100.00 each		
TOTAL	**25,27,649**	–
Aggregate amount of quoted and unquoted investments	**25,27,649**	
7. Cash and cash equivalents@		
Balances with Banks		
Current accounts	1,47,065	5,71,043
Deposit accounts	–	1,71,00,000
TOTAL	**1,47,065**	1,76,71,043

@Cash and cash equivalents include cash on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

8. Other bank balances		
In deposit accounts *	15,12,94,939	17,59,72,799
TOTAL	**15,12,94,939**	17,59,72,799

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

9. Other financial assets		
Deposits	1,00,00,000	–
Interest accrued on bank deposits	18,10,323	24,57,280
TOTAL	**1,18,10,323**	24,57,280

	As at 31st March, 2018 (No. of Shares)	**As at 31st March, 2018 (₹)**	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)
10. 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
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

A) Reconciliation of number of Equity Shares outstanding

As at beginning and at the end of the year	**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, 2018 (No. of Shares)	**As at 31st March, 2018 (%)**	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (%)
ITC Limited - the Holding Company	**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, 2018 (₹)	As at 31st March, 2017 (₹)
11. Other financial liabilities		
Current		
Others (Liabilities for expenses)	64,800	5,74,210
TOTAL	**64,800**	5,74,210

	For the Year ended 31st March, 2018 (₹)	For the Year ended 31st March, 2017 (₹)
12. Other income		
Interest income	1,15,86,377	1,43,97,049
Dividend income	2,02,50,000	2,02,50,000
Other gains and losses	25,68,772	–
TOTAL	**3,44,05,149**	3,46,47,049
Interest income comprises interest from:		
a) Deposits with banks - carried at amortised cost	1,15,86,377	1,43,75,219
b) Others (from statutory authorities)	–	21,830
TOTAL	**1,15,86,377**	1,43,97,049
Dividend income comprises dividend from:		
Other investments	2,02,50,000	2,02,50,000
TOTAL	**2,02,50,000**	2,02,50,000
Other gains and lossess:		
Net gain arising on financial assets (current investments) mandatorily measured at FVTPL*	25,68,772	–
TOTAL	**25,68,772**	–

* Includes ₹ 24,76,511 (2017 - ₹ NIL) being net gain on sale of investments.

13. Employee benefits expense		
Salaries and wages	–	37,500
Remuneration of managers' salary on deputation *	84,13,925	61,06,707
TOTAL	**84,13,925**	61,44,207

* Includes reimbursement on account of share based payment ₹ 16,70,463 (2017 - ₹ 5,11,210) [Refer Note 16(vii)]

14. Other expenses		
Directors' sitting fees	3,40,000	2,80,000
Rates and taxes	91,055	65,040
Insurance	1,550	633
Bank charges	645	913
Consultancy / Professional fees	43,345	67,838
Printing and stationery	–	1,200
Miscellaneous expenses	96,010	93,700
TOTAL	**5,72,605**	5,09,324
Miscellaneous expenses include :		
Auditors' remuneration and expenses*		
Audit fees	60,000	60,000
Tax audit fees	10,000	10,000
Fees for other services	26,000	23,500

* Excluding taxes.

15. Income tax expenses		
A. Amount recognised in profit or loss		
Current tax		
Income tax for the year		
Current tax	19,00,000	26,50,000
Adjustments / (credits) related to previous years - Net	(1,98,598)	(2,14,371)
TOTAL	**17,01,402**	24,35,629
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	**2,54,05,437**	2,79,80,300
Income tax expense calculated at @ 25.75% (2017- 29.87%)	65,41,900	83,57,715
Effect of tax relating to uncertain tax positions	5,84,808	3,32,109
Effects of difference in taxable income / deductible expense	1,386	8,851
Effects of income not taxable	(52,28,094)	(60,48,675)
Total	**19,00,000**	26,50,000
Adjustments recognised in the current year in relation to the current tax of prior years	(1,98,598)	(2,14,371)
Income tax recognised in profit or loss	**17,01,402**	24,35,629

The tax rate used for the year 2017-18 and 2016-17 reconciliations above is the corporate tax rate of
- 25.75% (25% and education cess @ 3%) in 2017-18 and
- 29.87% (29% and education cess @ 3%) in 2016-17
payable on taxable profits under the Income Tax Act, 1961.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

16. Additional Notes to the Financial Statements

(i) Earnings per share:

Earnings per share has been computed as under:	**2018**	2017
(a) Profit for the year (₹)	**2,37,04,035**	2,55,44,671
(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 ₹)	**1.48**	1.60

(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 (2017 - ₹ 1,25,21,250).

(iii) Micro, Small and Medium scale 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, 2018. 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) Segment Reporting

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

	2018	2017
Non-current assets (In India)	**7,24,892**	1,61,141

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.

(v) The incidence of Deferred tax being insignificant is not considered.

(vi) **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 (upto 03.02.2018)
– Mr. S. Dutta	Non-Executive Director
– Mr. S. Banerjee	Independent Director (upto 15.03.2018)
– Ms. A. Guhamallick	Independent Director (upto 15.03.2018)
– Mr. R. Poddar	Additional Non-Executive Director (w.e.f. 15.03.2018)
– Mr. V. Luharuka	Chief Financial Officer
– Ms. N. Bajaj	Manager & Company Secretary

(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 31.03.2018

(Amount in ₹)

	Related Party Transaction Summary	Holding Company		Joint Venture		Key Management Personnel		Total	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
1	Purchase of Internal audit services	**28,320**	27,600	**–**	–	**–**	–	**28,320**	27,600
2	Dividend Income	**–**	–	**2,02,50,000**	2,02,50,000	**–**	–	**2,02,50,000**	2,02,50,000
3	Directors' sitting fees - Other benefits								
	- Mr. S. Banerjee	**–**	–	**–**	–	**1,70,000**	1,40,000	**1,70,000**	1,40,000
	- Ms. A. Guhamallick	**–**	–	**–**	–	**1,70,000**	1,40,000	**1,70,000**	1,40,000
4.	Remuneration of managers on deputation reimbursed								
	- for Chief Financial Officer	**37,98,975**	34,04,662	**–**	–	**–**	–	**37,98,975**	34,04,662
	- for Manager & Company Secretary	**29,44,487**	21,90,835	**–**	–	**–**	37,500	**29,44,487**	22,28,335
5	Interim Dividend Paid	**4,39,95,559**	–	**–**	–	**–**	–	**4,39,95,559**	–
	Balances as at 31st March								
6	Payables	**–**	5,11,210	**–**	–	**–**	–	**–**	5,11,210

(vii) The Chief Financial Officer of the Company, who is on deputation from ITC Limited (ITC), has 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.

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, 2018	As at 31st March, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	3,660	–
Add: Granted during the year @	3,660	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	7,320	3,660
Options exercisable at the end of the year	1,098	–

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

@ Represents Options granted to the Chief Financial Officer of the Company. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant.

In accordance with Ind AS 102, the Company has recognised an amount of ₹ 16,70,463 (2017 - ₹ 5,11,210) [Refer Note 13] by way of share based payments. Such charge has been recognised as employee benefits expense. The above amount is attributable to Key Management Personnel, Mr. V. Luharuka.

(viii) 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.

(ix) **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, 2018	As at 31st March, 2017	
ATC Limited	Hosur, India	47.50%	47.50%	At cost unless stated otherwise

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, 2018	As at 31st March, 2017	
ITC Essentra Limited	Bengaluru, India	50.00%	50.00%	At cost unless stated otherwise

* The Company's interests in Joint Venture and Associate are reported as Non-current investment (Note 4) and stated at cost.

(x) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28th March, 2018 notifying Ind AS 115, 'Revenue from Contracts with Customers' and amending Ind AS 21 'The Effects of Changes in Foreign Exchange Rates'; Ind AS 12 'Income Taxes'. The same are applicable for financial statements pertaining to annual periods beginning on or after 1st April, 2018. The Company expects that there will be no material impact on the financial statements resulting from the above.

(xi) **Financial Instruments and Related Disclosures**

a. Capital Management

The Company funds its operations mainly through internal accruals and do not have any borrowings. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its business as a going concern.

b. Categories of Financial Instruments

(Amount in ₹)

Particulars	Note	As at 31st March, 2018		As at 31st March, 2017	
		Carrying Value	Fair Value*	Carrying Value	Fair Value*
A. Financial assets					
a) Measured at amortised cost					
i) Cash and cash equivalents	7	1,47,065	1,47,065	1,76,71,043	1,76,71,043
ii) Other bank balances	8	15,12,94,939	15,12,94,939	17,59,72,799	17,59,72,799
iii) Other financial assets	9	1,18,10,323	1,18,10,323	24,57,280	24,57,280
Sub Total		**16,32,52,327**	**16,32,52,327**	19,61,01,122	19,61,01,122
b) Measured at Fair Value through Profit & Loss					
i) Investment in Mutual Funds	6	25,27,649	25,27,649	–	–
Sub Total		**25,27,649**	**25,27,649**	–	–
Total financial assets		**16,57,79,976**	**16,57,79,976**	19,61,01,122	19,61,01,122
B. Financial liabilities					
a) Measured at amortised cost					
i) Other financial liabilities	11	64,800	64,800	5,74,210	5,74,210
Total financial liabilities		**64,800**	**64,800**	5,74,210	5,74,210

* The fair value of the above approximates carrying value as these items are short-term in nature.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial risk management objectives

The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

Market Risk

As the Company is debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible. Investments are made in debt instruments, within approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters.

The Company's investments are predominantly held in debt mutual funds, fixed deposits etc. The Company invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

Fixed deposits are held with highly rated banks and companies and have a short tenure and are not subject to interest rate volatility.

Liquidity Risk

The Company's Current assets aggregate to ₹ 16,57,79,976 (2017 – ₹ 19,61,01,122) including Current Investments, Cash and cash equivalents and Other Bank Balances of ₹ 15,39,69,653 (2017 – ₹ 19,36,43,842) against an aggregate Current liability of ₹ 64,800 (2017 – ₹ 5,74,210) on the reporting date.

In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

Credit Risk

The risk management framework of the Company is designed to bring robustness to the risk management processes within the Company. With respect to the Company's investing activities, counter parties are shortlisted and exposure limits determined on the basis of their credit rating, financial statements and other relevant information. The counter party risk is considered insignificant. Based on the assessment of financial assets, no loss provision is considered necessary.

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 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 market approach and 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 fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

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. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis.

The following table presents the fair value hierarchy of assets measured at fair value:

(Amount in ₹)

Particulars	Fair Value		
	Hierarchy (Level)	**As at 31st March, 2018**	As at 31st March, 2017
Financial assets			
Measured at Fair value through Profit or Loss			
Investment in Mutual Funds	1	**25,27,649**	–

On behalf of the Board

R. TANDON *Chairman* S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* N. BAJAJ *Manager & Company Secretary*

Kolkata, 26th April, 2018

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-March-2018	31-March-2018
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 Ventures	3,75,63,750	2,25,00,000
	Extent of Holding %	47.50	50.00
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 (₹)**	6,51,87,678	52,05,83,865
7.	**Profit/(Loss) for the year (₹)**	66,46,973	16,45,20,948
	i. Considered in Consolidation *	–	–
	ii. Not Considered in Consolidation	66,46,973	16,45,20,948

* 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

R. TANDON *Chairman* S. DUTTA *Director*
V. LUHARUKA *Chief Financial Officer* N. BAJAJ *Manager & Company Secretary*

Kolkata, 26th April, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

2. COMPANY PERFORMANCE

During the year under review, the Company earned total revenue of ₹ 6.21 lakhs, primarily from deployment of its temporary surplus funds in bank fixed deposits.

The Company, a Core Investment Company within the meaning of the Core Investment Companies (Reserve Bank) Directions, 2016, continues to explore suitable investment opportunities.

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

		For the year ended 31st March, 2018	For the year ended 31st March, 2017
		(₹)	(₹)
a.	Profit Before Tax	**3,94,994**	5,39,092
b.	Less : Tax Expense	**1,02,299**	70,693
c.	Profit After Tax	**2,92,695**	4,68,399
d.	Add : Profit brought forward from previous years	**88,85,508**	84,17,109
e.	Profit carried forward	**91,78,203**	88,85,508

3. DIRECTORS

During the year under review, Mr. Biswa Behari Chatterjee, consequent to his retirement from the services of ITC Limited, the Holding Company, stepped down as Non-Executive Director of your Company with effect from close of work on 3rd February, 2018. Your Directors place on record their appreciation for the contribution made by Mr. Chatterjee during his tenure.

The Board of Directors of your Company ('the Board') appointed Mr. Rajesh Poddar (DIN: 00297605) as Additional Director of the Company with effect from 27th March, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 16 of the Articles of Association of the Company, Mr. Poddar will vacate office at the ensuing Annual General Meeting ('AGM') and is eligible for appointment as a Director of the Company. Your Board at the meeting held on 26th April, 2018 recommended for the approval of the Members, the appointment of Mr. Poddar as a Non-Executive Director of your Company, liable to retire by rotation. Requisite notice under Section 160 of the Act has been received for appointment of Mr. Poddar, who has also filed his consent to act as Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Poddar's appointment is appearing in the Notice convening the ensuing AGM of the Company.

In accordance with the provisions of Article 19 of the Articles of Association of the Company, Mr. Rajiv Tandon (DIN: 00042227), 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.

4. BOARD MEETINGS

Five meetings of the Board were held during the year ended 31st March, 2018.

5. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134 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 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 (Amount in ₹)		Profit after tax (Amount in ₹)	
	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17
MRR Trading & Investment Company Limited	**7,20,572/-**	7,21,529/-	**3,127/-**	4,137/-

7. PARTICULARS OF EMPLOYEES

The details of employee(s) of the Company as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in **Annexure 1** to this Report.

8. RISK MANAGEMENT

The risk management framework of the Company is commensurate with its size and nature of business. The Internal Audit Department of ITC Limited, 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, 2018, 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 2** 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. 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 Seventh AGM. The Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

15. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon *Chairman*

Dated: 26th April, 2018 Saradindu Dutta *Director*

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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

Name of employee	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualification	Experience (Years)	Date of commencement of employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
Suman Dutta	36	Manager	1,22,253/-	1,16,753/-	B. Com (Hons.)	8	16.10.2017	Process Specialist - Cognizant Technology Solutions Corp.

Notes:

a. Gross remuneration includes salary, allowances and other benefits / applicable perquisites. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013. Net remuneration comprises cash income.

b. The aforesaid appointment is contractual in accordance with terms and conditions as per Company's rules and the said employee is neither a relative of any Director of the Company nor holds any equity share in the Company.

On behalf of the Board

R. Tandon *Chairman*
Saradindu Dutta *Director*

Dated: 26th April, 2018

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, 2018

[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**

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**									
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)	–	**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
	Saradindu Dutta				
	Supratim Dutta				
	R. Poddar				
	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)*					43,449

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*
Saradindu Dutta *Director*

Dated: 26th April, 2018

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, 2018, 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 Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards"), and other accounting principles generally accepted in India.

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 and the Order issued under Section 143(11) of the Act.

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 Standards and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, 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:
   (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 relevant 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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.
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)

Arunabha Bhattacharya
Partner
(Membership No. 054110)

Kolkata
26th April, 2018

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, 2018 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, 2018, based on the criteria for internal control over financial reporting 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)

Arunabha Bhattacharya
Partner
(Membership No. 054110)

Kolkata
26th April, 2018

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 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, Employees' State Insurance, Income-tax and other material statutory dues applicable to it with the appropriate authorities. Sales Tax, Goods and Services 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, 2018 on account of disputes. Sales Tax, Goods and Services 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)

Arunabha Bhattacharya
Partner
(Membership No. 054110)

Kolkata
26th April, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	4,50,00,000	4,50,00,000
Reserves and surplus	2	91,78,203	88,85,508
Current liabilities			
Other current liabilities	3	54,000	52,500
TOTAL		**5,42,32,203**	5,39,38,008
ASSETS			
Non-current assets			
Non-current investments	4	4,51,62,645	4,51,62,645
Long-term loans and advances	5	10,280	10,128
Current assets			
Cash and bank balances	6	90,38,313	87,60,305
Other current assets	7	20,965	4,930
TOTAL		**5,42,32,203**	5,39,38,008

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

ARUNABHA BHATTACHARYA
Partner
Kolkata, 26th April, 2018

On behalf of the Board

R. TANDON *Chairman* SARADINDU DUTTA *Director*

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

	Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
Other income	8	6,21,043	6,58,052
Total Revenue		**6,21,043**	6,58,052
Expenses			
Employee benefits expense	9	1,22,253	–
Other expenses	10	1,03,796	1,18,960
Total Expenses		**2,26,049**	1,18,960
Profit before tax		**3,94,994**	5,39,092
Tax expense:			
Current tax	11	1,02,299	70,693
Profit for the year		**2,92,695**	4,68,399
Earnings per share (Face Value ₹ 10.00 each)			
(Basic and Diluted) (in ₹)	12 (i)	**0.07**	0.10

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

ARUNABHA BHATTACHARYA
Partner
Kolkata, 26th April, 2018

R. TANDON *Chairman* SARADINDU DUTTA *Director*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

			For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)
A.	**Cash Flow from Operating Activities**				
	PROFIT BEFORE TAX		**3,94,994**		5,39,092
	ADJUSTMENTS FOR:				
	Interest income on bank deposits		(6,20,333)		(6,57,328)
	Interest on income tax refund		(710)		(724)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**(2,26,049)**		(1,18,960)
	ADJUSTMENTS FOR:				
	Other current liabilities		1,500		250
	CASH USED IN OPERATIONS		**(2,24,549)**		(1,18,710)
	Income tax paid		(1,02,451)		(1,19,634)
	NET CASH USED IN OPERATING ACTIVITIES		**(3,27,000)**		(2,38,344)
B.	**Cash Flow from Investing Activities**				
	Interest received on deposits & others	6,05,008		6,59,024	
	Investment in bank deposits (original maturity more than 3 months)	(58,65,813)		(84,94,084)	
	Redemption / maturity of bank deposits (original maturity more than 3 months)	55,50,000		81,00,000	
	NET CASH GENERATED FROM INVESTING ACTIVITIES		**2,89,195**		2,64,940
C.	**Cash Flow from Financing Activities**		–		–
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			**(37,805)**		26,596
OPENING CASH AND CASH EQUIVALENTS			**1,49,630**		1,23,034
CLOSING CASH AND CASH EQUIVALENTS			**1,11,825**		1,49,630

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 :**

Cash and Cash Equivalents as above	**1,11,825**	1,49,630
Other bank balances	**89,26,488**	86,10,675
Cash and bank balances (Note 6)	**90,38,313**	87,60,305

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

ARUNABHA BHATTACHARYA
Partner
Kolkata, 26th April, 2018

R. TANDON *Chairman* SARADINDU DUTTA *Director*

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹)
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, 2018 (No. of Shares)	As at 31st March, 2018 (%)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (%)
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, 2018 (₹)		As at 31st March, 2017 (₹)	
2. Reserves and surplus				
Surplus in Statement of Profit and Loss				
At the beginning of the year	88,85,508		84,17,109	
Add: Profit for the year	2,92,695		4,68,399	
At the end of the year		91,78,203		88,85,508
TOTAL		**91,78,203**		88,85,508
3. Other current liabilities				
Other payables				
Liability for expenses		54,000		52,500
TOTAL		**54,000**		52,500
4. 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
5. Long-term loans and advances				
Unsecured, considered good				
Advance tax (net of provisions)		10,280		10,128
TOTAL		**10,280**		10,128
6. Cash and bank balances				
Cash and cash equivalents[@]				
Balances with banks				
Current accounts		1,11,825		1,49,630
Other bank balances				
In deposit accounts *		89,26,488		86,10,675
TOTAL		**90,38,313**		87,60,305

[@] 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 ₹ NIL (2017 - ₹ 30,00,000)

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
7. Other current assets		
Interest accrued on bank deposits	20,965	4,930
TOTAL	**20,965**	4,930

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
8. Other income		
Interest income on bank deposits	6,20,333	6,57,328
Interest income on income tax refund	710	724
TOTAL	**6,21,043**	6,58,052
9. Employee benefits expense		
Salaries and wages	1,16,753	–
Staff welfare expenses	5,500	–
TOTAL	**1,22,253**	–
10. Other expenses		
Rates and taxes	24,388	19,798
Consultancy / Professional fees	21,266	17,246
Printing and stationery	–	1,200
Insurance	142	–
Auditors' remuneration and expenses		
Audit fees	50,000	50,000
Tax audit fees	5,000	30,000
Miscellaneous expenses	3,000	716
TOTAL	**1,03,796**	1,18,960
11. Tax expenses		
Current tax		
Income tax for the year	1,05,000	1,25,000
Adjustments/(credits) related to previous years	(2,701)	(54,307)
TOTAL	**1,02,299**	70,693

12. Additional Notes to the Financial Statements

i. **Earnings per share**

	2018	2017
Earnings per share has been computed as under:		
(a) Profit for the year (₹)	**2,92,695**	4,68,399
(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 ₹)	**0.07**	0.10

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, 2018. 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. **Segment Reporting**

The Company operates in a single business segment namely acquisition of shares and securities and in a single geographical segment.

iv. **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 (upto 03.02.2018)
- Mr. Saradindu Dutta	Non–Executive Director
- Mr. Supratim Dutta	Non–Executive Director
- Mr. R. Poddar	Additional Non–Executive Director (w.e.f. 27.03.2018)

b. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES

Related Party Transaction Summary		Holding Company	
		2018	2017
1.	Purchase of Services – Internal Audit services (₹)	**18,880**	13,800

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, 26th April, 2018 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, 2018 (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**	₹ (4,04,288)
8.	**Total Assets**	₹ 1,27,489
9.	**Total Liabilities**	₹ 1,27,489
10.	**Investments**	–
11.	**Turnover ***	₹ 7,20,572
12.	**Profit before taxation**	₹ 4,317
13.	**Provision for taxation**	₹ 1,190
14.	**Profit after taxation**	₹ 3,127
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

* 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, 26th, April, 2018 R. TANDON *Chairman* SARADINDU DUTTA *Director*

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

2. **COMPANY PERFORMANCE**

During the year, your Company earned revenue of ₹ 7.20 lakhs from its operations, with total income being ₹ 7.21 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, 2018 (₹)	For the year ended 31st March, 2017 (₹)
a.	Profit Before Tax	4,317	5,899
b.	Less : Tax Expense	1,190	1,762
c.	Profit After Tax	3,127	4,137
d.	Add : Other Comprehensive Income	–	–
e.	Total Comprehensive Income	3,127	4,137
	Add : Loss brought forward from previous years	(4,07,415)	(4,11,552)
	Balance carried forward	(4,04,288)	(4,07,415)

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. B.R.Chaudhuri (DIN: 07125295), 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**

Five meetings of the Board were held during the year ended 31st March, 2018.

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 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, 2018, 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 Auditors, Messrs. Deloitte Haskins & Sells Chartered Accountants (Deloitte), were appointed at the Thirty-Sixth AGM to hold such office till the conclusion of the Forty- First AGM. Your Board, in terms of Section 139 of the Companies Act, 2013, has recommended for the ratification of the Members the appointment of Deloitte from the conclusion of the ensuing AGM till the conclusion of the Forty- First AGM. The Board, in terms of Section 142 of the Companies Act, 2013, has also recommended for the approval of the Members, the remuneration of Deloitte for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

15. **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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, there has been no foreign exchange earnings or outflow.

Dated : 14th, April 2018

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, 2018

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, 2017 to 31st March, 2018
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	10th February, 2017 & 6th September, 2017
f)	Amount paid as advances, if any	Nil

On behalf of the Board
C.V. Sarma Director
V. Radhakrishnan Director

Dated: 14th April, 2018

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, 2018

[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 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).*				475

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

C.V. Sarma **Director**

Dated : 14th April, 2018 **V. Radhakrishnan** **Director**

INDEPENDENT AUDITOR'S REPORT
To The Members of MRR Trading & Investment Company Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of MRR Trading & Investment Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, 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, 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.
   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 of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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.

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. 008072S)

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date: April 14, 2018

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 MRR Trading & Investment Company Limited ("the Company") as of March 31, 2018 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 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 of the Company 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, 2018, based on the criteria for internal financial control over financial reporting 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. 008072S)

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date: April 14, 2018

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) The Company does not have any fixed assets 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) The Company has not granted any loans, made investments or provide 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 Income-tax, cess and other material statutory dues applicable to it with the appropriate authorities. Provident Fund, Employees' State Insurance, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and cess are not applicable to the Company.

(b) There were no undisputed amounts payable in respect of Income-tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) There were no dues with respect to Income-tax dues and other material statutory dues as on March 31, 2018, 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. 008072S)

Sumit Trivedi
(Partner)
(Membership No. 209354)

Place: Hyderabad
Date: April 14, 2018

Balance Sheet as at 31st March, 2018

(All amounts are in Indian Rupees, unless otherwise stated)

	Note	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-Current Assets			
Advance Tax [Net of provisions Rs. 1,190 (March 31, 2017 : Rs. 1,762)]		13,210	12,638
Other Non-Current Assets	4	7,120	7,120
Total Non-Current Assets		20,330	19,758
Current Assets			
Financial Assets			
Cash and Cash Equivalents	5	107,159	91,227
Total Current Assets		107,159	91,227
Total Assets		127,489	110,985
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	6	500,000	500,000
Other Equity	7	(404,288)	(407,415)
Total Equity		95,712	92,585
Current Liabilities			
Financial Liabilities			
Trade payables	16	31,777	18,400
Total Current Liabilities		31,777	18,400
Total Equity and Liabilities		127,489	110,985

See accompanying notes forming part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner
Place: Hyderabad
Date: April 14, 2018

For and on behalf of the Board of Directors

C.V. Sarma
Director
Place: Secunderabad
Date : April 14, 2018

V. Radhakrishnan
Director

Statement of Profit and Loss for the year ended 31st March, 2018

(All amounts are in Indian Rupees unless otherwise stated)

		Note	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
I	Revenue from Operations	8	**720,000**	720,000
II	Other Income	9	**572**	1,529
III	Total Income (I+II)		**720,572**	721,529
IV	**Expenses**			
	Other Expenses	10	**716,255**	715,630
	Total expenses (IV)		**716,255**	715,630
V	Profit Before Tax (III- IV)		**4,317**	5,899
VI	Tax Expense:			
	Current Tax	11	**1,190**	1,762
VII	Profit for the Year (V-VI)		**3,127**	4,137
VIII	**Other Comprehensive Income**		**–**	–
IX	**Total Comprehensive Income for the Year (VII+VIII)**		**3,127**	4,137
	Earnings per equity share : Basic and Diluted (Face value of Rs. 10 each)	13	**0.06**	0.08

See accompanying notes forming part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 14, 2018

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Place: Secunderabad
Date : April 14, 2018

Cash Flow Statement for the year ended 31st March, 2018

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
Cash Flows from Operating Activities		
Profit Before Tax	**4,317**	5,899
Adjustments for :		
Interest on Income Tax Refund	**(572)**	—
Liabilities no Longer Required Written Back	**—**	(881)
Operating Profit Before Working Capital Changes	**3,745**	5,018
Adjustments for :		
Increase/(Decrease) in Trade Payables	**13,377**	(71,194)
Cash generated from / (used in) Operations	**17,122**	(66,176)
Income Taxes Paid (Net of Refunds and interest thereon)	**(1,190)**	(399)
Net Cash generated from / (used in) Operating Activities	**15,932**	(66,575)
Cash Flows from Investing Activities		
Net Cash generated from Investing Activities	**—**	—
Cash flows from Financing Activities		
Net Cash generated from financing activities	**—**	—
Net Increase/(Decrease) in Cash and Cash Equivalents	**15,932**	(66,575)
Cash and Cash Equivalents at the beginning of the year	**91,227**	157,802
Cash and Cash Equivalents at the end of the year (Refer Note 5)	**107,159**	91,227

See accompanying notes forming part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 14, 2018

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Place: Secunderabad
Date : April 14, 2018

Statement of changes in equity for the year ended 31st March, 2018
(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
A. Equity Share Capital:		
Balance as at April 1	**500,000**	500,000
Changes in Equity Share Capital during the year	–	–
Balance at March 31	**500,000**	500,000
B. Other Equity - Reserves & Surplus:		
Retained Earnings		
Balance as at April 1	**(407,415)**	(411,552)
Profit for the Year	**3,127**	4,137
Balance at March 31	**(404,288)**	(407,415)

See accompanying notes forming part of the Financial Statements.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Place: Hyderabad
Date: April 14, 2018

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Place: Secunderabad
Date : April 14, 2018

Notes forming part of the Financial Statements

1. Company Overview
The Company has tenancy rights in a commercial premise at Eucharistic Congress Building No. 1, 4th Floor, 5 Convent Street, Colaba, Mumbai – 400039. 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. Standards issued but not yet effective
Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28th March, 2018 notifying Ind AS 115, ' Revenue from Contracts with Customers'. The notification is applicable for annual periods beginning on or after 1st April, 2018. The Company is in the process of examining the impact of this Standard on its financial statements.

3. Summary of Significant Accounting Policies

3.1 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 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.

3.2 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.

3.3 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.

3.4 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 requirements 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.

3.5 Contingencies & 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.

3.6 Revenue
Income from Estate Maintenance Services is recognized based on the contractual arrangement entered by the Company.

3.7 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. 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.

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.

3.8 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.

3.9 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.

3.10 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 services and their realisation in cash and cash equivalents.

Notes to the financial statements (Contd.)

4. Other Non-Current Assets

	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
Deposits With Statutory Authorities	7,120	7,120
TOTAL	7,120	7,120

5. Cash and Cash Equivalents

	As at March 31, 2018	As at March 31, 2017
Balances with Banks: - In Current Account	107,159	91,227
TOTAL	107,159	91,227

6. Equity Share Capital

	As at March 31, 2018	As at March 31, 2017
Authorised Share Capital: 50,000 Equity Shares of Rs. 10 each	5,00,000	5,00,000
Issued, Subscribed and Paid-up Capital: 50,000 Equity Shares of Rs. 10 each	5,00,000	5,00,000

A) Reconciliation of number of Equity Shares outstanding

	No. of Shares	Share capital
Balance as at April 1, 2016 Add: issued during the year 2016-17	50,000 –	5,00,000 –
Balance as at March 31, 2017 Add: issued during the year 2017-18	50,000 –	5,00,000 –
Balance as at March 31, 2018	**50,000**	**5,00,000**

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

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	%	No. of Shares	%
ITC Investments & Holdings Limited * and its Nominees	50,000	100	50,000	100

* 49,994 equity shares are held by ITC Investments & Holdings Limited, the Holding Company and the balance 6 equity shares are held by the nominees of the Holding Company jointly with the Holding Company. The Ultimate Holding Company is ITC Limited.

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

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.

7. Other Equity

	As at March 31, 2018	As at March 31, 2017
Reserves and Surplus:		
Retained Earnings		
Retained earnings (Refer note below)	(4,04,288)	(4,07,415)
Other Comprehensive Income	–	–
	(4,04,288)	(4,07,415)

Note: 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.

8. Revenue from Operations

	For the year ended March 31, 2018	For the year ended March 31, 2017
Sale of Services	720,000	720,000
TOTAL	720,000	720,000

Notes to the financial statements (Contd.)

	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
9. Other Income		
Interest on Income Tax Refund	572	–
Other Items	–	1,529
TOTAL	572	1,529

10. Other Expenses

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
Rent	75,816	71,456
Rates and Taxes	3,06,659	2,59,880
Maintenance and Upkeep Expenses	2,11,660	2,93,921
Bank Charges	733	1,353
Payments to Auditors	15,000	17,519
[Refer note 10(a) below]		
Consultancy and Professional fees	45,120	29,200
Miscellaneous expenses	61,267	42,301
TOTAL	7,16,255	7,15,630

10(a). Payment to Auditors (excluding applicable taxes)

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
- Statutory Audit	15,000	15,000
- Reimbursement of Expenses	–	2,519
TOTAL	15,000	17,519

11. Tax Expense

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
Profit Before Income Tax	4,317	5,899
Enacted Tax Rates	25.75%	29.87%
Income Tax Expense	1,190	1,762
TOTAL	1,190	1,762

12. Contingent liabilities

	As at March 31, 2018	As at March 31, 2017
Claims against the Company not acknowledged as Debts:	–	–

13. Earnings per share

	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
Computation of earnings per share is set out below:		
Net Profit attributable to Equity Shareholders (A) (Rs.)	3,127	4,137
Weighted Average Number of Equity Shares outstanding during the year (B) (Nos.)	50,000	50,000
Face Value of Equity Share (Rs.)	10	10
Earnings Per Share (Basic and Diluted) (A/B) (Rs.)	0.06	0.08

14. **Segment Information**

The Board of Directors of the Company have identified one of the directors as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 Operating Segments. The Company's activities involve providing estate maintenance services 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 hence there are no reportable geographical segments.

The entity-wide disclosures are as under:

	For the year ended March 31, 2018	For the year ended March 31, 2017
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

15. Related Party Disclosures

a) Details of Related Parties

Name	**Relationship**
ITC Limited	Ultimate Holding Company
ITC Investments & Holdings Limited	Holding Company

Key Management Personnel (KMP):	**Relationship**
C.V. Sarma	Non-Executive Director
V. Radhakrishnan	Non-Executive Director
B.R. Chaudhuri	Non-Executive Director

Notes to the financial statements (Contd.)

(All amounts are in Indian Rupees unless otherwise stated)

b) Details of Related Party Transactions:

Description	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017
ITC Limited:		
Consultancy and Professional fees	**4,720**	4,600
Sale of Services – Estate Management Services	**720,000**	720,000

c) Details of Related Party Balances:

Description	As at March 31, 2018	As at March 31, 2017
ITC Limited	**4,720**	–
ITC Investments & Holdings Limited	–	–

16. 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.

17. 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 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.

b) Categories of Financial Instruments

	Note	As at March 31, 2018		As at March 31, 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets (Measured at amortised cost)					
Cash and Cash Equivalents	4	**107,159**	**107,159**	91,227	91,227
Total Financials Assets		**107,159**	**107,159**	91,227	91,227
Financial Liabilities (Measured at amortised cost)					
Trade Payables		**31,777**	**31,777**	18,400	18,400
Total Financials Liabilities		**31,777**	**31,777**	18,400	18,400

c) 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.

d) 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.

e) 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.

f) 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 value.

18. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure. The financial statements of the Company for the year ended March 31 2017, were audited by Lovelock & Lewes, Chartered Accountants, the predecessor auditor.

19. The financial statements were approved for issue by the Board of Directors on April 14, 2018.

For and on behalf of the Board of Directors

C.V. Sarma
Director

V. Radhakrishnan
Director

Place: Secunderabad
Date: April 14, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

Your Board of Directors hereby submit their Fifth Report for the financial year ended 31st March, 2018.

COMPANY PERFORMANCE

Your Company commenced commercial production from its state-of-the-art manufacturing facility comprising three Biscuit manufacturing lines at Mangaldoi, Assam in August, 2015 to cater to the fast-growing biscuits market in Assam and other North Eastern States.

In line with your Company's continuous endeavour to be best-in-class, several initiatives were implemented to reach higher throughput levels and achieve significant improvement in yields. These have also resulted in lowering the manufacturing costs and enhancing the competitiveness of the business. Your Company was given the highest award "Trophy for Outstanding performance in Food Safety Excellence" by Confederation of Indian Industry. The award further exemplifies your Company's high commitment to quality and food safety. During the year, your Company also smoothly transitioned to the Goods and Services Tax (GST) regime and is proactively working with various stakeholders to ensure that all the fiscal incentives that were accruing the Company under the pre-GST scenario are also available under GST regime.

Your Company's Turnover for the year stood at ₹14,270.04 lakhs (previous year ₹ 12412.81 lakhs). At the Net Profit level, benefits of increase in volumes, better productivity and higher efficiency enabled the Company report its maiden profits in only its second full year of operation. Your Company delivered a Net Profit of ₹ 315.03 lakhs (previous year Net Loss ₹ 181.38 Lakhs) representing a positive swing of ₹ 496.41 lakhs in Profits during the year. Total Comprehensive Income for the year stood at ₹ 330.01 lakhs (previous year (-) ₹ 182.93 lakhs).

The summarised results of your Company are given in the table below:

Amount in Lakhs (₹)

Particulars	Financial Year Ended	
	31.03.2018	31.03.2017
Turnover	14,270.04	12,412.81
Profit before Interest and Depreciation	2,210.40	1,749.11
Finance Cost	848.58	986.93
Depreciation	1,046.78	943.56
Profit / (loss) before Tax plus Other Comprehensive Income	330.01	(182.93)
Loss brought forward from previous year	(1,427.84)	(1,244.91)
Loss carried to Balance Sheet	(1,097.83)	(1,427.84)

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 (DIN: 02669546), Dharmarajan Ashok (DIN: 02009735), Paritosh Wali (DIN: 06767740) and Samrat Deka (DIN: 00559110) 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. Murali Ganesan, Dharmarajan Ashok, Paritosh Wali and Samrat Deka as Directors of the Company.

Messrs. K.V. Raghavaiah and Ranjit George Jacob, who completed their term as Independent Directors on 30th March, 2018, ceased to be Independent Directors of the Company w.e.f. 31st March, 2018. Your Directors would like to record their appreciation for the contribution made by M/s. K. V. Raghavaiah and Ranjit George Jacob during their tenure as Independent Directors of the Company.

Your Board of Directors on 27th April 2018 have recommended for your approval, appointment of Mr. K. V. Raghavaiah (DIN: 07114270) as an Independent Director of the Company for a period of three (3) years, not liable to retire by rotation, in terms of Section 149 and 152 and other applicable provisions, if any and Schedule IV of the Companies Act, 2013, and the rules made thereunder. Appropriate resolution seeking your approval to Mr. Raghavaiah's appointment as an Independent Director is appearing in the Notice convening the ensuing Annual General Meeting ('AGM') of the Company.

Your Board met four (4) times during the financial year ended 31st March, 2018.

BOARD COMMITTEES

Your Company, being a joint venture company and not covered under the amended Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, is no longer statutorily required to have the Audit Committee and Nomination and Remuneration Committee of the Board of the Company and accordingly the Board dissolved both the Committees w.e.f. 31st March, 2018.

COMPLIANCE TO SECRETARIAL STANDARDS

Your Company has complied with applicable Secretarial Standards.

EVALUATION OF THE BOARD'S PERFORMANCE

Your Board 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 judgment.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

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

a) followed in the preparation of the Annual Accounts for the financial year ended 31st March, 2018, 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 profit 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 are 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, 2018, 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.

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 Company 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.

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. 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 audit for automated control and IT General Controls were conducted during the year by the Statutory Auditors, Deloitte Haskins & Sells.

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 has recommended appropriate resolution in respect of the aforesaid as appearing in the Notice convening the Fifth Annual General Meeting of the Company.

SECRETARIAL AUDIT REPORT

Your Board of Directors, 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, 2018, 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. is provided under **Annexure 4** forming part of this Report.

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. A transaction with a related party is considered material if a transaction, either individually or taken together with previous transactions with such related party during a financial year, exceeds ten percent (10%) of the annual turnover or ₹25 Crores, whichever is higher, as per the last audited financial statements of the Company.

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.

HUMAN RESOURCES DEVELOPMENT

HR practices in your Company is aimed at promoting high productivity amongst its employees and opportunity for career progression. This has been achieved by systematic approach of evaluation, training and goal setting. Various employee engagement programs were conducted, during the year under review, to bring in a sense of inclusive growth. Your company believes in promoting good work culture leading to result oriented work environment.

Your Company provides a gender friendly work place and no case of sexual harassment was reported during the year.

The 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 "Connecting People to Nature" including distribution of plants for plantation among villagers for creating awareness.

National Safety Week - 2018 was celebrated with the theme "Reinforce Positive Behavior at the Workplace to achieve Safety and Health goals" with training sessions regarding hand in machine, slip-trip-fall, Road safety, Fire safety etc. Emergency mock drills were organized at regular intervals including training to the security team to handle 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.

AWARDS & ACCOLADES

- Your Company was awarded "Outstanding Performance in Food Safety - Large Business Rising Star Category for Bakery" by CII.
- Your Company was awarded "Food Safety System Certification" (FSSC) by the global authority Global Food Safety Initiative (GFSI) and is currently upgraded to the latest version of FSSC v4.1.

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: 27th April, 2018	**(M. Ganesan)**	**(D. Ashok)**
Place : Bengaluru	Chairman	Director

Annexure - 1

NORTH EAST NUTRIENTS PRIVATE LIMITED
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 AND 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. **Steps taken or impact on conservation of energy:**
Business continued to accrue savings from installation of LED lights and solar lights. Also, it continued to accrue savings from up-draft gasification technology to replace conventional fuel, i.e. Bamboo Biomass to replace High Speed Diesel. Implementation of solar water heater system for processed water was done during the year.

ii. **Steps taken by the Company for utilising alternate sources of energy:**
Reduction in electricity load through stabilization 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 2018-19.

iii. **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 utilise the latest automation technology to ensure absorption of different industry-wide innovations. Automations are done in order to assure optimum quality of the product and improving operational feasibility.

ii. **Benefits derived like product improvement, cost reduction, product development or import substitution:**

a. Installation and commissioning of automated collation system to pick and collate the products for packing, in order to reduce the cost equivalent to 12 man-months.

b. Installation of additional secondary packaging automation machines in Choco Fills line to enhance the capacity of the line by more than 150% and facilitating launch of a new SKU under the same brand.

c. Re-designing the primary packaging in Marie ₹5 and Marie ₹10 SKUs along with the packing development team, to reduce the cost of ribbon for printing by about 50%.

iii. **In case of imported technology (imported during the last three years reckoned from the beginning of the financial year): Nil**

iv. **Expenditure incurred on Research and Development: Nil**

By order of the Board

NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 27th April, 2018 — **(M. GANESAN)** CHAIRMAN — **(D. ASHOK)** DIRECTOR

Place: Bengaluru

Annexure - 3

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

for the financial year ended on 31st March, 2018

[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	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.	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 Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	–	–	–	–	–	–	–	–	–

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) 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): Not applicable

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors and Key Managerial Personnel, other than Mr. Samrat Deka, Non-Executive Director, hold any share in the Company.

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. 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.	–	N.A.
	At the end of the year	43,80,000	6.00	43,80,000	6.00

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	60.84	18.00		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**
Change in Indebtedness during the financial year				
• Addition	-	-		-
• Reduction	12.16	18.00		30.16
- Principal paid during 2017-18	12.16	18.00		30.16
- Interest accrued but not due at the beginning of the FY	-	-		-
Net Change	**(12.16)**	**(18.00)**		**(30.16)**
Indebtedness at the end of the financial year				
i) Principal Amount	48.68	-	Nil	48.68
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**48.68**	**-**	**Nil**	**48.68**

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	9,11,665	9,11,665
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	37,233	37,233
	(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)		**9,48,898**	**9,48,898**
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)			**15,75,000 p.a.**

Note 1 : Ms. Savitha Bai S is on deputation from ITC Limited, the Holding Company.

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	1,07,500	1,27,500	2,35,000
	• Commission	–	–	–
	• Others, please specify	–	–	–
	Total (1)	**1,07,500**	**1,27,500**	***2,35,000 (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)						**2,35,000**
Total Managerial Remuneration (A) + (B)						**11,83,898**
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)						**15,75,000 p.a.**

Note 1: The Independent Directors of the Company are not entitled to any remuneration other than sitting fees for attending Board & Board Committees meetings.

Note 2: The Non-Executive Directors of the Company are not entitled to any remuneration or sitting fees for attending Board & Board Committees meetings.

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	27,97,154
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	75,595
	(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)		**28,72,749**

Note : Mr. Anindya Sengupta is on deputation from ITC Limited, the Holding Company.

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

By order of the Board
NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 27th April, 2018
Bengaluru

(M. GANESAN) CHAIRMAN
(D. ASHOK) DIRECTOR

Annexure - 4

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st Day of March, 2018

[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, 2018** 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, 2018** according to the provisions of:

I. The Companies Act, 2013(the Act) and the rules made thereunder;

II. The followings 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, there were no events in the company which have a major bearing on the company.

For K. Arun & Co.
Company Secretaries
Arun Kr. Khandelia
Partner
C.P. No.: 2270

Place : Kolkata
Date : 27.04.2018

Annexure - 5

FORM AOC – 2

FOR THE FINANCIAL YEAR ENDED 31st Day of March, 2018

(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	**ITC Limited, Holding Company**
(b)	Nature of contracts / arrangements / transactions	Manufacturing & Sale Agreement
(c)	Duration of the contracts / arrangements / transactions	Period of 5 years effective 24th August, 2015
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Value of transaction during the year ₹ 166.88 Crores.
(e)	Date(s) of approval by the Board	17th August, 2015
(f)	Amount paid as advances, if any.	Nil

By order of the Board
NORTH EAST NUTRIENTS PRIVATE LIMITED

Dated: 27th April, 2018
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 2017-18

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	Mr. Anindya Sengupta*	30	Chief Financial Officer	2,818,513	2,010,922	M. Com, A.C.A.	8	01.01.15	Assistant Manager - Finance, ITC Limited
2	Mr. Shubham Agarwal* ##	30	Head of Operations	2,583,211	1,815,907	B. Tech in Chemical Engineering	7	01.10.15	Technical AUT, ITC Limited
3	Mr. Dipak Shinde*	26	Operations and Maintenance Manager	1,912,170	1,369,161	B. Tech in Mechanical Engineering	3	01.04.17	Technical AUT, ITC Limited
4	Mr. Muthal Purushottam Abhay*	24	Process Excellence Manager	1,630,072	1,230,767	B. Tech in Mechanical Engineering	2	01.04.17	Technical AUT, ITC Limited
5	Mr. Sanjeeb Kumar Kanu	46	Assistant Finance Manager	992,366	876,818	M. Com	17	08.12.15	Deputy Manager - Accounts, FENA Private Limited
6	Mr. Shazeed Hoque	41	Line Manager	981,386	859,938	B.Tech in Mechanical Engineering	15	26.05.16	Production Executive, Hindustan Unilever Limited
7	Ms. Savitha Bai S.*	35	Manager & Company Secretary	887,679	726,200	B.Com, A.C.S., MBL	17	01.03.16	Finance Executive, ITC Limited
8	Mr. Ketan Lahoti* ##	27	Head of Operations	808,245	571,063	B. Tech in Industrial Engineering & Management	5	16.10.17	Assistant Manager - Manufacturing, ITC Limited
9	Mr. Mahesh Muralidharan*	30	Unit Finance Manager	610,682	534,059	B.Com, CA (Inter)	7	01.04.17	Finance Executive, ITC Limited
10	Mr. Mohit Singh* ##	36	Mechanical Maintenance Manager	723,825	518,400	B. Tech in Mechanical Engineering	20	01.04.17	Senior Manufacturing Executive, ITC Limited

Notes:

* On deputation from ITC Limited, the Holding Company (ITC); remuneration borne by the Company as per the terms of deputation of their services.

Separated from the Company or reverted to Holding Company (ITC) during the year.

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: 27th April, 2018
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, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, 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, 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 of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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.
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)

Ananthi Amarnath
(Partner)
(Membership No. 209252)

Chennai, April 27, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph "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, 2018 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 of the Company 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, 2018, based on the internal financial control over financial reporting 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)

Ananthi Amarnath
(Partner)
(Membership No. 209252)

Chennai, April 27, 2018

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, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2018 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, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2018 on account of disputes.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the 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 during the year 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 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) According to the information and explanations given to us, the Company has made private placement of preference shares during the year under review.

In respect of the above issue, we further report that:

a) the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and

b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised.

(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)

Ananthi Amarnath
(Partner)
(Membership No. 209252)

Chennai, April 27, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note		As at 31st March, 2018 (₹)		As at 31st March, 2017 (₹)
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	1A		1,135,614,564		1,223,658,858
(b) Capital work-in-progress	1B		6,236,048		728,561
(c) Other non-current assets	2		4,314,904		4,372,474
			1,146,165,516		1,228,759,893
Current assets					
(a) Inventories	3		78,926,311		87,334,661
(b) Financial assets					
(i) Trade receivables	4	76,924,287		47,875,981	
(ii) Cash and cash equivalents	5	8,182,562	85,106,849	3,851,130	51,727,111
(c) Other current assets	2		44,598,930		46,990,591
			208,632,090		186,052,363
Total assets			1,354,797,606		1,414,812,256
EQUITY AND LIABILITIES					
Equity					
(a) Share capital	6	730,000,000		730,000,000	
(b) Other equity		(109,782,989)	620,217,011	(142,783,730)	587,216,270
			620,217,011		587,216,270
Liabilities					
Non-current liabilities					
(a) Financial liabilities					
(i) Borrowings	7		545,200,000		486,800,000
(b) Provisions	9		2,603,453		2,484,385
			547,803,453		489,284,385
Current liabilities					
(a) Financial Liabilities					
(i) Borrowings	10	–		180,000,000	
(ii) Trade payables		30,082,829		27,823,076	
(iii) Other financial liabilities	8	142,437,814	172,520,643	125,615,600	333,438,676
(b) Other current liabilities	11		14,256,499		4,872,925
			186,777,142		338,311,601
Total equity and liabilities			1,354,797,606		1,414,812,256

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

ANANTHI AMARNATH
Partner

Chennai, 27th April, 2018

For and on behalf of the Board of Directors

D. ASHOK
Director

A. SENGUPTA
Chief Financial Officer

M. GANESAN
Chairman

SAVITHA BAI S.
Manager & Company Secretary

Bengaluru, 27th April, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
I	Revenue from operations	12	1,502,961,209	1,380,478,288
II	Other income	13	–	468,355
III	**Total Income (I+II)**		1,502,961,209	1,380,946,643
IV	**EXPENSES**			
	Cost of material consumed		908,902,599	888,300,441
	Changes in inventories of finished goods		9,806,635	(6,480,022)
	Excise duty		12,527,378	24,768,870
	Employee benefits expense	14	66,286,357	54,607,457
	Finance costs	15	84,857,951	98,692,996
	Depreciation and amortization expense	1A	104,678,203	94,355,920
	Other expenses	16	284,398,710	244,838,853
	Total expenses (IV)		1,471,457,833	1,399,084,515
V	**Profit/(Loss) before tax (III- IV)**		31,503,376	(18,137,872)
VI	**Tax expense:**			
VII	Profit/(Loss) for the year (V-VI)		31,503,376	(18,137,872)
	Other comprehensive income			
	Items that will not be reclassified to profit or loss:			
	– Remeasurements of defined benefit plans		1,497,365	(154,755)
VIII	**Total other comprehensive income**		1,497,365	(154,755)
IX	**Total comprehensive income for the year (VII+VIII)**		33,000,741	(18,292,627)
X	Earnings per equity share (Face Value ₹10 per share)			
	Basic and Diluted (in ₹)	17	0.43	(0.25)

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

ANANTHI AMARNATH
Partner

Chennai, 27th April, 2018

For and on behalf of the Board of Directors

D. ASHOK
Director

A. SENGUPTA
Chief Financial Officer

M. GANESAN
Chairman

SAVITHA BAI S.
Manager & Company Secretary

Bengaluru, 27th April, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended 31st March, 2018 (₹)		For the year ended 31st March, 2017 (₹)	
A. Cash Flow from operating activities				
Net Profit/(loss)		**31,503,376**		(18,137,872)
Adjustments for:				
Depreciation and amortisation expenses	**104,678,203**		94,355,920	
Finance costs	**84,857,951**		98,692,996	
Interest income	**–**	**189,536,154**	(407,325)	192,641,591
Operating profit/(loss) before working capital changes		**221,039,530**		174,503,719
Changes in working capital:				
Adjustment for (increase) / decrease in operating assets:				
Trade receivables, and other current assets	**(26,656,645)**		8,603,402	
Inventories	**8,408,350**		(37,905,102)	
Adjustment for increase / (decrease) in operating liabilities:				
Trade payables, other liabilities and provisions	**12,982,782**	**(5,265,513)**	(14,577,016)	(43,878,716)
Cash generated/(used) from operations		**215,774,018**		130,625,003
Net income tax (paid) / refunds		**–**		1,299,546
Net cash generated from/(used in) operating activities (A)		**215,774,018**		131,924,549
B. Cash flow from investing activities				
Capital expenditure on property, plant and equipments including capital advances	**(21,998,333)**		(43,190,204)	
Interest received on bank deposits	**–**		484,794	
		(21,998,333)		(42,705,410)
Net cash used in investing activities (B)		**(21,998,333)**		(42,705,410)
C. Cash flow from financing activities				
Proceeds from issue of preference share capital	**180,000,000**			
Proceeds from short term borrowings	**–**		310,000,000	
Repayment of short term borrowings	**(180,000,000)**		(180,000,000)	
Repayment of long term borrowings	**(121,600,000)**		(121,600,000)	
Interest paid	**(67,844,252)**	**(189,444,252)**	(119,363,900)	(110,963,900)
Net cash generated from/(used in) financing activities (C)		**(189,444,252)**		(110,963,900)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**4,331,432**		(21,744,761)
Cash and cash equivalents at the beginning of the year (Refer note 5)		**3,851,130**		25,595,891
Cash and cash equivalents at the end of the year (Refer note 5)		**8,182,562**		3,851,130

Note:
The above Cash Flow Statement has been prepared under the "Indirect Method" (Ind AS 7)
The accompanying notes 1 to 18 are an integral part of the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

ANANTHI AMARNATH
Partner

Chennai, 27th April, 2018

For and on behalf of the Board of Directors

D. ASHOK
Director

A. SENGUPTA
Chief Financial Officer

M. GANESAN
Chairman

SAVITHA BAI S.
Manager & Company Secretary

Bengaluru, 27th April, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

A. Equity Share Capital (₹)	Amount (₹)
As at 1st April, 2016	730,000,000
Changes in equity share capital	–
As at 31st March, 2017	730,000,000
Changes in equity share capital	–
As at 31st March, 2018	**730,000,000**

B. Other Equity (₹)	**Retained Earnings Amount (₹)**	Total Amount (₹)
Balance as at 1st April, 2016	(124,491,103)	(124,491,103)
Profit/(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)
Profit/(Loss) for the year	31,503,376	31,503,376
Other Comprehensive Income (Net of Tax)	1,497,365	1,497,365
Total Comprehensive Income	33,000,741	33,000,741
Balance as at 31st March, 2018	**(109,782,989)**	**(109,782,989)**

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

ANANTHI AMARNATH
Partner

Chennai, 27th April, 2018

For and on behalf of the Board of Directors

D. ASHOK
Director

A. SENGUPTA
Chief Financial Officer

M. GANESAN
Chairman

SAVITHA BAI S.
Manager & Company Secretary

Bengaluru, 27th April, 2018

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.

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"). 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 and the date of transition to Ind AS is 1st April, 2015.

C. 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.

D. 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 and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

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. Freehold Land is not depreciated.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	30 – 60 years
Plant and Equipment	10 – 15 years
Furniture and Fixtures	10 years
Vehicles	8 years
Office Equipments	5 years

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. FINANCIAL INSTRUMENTS, FINANCIAL ASSETS, FINANCIAL LIABILITES 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

I. FINANCIAL LIABILITIES

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is, when contractual obligation is discharged, cancelled and on expiry.

J. 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.

K. 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 excludes Goods and Services Tax. Revenue from services is recognised in the periods in which the services are rendered.

L. GOVERNMENT GRANT

The Company may receive government grants that require compliance with certain conditions related to the Company's operating activities or are provided to the Company by way of financial assistance on the basis of certain qualifying criteria.

Government grants are recognised when there is reasonable assurance that the grant will be received, and the Company will comply with the conditions attached to the grant.

Accordingly, government grants:

(a) related to or used for assets are included in the Balance Sheet as deferred income and recognised as income over the useful life of the assets.

(b) related to incurring specific expenditures are taken to the Statement of Profit and Loss on the same basis and in the same periods as the expenditures incurred.

(c) by way of financial assistance on the basis of certain qualifying criteria are recognised as they become receivable.

In the unlikely event that a grant previously recognised is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognised is expensed in the Statement of Profit and Loss.

M. 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's defined benefit gratuity plan is unfunded. 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.

N. 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.

O. 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.

P. 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.

Q. 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.

R. PROVISIONS AND CLAIMS

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 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017	Additions	Withdrawals and adjustments	As at 31st March, 2018
1A. Property, plant and equipment*							
Land Freehold	39,734,710	–	–	39,734,710	–	–	**39,734,710**
Buildings - Freehold	502,199,493	54,565,851	–	556,765,344	–	–	**556,765,344**
Plant and Equipment	694,425,147	58,768,003	–	753,193,150	**13,309,475**	–	**766,502,626**
Furniture and Fixtures	824,808	4,258,901	–	5,083,709	**623,726**	–	**5,707,435**
Vehicles	1,967,407	1,544,959	–	3,512,366	**791,511**	–	**4,303,877**
Office Equipment	–	264,155	–	264,155	**1,909,197**	–	**2,173,352**
Total	1,239,151,565	119,401,869	–	1,358,553,434	**16,633,909**	–	**1,375,187,343**
1B. Capital work-in-progress	80,710,365	39,420,065	119,401,869	728,561	**22,141,396**	**16,633,909**	**6,236,048**
Total	1,319,861,930	158,821,934	119,401,869	1,359,281,995	**38,775,305**	**16,633,909**	**1,381,423,391**

Particulars	Depreciation and Amortisation					Net Book Value		
	As at 1st April, 2016	For the year	Upto 1st April, 2017	For the year	Upto 31st March, 2018	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2016
1A. Property, plant and equipment*								
Land Freehold	–	–	–	–	–	**39,734,710**	39,734,710	39,734,710
Buildings - Freehold	11,649,426	20,284,175	31,933,601	21,476,106	**53,409,707**	**503,355,638**	524,831,743	490,550,067
Plant and Equipment	28,704,603	73,550,990	102,255,593	81,968,860	**184,224,453**	**582,278,173**	650,937,557	665,720,544
Furniture and Fixtures	46,370	210,940	257,310	508,590	**765,900**	**4,941,535**	4,826,399	778,438
Vehicles	138,257	294,573	432,830	461,233	**894,063**	**3,409,813**	3,079,536	1,829,150
Office Equipment	–	15,242	15,242	263,414	**278,656**	**1,894,695**	248,913	-
Total	**40,538,656**	**94,355,920**	**134,894,576**	**104,678,203**	**239,572,779**	**1,135,614,564**	**1,223,658,858**	**1,198,612,909**
1B. Capital work-in-progress	–	–	–	–	–	**6,236,048**	**728,561**	**80,710,365**
Total	**40,538,656**	**94,355,920**	**134,894,576**	**104,678,203**	**239,572,779**	**1,141,850,612**	**1,224,387,419**	**1,279,323,274**

*Refer note 7.1

	As at 31st March, 2018 Amount (₹)		As at 31st March, 2017 Amount (₹)	
	Current	**Non-Current**	Current	Non-Current
2. Other Non-Current & Current Assets				
(A) Capital Advances		**211,351**		268,921
TOTAL (A)	**–**	**211,351**	–	268,921
(B) Advances other than capital advances				
(i) Security Deposits				
1) With Statutory Authorities	**–**	**3,489,949**	–	3,489,949
2) With Others	**–**	**556,800**	–	556,800
(ii) Advance Tax	**–**	**56,804**	–	56,804
(iii) Other Advances (including advances with statutory authorities, prepaid expenses, employee etc.)	**44,598,930**	**–**	46,990,591	–
TOTAL (B)	**44,598,930**	**4,103,553**	46,990,591	4,103,553
TOTAL (A + B)	**44,598,930**	**4,314,904**	46,990,591	4,372,474
3. Inventories				
(At lower of cost and net realisable value)				
Raw materials (including packing materials)	**43,778,509**	**–**	51,891,705	–
Finished goods (manufactured)	**12,959,353**	**–**	22,765,988	–
Stores and Spares	**20,340,310**	**–**	11,719,817	–
Fuel Stock	**1,848,139**	**–**	957,151	–
TOTAL	**78,926,311**	**–**	87,334,661	–
The above includes goods in transit as under:				
Raw materials (including packing materials)	**48,659**	**–**	2,386,942	–
TOTAL	**48,659**	**–**	2,386,942	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 Amount (₹)	As at 31st March, 2017 Amount (₹)
4. Trade Receivables - Current		
Unsecured, considered good		
Others	**76,924,287**	47,875,981
TOTAL	**76,924,287**	47,875,981
5. Cash and cash equivalents @		
Balances with Banks		
Current accounts	**8,182,562**	3,851,130
TOTAL	**8,182,562**	3,851,130

@ 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, 2018 (No. of Shares)	As at 31st March, 2018 Amount (₹)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 Amount (₹)
6. Share capital				
Authorised				
Equity Shares of ₹ 10.00 each	**75,000,000**	**750,000,000**	75,000,000	750,000,000
Preference Shares of ₹ 100.00 each	**2,000,000**	**200,000,000**	2,000,000	200,000,000
Issued and Subscribed (also refer note 7)				
Equity Shares of ₹ 10.00 each, fully paid	**73,000,000**	**730,000,000**	73,000,000	730,000,000
A) Reconciliation of number of Equity Shares outstanding				
As at beginning of the year	**73,000,000**	**730,000,000**	73,000,000	730,000,000
Add: Issue of Shares	**–**	**–**	–	–
As at end of the year	**73,000,000**	**730,000,000**	73,000,000	730,000,000

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

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 %	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %
ITC Limited (Holding Company)	**55,480,000**	**76.00**	55,480,000	76.00
Mukul Chandra Deka	**4,380,000**	**6.00**	4,380,000	6.00
Rajib Kumar Deka	**4,380,000**	**6.00**	4,380,000	6.00
Anupam Deka	**4,380,000**	**6.00**	4,380,000	6.00
Samrat Deka	**4,380,000**	**6.00**	4,380,000	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, 2018 Amount (₹)	As at 31st March, 2017 Amount (₹)
7. Long-term borrowings		
Secured		
Term loans		
Loans from Related parties [Refer Note 18(vii)]	**365,200,000**	486,800,000
Unsecured		
10%, Redeemable Preference share capital of ₹ 100.00 each	**180,000,000**	–
TOTAL	**545,200,000**	486,800,000

Nature of security and terms for secured long term borrowings (including current maturities of long term borrowings are as under:

7.1 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 8)	**121,600,000**	121,600,000
Current maturities of long-term debt	**121,600,000**	121,600,000
In the second year	**121,600,000**	121,600,000
In the third to fifth year	**243,600,000**	365,200,000
After five years	**–**	–
Long-term borrowings	**365,200,000**	486,800,000

7.2 Redeemable non-convertible preference shares have been issued during the year with a tenure of 5 years and are cumulative in nature. These redeemable preference shares have been considered as borrowing in view of the presentation requirement under Ind AS 32 on Financial Instruments - Presentation.

8. Other Financial liabilities		
Current		
Current maturities of long-term debt (Note 7)	**121,600,000**	121,600,000
Provision for preference share dividend	**17,013,699**	-
Interest accrued	**–**	-
Others - towards property, plant and equipment	**2,030,778**	1,945,285
- towards others	**1,793,337**	2,070,315
TOTAL	**142,437,814**	125,615,600
9. Provisions (Non Current)		
Provision for employee benefits [Refer Note 18(ii)(a)]		
Retirement benefits	**2,603,453**	2,484,385
TOTAL	**2,603,453**	2,484,385
10. Short-term Borrowings		
Unsecured		
- From related party [Refer Note 18 (vii)]	**–**	180,000,000
TOTAL	**–**	180,000,000

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,

11. Other current liabilities		
Statutory Liabilities	**14,256,499**	4,823,811
Advances received from customers	**–**	49,114
TOTAL	**14,256,499**	4,872,925

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2018 Amount (₹)	For the year ended 31st March, 2017 Amount (₹)
12. Revenue from operations		
Sale of Products (including excise duty of ₹ 1,25,27,378 for the year ended 31st March, 2018; for the year ended 31st March, 2017 ₹ 2,39,01,962)	**1,427,004,496**	1,241,281,320
Gross Revenue from sale of products and services	**1,427,004,496**	1,241,281,320
Other Operating Revenues		
Subsidies - VAT,CST & GST benefit	**70,564,781**	130,053,423
Income from scrap sale	**5,391,932**	9,143,545
TOTAL	**1,502,961,209**	1,380,478,288
13. Other income		
Interest income from bank deposits measured at amortised cost	–	407,325
Interest on income tax refund	–	61,030
TOTAL	–	468,355
14. Employee benefits expense		
Salaries and wages	**35,330,248**	34,298,438
Reimbursement of remuneration of deputed managers	**12,302,157**	7,148,572
Contribution to Provident and other funds	**3,271,746**	2,525,169
Gratuity expenses	**1,616,433**	1,752,775
Staff welfare expenses	**13,765,773**	8,882,503
TOTAL	**66,286,357**	54,607,457
15. Finance cost		
Interest expense on borrowing measured at amortised cost	**67,844,252**	98,692,996
Preference dividend	**17,013,699**	–
TOTAL	**84,857,951**	98,692,996
16. Other Expenses		
Power and fuel	**82,886,301**	77,737,303
Consumption of stores and spare parts	**23,087,639**	16,811,996
Rent [Refer Note 18 (iv)]	**4,520,673**	4,280,982
Rates and taxes	**868,006**	2,779,863
Insurance	**2,309,344**	1,741,451
Repairs		
– Machinery	**12,229,736**	7,117,393
– Building	**1,343,554**	3,478,101
– Others	**7,924,467**	2,744,928
Outward freight and handling charges	**42,202,441**	34,185,158
Contractual charges	**67,932,523**	58,992,644
Information technology services	**4,575,736**	5,488,151
Travelling and conveyance	**2,126,623**	1,967,663
Consultancy / Professional fees	**25,545,419**	19,274,619
Miscellaneous expenses	**6,846,248**	8,238,601
TOTAL	**284,398,710**	244,838,853
Miscellaneous expenses include :		
Auditors' remuneration and expenses *		
as statutory audit fees	**550,000**	550,000
as tax audit fees	**50,000**	50,000
as reimbursement of expenses	–	–
	600,000	600,000
* Excluding taxes.		
17. Earnings per equity share has been computed as under:		
(a) Profit for the year (₹)	**31,503,376**	(18,137,872)
(b) Weighted average number of Equity shares outstanding	**73,000,000**	73,000,000
(c) Earnings per equity share on profit for the year (Face Value ₹10.00 per share)		
- Basic and Diluted [(a)/(b)]	**0.43**	(0.25)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

18. Additional Notes to the Financial Statements

(i) Contingent liabilities and commitments :

(a) Contingent liabilities: Nil (2017 - Nil)

(b) Commitments

- Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for NIL (2017 - ₹ 29,73,026).

(ii) (a) Defined Benefit Plans - As per Actuarial Valuations as on March 31, 2018 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, 2018 (₹)	For the year ended 31st March, 2017 (₹)
			Gratuity	Gratuity
			Unfunded	Unfunded
I	**Components of Employer Expense**			
	- Recognised in Profit or Loss			
	1	Current service cost	**14,48,737**	17,09,511
	2	Past service cost	**–**	–
	3	Net interest cost	**1,67,696**	43,264
	4	**Total expense recognised in the Statement of Profit and Loss**	**16,16,433**	17,52,775
	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	**(2,04,776)**	1,38,520
	8	Changes in asset ceiling (excluding interest income)	**–**	–
	9	Effect of experience adjustments	**(12,92,589)**	16,235
	10	Total re-measurements included in OCI	**(14,97,365)**	1,54,755
	11	**Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)**	**1,19,068**	19,07,530
II	**Actual returns**		**–**	–
III	**Net Asset/(Liability) recognised in Balance Sheet**			
	1	Present value of Defined Benefit Obligation	**26,03,453**	24,84,385
	2	Fair value of plan assets	**–**	–
	3	Status [Surplus/(Deficit)]	**(26,03,453)**	(24,84,385)

Net Asset/(Liability) recognised in Balance Sheet	**As at 31st March, 2018**		As at 31st March, 2017	
	Current	**Non-current**	Current	Non-current
Gratuity	**–**	**(26,03,453)**	–	(24,84,385)

			For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2017 (₹)
			Gratuity	Gratuity
IV	**Change in Defined Benefit Obligation (DBO)**			
	1	Present value of DBO at the beginning of the year	**24,84,385**	5,76,855
	2	Current service cost	**14,48,737**	17,09,511
	3	Interest cost	**1,67,696**	43,264
	4	Remeasurement losses / (gains):	**-**	-
		Effect of changes in financial assumptions	**(2,04,776)**	1,38,520
		Effect of experience adjustments	**(12,92,589)**	16,235
	5	**Present Value of DBO at the end of the year**	**26,03,453**	24,84,385

V	**Actuarial Assumption**	**As at 31st March, 2018**	As at 31st March, 2017
		Discount Rate (%)	Discount Rate (%)
	Discount rate	**7.50%**	6.75%
	The estimates of future salary increase, 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.)

Sensitivity analysis – DBO at end of 31st March, 2018

	Particulars	As at 31st March, 2018	As at 31st March, 2017
1	Discount rate +100 basis points	21,72,653	20,35,337
2	Discount rate -100 basis points	31,51,826	30,64,886
3	Salary Increase Rate +1%	31,18,250	30,26,023
4	Salary Increase Rate -1%	21,87,886	20,52,867
5	Attrition Rate +1%	24,44,482	22,82,139
6	Attrition Rate -1%	27,86,665	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 and other funds" in Note 14: ₹ 32,71,746 (2017 - ₹ 25,25,169).

(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, 2018 is ₹ 51,033 (2017 - Nil) on account of trade payables and Nil (2017 - 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, 2018. 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 office space, residential accommodation and land for storage of biomass fuel. The lease rental payable are charged as 'Rent' under Note 16.

(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, 2018 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 (ceased w.e.f. 31.03.2018)
K. Raghavaiah	Non- Executive Director (ceased w.e.f. 31.03.2018)

Members- Management Committee

A. Sengupta	Chief Financial Officer
M. Das	HR Head
S. Agarwal / K. Lahoti	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 31.03.2018

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					
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
1	Sale of goods (incl of VAT & CST)	**1,668,839,110**	1,382,112,915	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**1,668,839,110**	1,382,112,915
2	Purchase of goods/ services	**72,721,890**	12,536,228	–	–	–	–	–	–	–	–	–	–	**1,433,671**	1,776,788	–	–	**74,155,561**	14,313,016
3	Software expenses	–	–	**2,713,056**	2,749,710	–	–	–	–	–	–	–	–	–	–	–	–	**2,713,056**	2,749,710
4	Office management services	–	–	–	–	–	–	–	50,000	–	–	–	–	–	–	–	–	-	50,000
5	Management services	–	–	**1,161,120**	–	–	–	–	–	–	–	**21,667,800**	14,133,000	–	–	–	–	**22,828,920**	14,133,000
6	Labour contract services	–	–	–	–	–	–	–	–	–	–	**77,095,318**	57,012,186	–	–	–	–	**77,095,318**	57,012,186
7	Internal Audit fees	**141,600**	390,368	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**141,600**	390,368
8	Interest expense on loan	–	–	–	–	**66,601,512**	94,372,996	–	–	**1,242,740**	4,320,000	–	–	–	–	–	–	**67,844,252**	98,692,996
9	Remuneration to Key Management Personnel																		
	- Directors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**235,000**	205,000	**235,000**	205,000
	- Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**455,180**	480,000	**455,180**	480,000
10	Remuneration of managers on deputation reimbursed	**12,302,157**	7,148,572	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**12,302,157**	7,148,572
11	Preference Share Capital	**180,000,000**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**180,000,000**	–
12	Loans taken	–	–	–	–	–	130,000,000	–	–	–	180,000,000	–	–	–	–	–	–	–	310,000,000
13	Payment towards loan repayment	–	–	–	–	**121,600,000**	301,600,000	–	–	**180,000,000**	–	–	–	–	–	–	–	**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 *	**2018**	**2017**
- R. Jacob (Sitting fees)	**107,500**	127,500
- K. Raghavaiah (Sitting fees)	**127,500**	77,500
- M. Das (Salary)	**455,180**	480,000

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					
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Balances as at 31st March (unsecured unless otherwise stated)																			
1	Receivables	**77,768,875**	**47,875,981**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**77,768,875**	47,875,981
2	Loans Taken	-	-	-	-	** **48,68,00,000**	** **60,84,00,000**	-	-	-	180,000,000	-	-	-	-	-	-	**486,800,000**	788,400,000
3	Payables	**844,587**	-	-	-	-	-	-	-	-	-	-	-	**105,110**	-	-	-	**949,697**	-
4	Interest accrued but not due	**180,000,000**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**180,000,000**	

The amount outstanding will be settled in cash.

** Loan from Russell Credit Limited is secured by way of hypothecation/equitable mortgage.

(viii) Financial instruments and related disclosures

1. Capital Management

The Company funds its operations through mix of equity and borrowings. The gearing ratio of the Company as on 31st March 2018 is 0.47:1 (2017 – 0.45:1). 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 ₹ 73 Crores, preference share capital of ₹ 18 Crores and debt of ₹ 48.68 Crores. The Company is not subject to any externally imposed capital requirement.

2. Categories of Financial Instruments

	Particulars	Note	As at 31st March, 2018		As at 31st March, 2017	
			Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets						
a)	**Measured at amortised cost**					
	i) Cash and Cash Equivalents	5	**81,82,562**	**81,82,562**	38,51,130	38,51,130
	ii) Trade Receivables	4	**7,69,24,287**	**7,69,24,287**	4,78,75,981	4,78,75,981
	Total financial assets		**8,51,06,849**	**8,51,06,849**	5,17,27,111	5,17,27,111
B. Financial liabilities						
a)	**Measured at amortised cost**					
	i) Borrowings	7	**54,52,00,000**	**54,52,00,000**	66,68,00,000	66,68,00,000
	ii) Trade Payables		**3,00,82,829**	**3,00,82,829**	2,78,23,076	2,78,23,076
	iii) Other financial liabilities	8	**14,24,37,814**	**14,24,37,814**	12,56,15,600	12,56,15,600
	Total financial liabilities		**71,77,20,643**	**71,77,20,643**	82,02,38,676	82,02,38,676

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 does not have exposure to financial market risk as it does not does investment and trading activities in financial instruments. 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 short term 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 as it follows the policy of passing on such risk to its customers and maintain adequate inventory cover for its operations.

iii. Price risk

The Company has generated net profit for the first time this year. Whenever the company had investible surplus, it used it for repayment of borrowings earlier than the due date.

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, 2018						
	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%)	**54,52,00,000**	–	–	–	**24,36,00,000**	**30,16,00,000**	**54,52,00,000**
Trade Payables	**3,00,82,829**	**3,00,82,829**	–	–	–	–	**3,00,82,829**
Other Financial Liabilities	**14,24,37,814**	**19,51,158**	**6,09,06,827**	**6,25,66,130**	**1,70,13,699**	–	**14,24,37,814**
	71,77,20,643	**3,20,33,987**	**6,09,06,827**	**6,25,66,130**	**26,06,13,699**	**30,16,00,000**	**71,77,20,643**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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	2,78,23,076	2,78,23,076	–	–	–	–	2,78,23,076
Other Financial Liabilities	12,56,15,600	10,88,914	6,11,00,000	6,34,26,686	–	–	12,56,15,600
	82,02,38,676	**2,89,11,990**	**6,11,00,000**	**24,34,26,686**	**24,32,00,000**	**24,36,00,000**	**82,02,38,676**

* 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

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 market approach and 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.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period, yield curves, risk free rate of returns, volatility etc., as applicable.

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 fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

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 fair valuation methodology as compared to previous 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, 2018	As at 31st March, 2017
Financial liabilities			
Measured at amortised cost			
Borrowings	2	**54,52,00,000**	66,68,00,000
Total financial liabilities		**54,52,00,000**	**66,68,00,000**

(ix) Cost of inventory recognized as an expense during the year amount to ₹ 1,29,49,87,243 (2017 - ₹ 1,23,36,37,774).

(x) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 notifying Ind AS 115, 'Revenue from Contracts with Customers'. The notification is applicable for annual periods beginning on or after 01st April, 2018. The Company is in process of examining the impact of this Standard on its financial statements.

(xi) The financial statements were approved for issue by the board of directors on April 27, 2018.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

ANANTHI AMARNATH
Partner

Chennai, 27th April, 2018

For and on behalf of the Board of Directors

D. ASHOK
Director

M. GANESAN
Chairman

A. SENGUPTA
Chief Financial Officer

SAVITHA BAI S.
Manager & Company Secretary

Bengaluru, 27th April, 2018

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, 2018.

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 industries.

Your Company's order book was impacted during the year due to sluggish demand for capital investments arising out of excess capacity in FMCG and Pharmaceutical industries, coupled with stiff competition. Transition to the new indirect tax regime during the year also led to deferral of capital investments by customers. Your Company's Revenue from Operations for the year stood at ₹ 877.03 lakhs (previous year: ₹ 1615.40 lakhs). Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July 2017, Gross Revenue from sale of products and services for the year ended 31st March, 2018 is not comparable with the previous period. On a comparable basis, Gross Sales Value for the year stood at ₹ 973.89 lakhs, representing a decline of 40.9% over the previous year. The Net Loss for the year was ₹ 303.13 lakhs as against Loss of ₹ 6.75 lakhs during the previous year and the Total Comprehensive Loss was ₹ 301.30 lakhs (previous year: ₹ 8.97 lakhs).

Your Company is focusing on building a sustainable business model, widening its customer base and developing superior solutions for 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 under review, Mr. Rajendra Kumar Singhi stepped down as Non-Executive Director of your Company with effect from close of work on 23rd March, 2018. Your Directors place on record their appreciation for the contribution made by Mr. Singhi during his tenure.

Mr. Rengasamy Senguttuvan (DIN: 03092725) completed his present term as Managing Director of the Company on 6th November, 2017. The Board of Directors of your Company ('the Board'), on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Senguttuvan as Additional Director, and subject to the approval of the Members, also as Managing Director of the Company for a period of five years with effect from 7th November, 2017, or up to the date of his retirement with ITC Limited, the Holding Company (ITC), whichever is earlier.

The Board, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Rajesh Poddar (DIN: 00297605) as Additional Director of the Company with effect from 24th March, 2018.

In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 119 of the Articles of Association of the Company, Messrs. Senguttuvan and Poddar will vacate office at the ensuing Annual General Meeting ('AGM') and are eligible for appointment as Directors of the Company. Your Board at the meeting held on 23rd April, 2018, on the recommendation of the Nomination and Remuneration Committee, recommended for the approval of the Members, re-appointment of Mr. Senguttuvan as a Director, not liable to retire by rotation, and also as Managing Director of your Company for a period of five years with effect from 7th November, 2017, or up to the date of his retirement with ITC, whichever is earlier, and appointment of Mr. Poddar as a Non-Executive Director of your Company, liable to retire by rotation. Requisite Notices under Section 160 of the Act have been received for their appointment and they have filed their respective consent to act as Directors of your Company, if appointed. Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the ensuing AGM of the Company.

Mr. Saurabh Pal resigned as the Chief Financial Officer (CFO) of the Company with effect from close of work on 30th June, 2017. The Board, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Sharad Mundra as CFO of the Company with effect from 1st September, 2017, in terms of the provisions of Section 203 of the Act.

(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 read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 were adopted by the Nomination and Remuneration Committee. The said 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. 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.

(d) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Article 131 of the Articles of Association of the Company, Mr. Chittranjan Dua (DIN: 00036080), 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.

(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.

5. **BOARD AND BOARD COMMITTEES**

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

Audit Committee	Nomination and Remuneration Committee
Mr. P. Chatterjee (Chairman)	Mr. P. Chatterjee (Chairman)
Mr. S. Banerjee	Mr. S. Banerjee
Mr. R. Senguttuvan	Mr. D. Dutta
	Mr. R. Tandon

Securityholders Relationship Committee

Mr. R. Poddar (Chairman)

Mr. D. Dutta

Mr. R. Senguttuvan

Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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. **PARTICULARS OF EMPLOYEES**

The relations between your Company and its employees continued to be cordial during the year under review. 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.

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

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 31st March, 2018, 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, 2018, 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.

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, 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-Sixth AGM. On the recommendation of the Audit Committee, the Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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

The Company's operations do not involve substantial consumption of power in comparison to costs of production. However, the Company takes due care to efficiently utilise and manage the energy resources resulting in cost savings for the Company. The Company continuously works on productivity improvements during fabrication / assembly of machinery for various customers.

There was no new technology adopted by the Company during the year.

During the year under review, the Company earned foreign exchange of ₹ 168.96 lakhs, while the total outflow of foreign exchange was ₹ 3.65 lakhs.

18. ACKNOWLEDGEMENT

The Board acknowledges the support of the Government, shareholders, 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: 23rd April, 2018	Chairman	Managing Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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, 2018

[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. V. Limaye	52	Vice President	28,39,136/-	18,42,472/-	B.E. (Prodn.), P.G.P.M.	25	04.01.2006	Deputy General Manager – Cosmo Films Limited
S. Mundra *	32	Chief Financial Officer	21,44,927/-	14,03,437/-	B. Com, A.C.A	8	01.07.2017	Assistant Manager (Finance) – ITC Limited
P. P. Dakhole	43	Manager – Design	10,92,463/-	9,31,259/-	B. E.(Mechanical)	11	15.07.2016	Manager Design – ASB International Pvt. Ltd.
M. K. Singh	38	Manager – Sales	9,04,293/-	7,47,408/-	M.B.A. - Marketing & Finance, B.E. (Electronics)	9.5	02.01.2017	National Sales Manager – Technocraft Industries (India) Ltd.
R. S. Rane	40	Manager – Production	7,80,403/-	6,48,711/-	Diploma in Mechanical & Materials Management	18	13.09.2016	Project Manager – Siemens Limited
K. D. Sardesai	39	Purchase Manager	7,39,999/-	6,55,345/-	B. Tech (Mechanical)	17	07.01.2016	Manager Outsourcing – Kilburn Engineering Limited
S. Pal #	34	Chief Financial Officer	6,32,937/-	4,37,779/-	B. Com, A.C.A	10	04.02.2015	Assistant Manager (Finance) – ITC Limited
V. S. Jadhav	44	Manager – Accounts	5,86,326/-	5,26,472/-	B.Com	22	05.02.2006	Accounts Assistant – Fudkor India Pvt. Ltd.
A. H. Mendon	54	Manager – IT	5,33,377/-	4,44,766/-	B. Sc., P.G.D.B.A	30	18.09.1995	System Analyst – Lateral Management Computer Consultants
K. Kadam	31	Manager - Production / Quality	5,24,910/-	4,76,687/-	L.M.E	15	15.11.2016	Assistant Manager Quality Control – Furniture Kraft International Pvt. Ltd.

* On deputation from ITC limited (ITC), the Holding Company with effect from 1st July, 2017. Appointed as Head of Finance with effect from 1st July, 2017 and Chief Financial Officer with effect from 1st September, 2017.

\# Was on deputation from ITC and resigned with effect from close of work on 30th June, 2017.

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 of the Company have 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 them by such grant of Options, and accordingly the said grant has not been considered as remuneration.

(e) All appointments (except deputed employees) are / were contractual in accordance with terms and conditions as per Company's rules.

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

On behalf of the Board

R. Tandon Chairman
R. Senguttuvan Managing Director

Dated : 23rd April, 2018

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, 2018

[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	66,452	22,731	89,183	0.05	65,889	22,731	88,620	0.05	0.00
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	15,88,902	16,45,482	32,34,384	1.71	15,88,673	16,43,347	32,32,020	1.71	0.00
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	N.A.
c) Others (specify)									
- Non Resident Indians	23,269	10,860	34,129	0.02	26,196	10,860	37,056	0.02	0.00
Sub-total (B)(2)	**16,78,623**	**16,79,073**	**33,57,696**	**1.78**	**16,80,758**	**16,76,938**	**33,57,696**	**1.78**	**Nil**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**16,83,250**	**16,95,557**	**33,78,807**	**1.79**	**16,85,385**	**16,93,422**	**33,78,807**	**1.79**	**Nil**
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	N.A.
Grand Total (A+B+C)	**18,67,64,443**	**16,95,557**	**18,84,60,000**	**100**	**18,67,66,578**	**16,93,422**	**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:

(₹ in Lakhs)

	Secured Loans excluding deposits *	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	--	--	--	--
(ii) Interest due but not paid	--	--	--	--
(iii) Interest accrued but not due	--	--	--	--
Total (i+ii+iii)	--	--	--	--
Change in Indebtedness during the financial year				
- Addition	233.50	--	--	233.50
- Reduction	--	--	--	--
Net Change	**233.50**	--	--	**233.50**
Indebtedness at the end of the financial year				
(i) Principal Amount	233.50	--	--	233.50
(ii) Interest due but not paid	-	--	--	--
(iii) Interest accrued but not due	-	--	--	--
Total (i+ii+iii)	**233.50**	--	--	**233.50**

* Refer 'Note 10 – Borrowings' to the Financial Statements forming part of the Report and Accounts.

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	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, 2018 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, 2018.

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**				
	S. Banerjee	1.30	Nil	0.10	1.40
	P. Chatterjee	1.30		0.10	1.40
	Total Amount (B)(1)	**2.60**		**0.20**	**2.80**
2.	**Other Non-Executive Directors**				
	C. R. Dua	Nil	Nil	Nil	Nil
	D. Dutta	0.90			0.90
	R. K. Singhi	Nil			Nil
	R. Tandon	Nil			Nil
	Total Amount (B)(2)	**0.90**	**Nil**	**Nil**	**0.90**
Total Amount (B) = (B)(1) + (B)(2)					**3.70**
Total Managerial Remuneration (A + B)					**3.70**
Overall ceiling as per the Companies Act, 2013					₹ 60 Lakhs 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, 2018.

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

Sl. No.	Particulars of Remuneration	S. K. Sipani (Company Secretary) (refer Note 1)	S. Mundra (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	–	14.92
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	–	2.42
	(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		–	**17.34**

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, 2018 has been borne by ITC.

Note 2: Mr. S. Mundra is on deputation from ITC and ITC was appointed as Chief Financial Officer of the Company with effect from 1st September, 2017.

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

Date: 23rd April, 2018

R. Tandon
Chairman

R. Senguttuvan
Managing Director

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 March 31, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, 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 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.
   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 of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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.
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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place: Gurugram
Date : April 23, 2018

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, 2018 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 of the Company 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, 2018, based on "the criteria for internal financial control over financial reporting 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place: Gurugram
Date : April 23, 2018

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 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 order 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, Goods and Services 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, Goods and Services Tax, Cess and other material statutory dues in arrears as at March 31, 2018 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 defaulted in the repayment of loans or borrowings to banks. The Company 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 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 prescribed under section 197 read with Schedule V to the Companies Act, 2013 and hence reporting under clause (xi) of the order is not applicable to the Company.

(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 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 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place: Gurugram
Date : April 23, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note		As at 31st March, 2018 (₹ in Lakhs)		As at 31st March, 2017 (₹ in Lakhs)
ASSETS					
Non-current assets					
(a) Property, Plant and Equipment	1A		68.95		71.98
(b) Intangible assets	1B		15.39		0.03
(c) Deferred Tax Assets (net)	2		–		–
(d) Other non-current assets	3		13.40		37.93
Current assets					
(a) Inventories	4		273.01		374.26
(b) Financial Assets					
(i) Trade receivables	5	139.59		215.51	
(ii) Cash and cash equivalents	6	1.65		25.54	
(iii) Other Bank Balance	7	4.05	145.29	–	241.05
(c) Other current assets	3		280.24		275.55
Total Assets			796.28		1,000.80
EQUITY AND LIABILITIES					
Equity					
(a) Equity Share capital	8	1,884.60		1,884.60	
(b) Other Equity		(1,925.42)	(40.82)	(1,643.48)	241.12
Liabilities					
Non-current liabilities					
(a) Provisions	9		12.30		14.72
Current liabilities					
(a) Financial Liabilities					
(i) Borrowings	10	233.50		–	
(ii) Trade payables		419.73		571.08	
(iii) Other financial liabilities	11	21.03	674.26	17.27	588.35
(b) Other current liabilities	12		149.20		154.02
(c) Provisions	9		1.34		2.59
Total Equity and Liabilities			796.28		1,000.80

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
ANANTHI AMARNATH
Partner

RAJIV TANDON
Chairman
S K SIPANI
Company Secretary

For and on behalf of the Board
R SENGUTTUVAN
Managing Director
SHARAD MUNDRA
Chief Financial Officer

Place : Gurugram
Date : 23rd April, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

		Note	For the year ended March 31, 2018 (₹ in Lakhs)	For the year ended March 31, 2017 (₹ in Lakhs)
I	Revenue From Operations	13	**877.03**	1,615.40
II	Other Income	14	**5.21**	1.85
III	**Total Income (I+II)**		**882.24**	1,617.25
IV	**EXPENSES**			
	Cost of materials consumed		**584.26**	1,025.09
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress		**19.60**	(73.80)
	Excise duty		**14.94**	144.47
	Employee benefits expense	15	**267.17**	262.06
	Finance costs	16	**20.62**	1.00
	Depreciation and amortization expense	1	**8.58**	7.09
	Other expenses	17	**270.20**	258.09
	Total expenses (IV)		**1,185.37**	1,624.00
V	**Profit/ (Loss) before tax (III- IV)**		**(303.13)**	(6.75)
VI	Tax expense		**–**	–
VII	**Profit/(loss) for the year (V-VI)**		**(303.13)**	(6.75)
VIII	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss:			
	- Remeasurements of defined benefit plans	22 (iv)	**1.83**	(2.22)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		**–**	–
IX	**Other Comprehensive Income**		**1.83**	(2.22)
X	**Total Comprehensive Income for the year (VII+IX)**		**(301.30)**	(8.97)
XI	Earnings per equity share (Face Value ₹ 1.00 each)	18		
	Basic (in ₹)		**(0.16)**	(0.00)
	Diluted (in ₹)		**(0.16)**	(0.00)

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
ANANTHI AMARNATH
Partner

RAJIV TANDON
Chairman
S K SIPANI
Company Secretary

For and on behalf of the Board
R SENGUTTUVAN
Managing Director
SHARAD MUNDRA
Chief Financial Officer

Place : Gurugram
Date : 23rd April, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

	For the year ended March 31, 2018 (₹ in Lakhs)	For the year ended March 31, 2017 (₹ in Lakhs)
A. Cash flow from operating activities		
(Loss) / Profit before Tax	**(303.13)**	(6.75)
Adjustments for:		
Depreciation and amortisation expense	**8.58**	7.09
Finance Cost	**20.62**	1.00
Remeasurement of Defined Benefit Plans	**1.83**	(2.22)
Share Based Payments	**19.36**	22.63
Operating loss before working capital changes	**(252.74)**	21.75
Adjustments for:		
Trade receivables	**75.92**	71.25
Other Current Assets	**(4.69)**	(108.76)
Inventories	**101.25**	(167.24)
Trade Payables, Other Financial Liabilities & Provisions	**(156.08)**	160.65
Cash (used in) / generated from operations before taxation	**(236.34)**	(22.35)
Income tax paid (net of refunds)	**24.53**	–
Net cash (used in) / generated from operations	**(211.81)**	(22.35)
B. Cash flow from investing activities		
Purchase of Property Plant and Equipment, Intangibles etc.	**(20.91)**	(9.89)
Investment in bank deposit (original maturity more than 3 months)	**(4.05)**	–
Net cash (used in) / generated from investing activities	**(24.96)**	(9.89)
C. Cash flow from financing activities		
Interest Paid	**(20.62)**	(1.00)
Net cash (used in) / generated from financing activities	**(20.62)**	(1.00)
D. Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(257.39)**	(33.24)
E. Reconciliation		
Cash and cash equivalents at the beginning of the year	**25.54**	58.78
Cash and cash equivalents at the end of the year	**(231.85)**	25.54
	(257.39)	(33.24)
Cash and cash equivalents		
Cash and cash equivalents as above	**(231.85)**	25.54
Cash Credit Facility (Note 10)	**233.50**	–
Cash and Cash Equivalent (Note 6)	**1.65**	25.54

Note : The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Ind AS - 7 - "Statement of Cash Flow"

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

ANANTHI AMARNATH

Partner

RAJIV TANDON
Chairman

S K SIPANI
Company Secretary

For and on behalf of the Board

R SENGUTTUVAN
Managing Director

SHARAD MUNDRA
Chief Financial Officer

Place : Gurugram

Date : 23rd April, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2018

A. Equity Share Capital (₹ in Lakhs)

Balance at 1st April, 2016	**1,884.60**
Issue of equity shares	–
Balance at 31st March, 2017	**1,884.60**
Issue of equity shares	–
Balance at 31st March, 2018	**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, 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)
Profit for the year	–	–	**(303.13)**	**(303.13)**
Other Comprehensive Income (net of tax)	–	–	1.83	1.83
Total Comprehensive Income	–	–	(301.30)	(301.30)
Recognition of share based payment	–	19.36	–	19.36
Balance as at 31st March, 2018	**14.93**	**62.47**	**(2,002.82)**	**(1,925.42)**

* 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
ANANTHI AMARNATH
Partner

For and on behalf of the Board

RAJIV TANDON
Chairman
S K SIPANI
Company Secretary

R SENGUTTUVAN
Managing Director
SHARAD MUNDRA
Chief Financial Officer

Place : Gurugram
Date : 23rd April, 2018

NOTES TO THE FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	Gross Block					Depreciation and Amortisation					Net Book Value	
	As at 1st April, 2016	Addi-tions	As at 31st March, 2017	Addi-tions	**As at 31st March, 2018**	Upto 1st April, 2016	For the year	Upto 31st March, 2017	For the year	**Upto 31st March, 2018**	**As at 31st March, 2018**	As at 31st March, 2017
1A. Property, plant and equipment												
Land Freehold	47.92	–	47.92	–	47.92	–	–	–	–	–	**47.92**	47.92
Buildings	3.74	–	3.74	–	3.74	0.71	0.70	1.41	0.37	**1.78**	**1.96**	2.33
Plant and Equipment	6.19	–	6.19	–	6.19	0.56	0.56	1.12	0.56	**1.68**	**4.51**	5.07
Computers	8.08	9.70	17.78	2.82	20.60	3.25	3.55	6.80	3.14	**9.94**	**10.66**	10.98
Office Equipment	2.49	–	2.49	–	2.49	0.65	0.50	1.15	0.50	**1.65**	**0.84**	1.34
Furniture and Fixtures	3.19	0.19	3.38	–	3.38	0.94	0.95	1.89	0.45	**2.34**	**1.04**	1.49
Vehicles	4.51	–	4.51	–	4.51	0.83	0.83	1.66	0.83	**2.49**	**2.02**	2.85
Total	**76.12**	**9.89**	86.01	**2.82**	**88.83**	**6.94**	**7.09**	**14.03**	**5.85**	19.88	**68.95**	**71.98**
1B. Intangible Assets												
Computer Software	0.03	–	0.03	18.09	**18.12**	–	–	–	2.73	**2.73**	**15.39**	0.03
Total	**0.03**	–	**0.03**	**18.09**	**18.12**	–	–	–	**2.73**	**2.73**	**15.39**	**0.03**
Grand Total	**76.15**	**9.89**	**86.04**	**20.91**	**106.95**	**6.94**	**7.09**	**14.03**	**8.58**	**22.61**	**84.34**	**72.01**

	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (₹ in Lakhs)
2. Deferred tax Assets (Net)		
Deferred tax liabilities		
On difference between book balance and tax balance of Property, Plant & Equipment	**1.28**	0.20
Sub-Total	**1.28**	0.20
Deferred tax assets		
Unabsorbed depreciation carried forward	**33.53**	55.27
Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961	**4.58**	6.81
Brought forward business losses	**167.17**	139.28
Sub-Total	**205.28**	201.36
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 ₹ 642.97 Lakhs (2017 - ₹ 421.24 lakhs) for which no deferred tax assets have been recognised. These losses will expire between financial year 2018-19 to 2025-26.

	As at 31st March, 2018 (₹ in Lakhs)		As at 31st March, 2017 (₹) in Lakhs)	
	Current	**Non-Current**	Current	Non-Current
3. Other Assets				
Advances other than capital advances				
(i) Advance Tax (net of provisions)	–	**13.40**	–	37.93
(ii) Other Advances (including advances with statutory authorities, prepaid expenses, suppliers, employees etc.)				
Unsecured	**280.24**	–	275.55	–
TOTAL	**280.24**	**13.40**	275.55	37.93

	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (₹ in Lakhs)
4. Inventories		
(At lower of cost and net realisable value)		
Raw materials (including packing materials)	**168.58**	250.23
Work-in-progress	**104.43**	124.03
Finished goods (manufactured)	–	–
TOTAL	**273.01**	374.26

The cost of inventories recognised as an expense includes ₹ Nil (during 2016-2017: ₹ Nil) in respect of write-downs of inventory to net realisable value

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (₹ in Lakhs)
5. Trade Receivables (Current)		
Secured, considered good	–	–
Unsecured, considered good*	139.59	215.51
Doubtful	–	–
Less: Expected credit loss allowance	–	–
TOTAL	139.59	215.51

*See Note 20 for dues from Related Parties

6. Cash and cash equivalents		
Balances with Banks		
Current Accounts	1.60	25.08
Cash on hand	0.05	0.46
TOTAL	1.65	25.54

	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (₹ in Lakhs)
7. Other Bank Balances		
In deposit Accounts*	4.05	–
TOTAL	4.05	–

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

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ in Lakhs)
8. Share capital				
Authorised				
35,00,00,000 (2017: 35,00,00,000) Equity shares of ₹ 1 (2017: ₹ 1) each [see note (D)below]	350,000,000	3,500.00	350,000,000	3,500.00
1,13,00,000 (2017: 1,13,00,000) Redeemable preference shares of ₹ 100 each	11,300,000	11,300.00	11,300,000	11,300.00
Total	361,300,000	14,800.00	361,300,000	14800.00
Issued, Subscribed & Paid up				
18,84,60,000 (2017: 18,84,60,000) Equity shares of ₹ 1 (2017: ₹ 1) each [see note (D)below]	188,460,000	1,884.60	188,460,000	1884.60
A) Reconciliation of number of Ordinary Shares outstanding				
As at beginning of the year	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	1,884.60	188,460,000	1,884.60

B) Shares held by Holding Company

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 %	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %
Equity Shares				
18,50,81,193 (2017: 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

C) Name of share holders holding more than 5% of the shares of the Company

	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 %	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %
Equity Shares				
ITC Limited (Holding Company)	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, 2018 (₹ in Lakhs)		As at 31st March, 2017 (₹) in Lakhs)	
	Current	**Non-Current**	Current	Non-Current
9. Provisions				
Provision for employee benefits				
Retirement benefits (Refer Note 22(iv))	**1.34**	**12.30**	2.59	14.72
TOTAL	**1.34**	**12.30**	2.59	14.72

	As at 31st March, 2018 (₹ in Lakhs)	As at 31st March, 2017 (₹ in Lakhs)
10. Current Borrowings		
Secured		
Loan from Bank		
Cash credit facility*	**233.50**	–
TOTAL	**233.50**	–

* 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.

11. Other Financial liabilities		
Current		
Employee Benefits Payable	**18.90**	15.36
Payable to the Holding Company (Refer Note 20)	**2.13**	1.91
TOTAL	**21.03**	17.27
12. Other Current Liabilities		
Statutory Liabilities	**2.59**	6.69
Advances received from customers	**146.61**	147.33
TOTAL	**149.20**	154.02

	For the year ended 31st March, 2018 (₹ in Lakhs)	For the year ended 31st March, 2017 (₹ in Lakhs)
13. **Revenue from operations**		
Sale of Products (including excise duty of ₹ 14.94 lakhs for the year ended		
31st March, 2018; for the year ended 31st March, 2017 ₹144.47 lakhs)	**860.99**	1,597.50
Sale of Services	**15.68**	16.21
Gross Revenue from sale of products and services	**876.67**	1,613.71
Other Operating Revenues	**0.36**	1.69
TOTAL	**877.03**	1,615.40
14. Other income		
Other non-operating income	**3.95**	1.19
Net Foreign Exchange Gain / (Loss)	**1.26**	0.66
TOTAL	**5.21**	1.85
15. Employee benefits expense		
Salaries and wages	**216.91**	203.83
Contribution to Provident and other funds	**14.84**	16.08
Share based payment (Refer Note 20)	**19.36**	22.63
Staff welfare expenses	**16.06**	19.52
TOTAL	**267.17**	262.06
16. Finance costs		
Interest expense for financial liabilities not classified as FVTPL	**20.62**	1.00
TOTAL	**20.62**	1.00

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the year ended 31st March, 2018 (₹ in Lakhs)	For the year ended 31st March, 2017 (₹ in Lakhs)
17. Others Expenses		
Consumption of stores and spare parts	**0.36**	1.68
Sub-Contracting Expenses	**70.68**	79.01
Power and fuel	**14.15**	18.44
Repairs and Maintenance		
- Buildings	**2.51**	2.07
- Machinery	**0.53**	0.37
- Others	**13.89**	2.65
Rates and taxes	**2.06**	3.00
Insurance	**1.96**	1.87
Maintenance and upkeep	**16.57**	14.25
Travelling and conveyance	**69.51**	62.91
Printing and stationery	**6.83**	6.55
Freight and forwarding	**19.36**	14.32
Advertising and sales promotion charges	**8.53**	4.85
Bank charges	**0.67**	0.51
Information technology services	**1.44**	1.93
Training and development	**0.12**	-
Professional fees	**17.91**	11.04
Postage and telephone charges	**6.46**	6.80
Directors' sitting fees (Refer Note 20)	**3.70**	3.80
Miscellaneous expenses	**12.96**	22.04
TOTAL	**270.20**	258.09
Miscellaneous expenses include :		
(1) Auditors' remuneration and expenses		
Audit fees	**1.50**	1.73
Tax audit fees	**1.00**	1.15

18. Earnings per share		
Profit/ (Loss) after tax, attributable to equity shareholders (A)	**(303.13)**	(6.75)
Weighted average number of Equity Shares (B)	**188,460,000**	188,460,000
Earnings per share - Basic & Diluted (in ₹) (A / B)	**(0.16)**	(0.00)
Nominal value of an equity share (in ₹)	**1.00**	1.00

19 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 **(₹ in Lakhs)**

	2018	2017
1. Segment Revenue		
- Within India	**698.29**	1519.03
- Outside India	**178.38**	94.68
Total	**876.67**	1613.71
2. Non Current Assets		
- Within India	**97.74**	109.94
- Outside India	**-**	–
Total	**97.74**	109.94

Note : Revenue of ₹ 95.25 lakhs (2017 : ₹ 1.28 lakhs) arose from a single external customer which is more than 10% of the Company's total revenue during the reported period

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

20. 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 (ceased w.e.f. 23.03.2018)
D. Dutta	Non-Executive Director
C.R. Dua	Non-Executive Director
S. Banerjee	Independent Director
P. Chatterjee	Independent Director
R. Poddar	Non-Executive Director (w.e.f. 24.03.2018)
R. Senguttuvan *	Managing Director
S.K. Sipani *	Company Secretary
S. Pal	Chief Financial Officer (ceased w.e.f. 30.06.2017)
S. Mundra	Chief Financial Officer (w.e.f. 01.09.2017)

* 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 31.03.2018

(₹ in Lakhs)

	RELATED PARTY TRANSACTIONS SUMMARY	Holding Company		Fellow Subsidiary		Key Management Personnel		Total	
		ITC Limited		SNPL					
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
1.	Sale of Goods/ Services	**0.10**	2.89	**3.36**	-	**-**	-	**3.46**	2.89
2.	Purchase of Goods/ Services	**-**	1.08	**-**	-	**-**	-	**-**	1.08
3	Expenses Reimbursed	**-**	0.50	**-**	-	**-**	-	**-**	0.50
4	Expenses Recovered	**200.03**	173.14	**-**	-	**-**	-	**200.03**	173.14
5	Capital Contribution for Share Based Payments	**19.36**	22.63	**-**	-	**-**	-	**19.36**	22.63
6	Remuneration of Key Management Personnel on Deputation reimbursed *								
	Other Remuneration	**27.78**	27.25	**-**	-	**-**	-	**27.78**	27.25
	Total	**27.78**	27.25	**-**	-	**-**	-	**27.78**	27.25
7	Director's Sitting Fees	**-**	-	**-**	-	**3.70**	3.80	**3.70**	3.80
8	Outstanding receivables	**-**	2.77	**-**	-	**-**	-	**-**	2.77
9	Outstanding payables	**2.13**	1.91	**-**	-	**-**	-	**2.13**	1.91

* Post employment benefits are actuarially determined on overall basis and hence not separately provided. Further, for share based payments, Refer Note 15

21. 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 2018 and 31st March 2017

2. Categories of Financial Instruments

₹ Lakhs

Particulars			Note	As at 31st March, 2018		As at 31st March, 2017	
				Carrying Value	**Fair Value**	Carrying Value	Fair Value
A. Financial assets							
a)	**Measured at amortised cost**						
	i)	Cash and Cash Equivalents	6	**1.65**	**1.65**	25.54	25.54
	ii)	Other Bank Balances	7	**4.05**	**4.05**	–	–
	ii)	Trade Receivables	5	**139.59**	**139.59**	215.51	215.51
		Total financial assets		**145.29**	**145.29**	241.05	241.05
B. Financial liabilities							
b)	**Measured at amortised cost**						
	i)	Cash credit Facility	10	**233.50**	**233.50**	–	–
	ii)	Trade Payables		**419.73**	**419.73**	571.08	571.08
	iii)	Other financial liabilities	11	**21.03**	**21.03**	17.27	17.27
		Total financial liabilities		**674.26**	**674.26**	588.35	588.35

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 undertaken in US Dollar. Considering the insignificant value, foreign currency risk 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.

The carrying amount of foreign currency denominated financial asset is as follows

₹ Lakhs

Financial Asset	**As at 31st March 2018**	As at 31st March 2017
USD	**29.55**	15.66

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.

₹ Lakhs

Particulars	As at 31st March, 2018						
	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 year	Total
Trade Payables	419.73	289.49	54.19	76.05	-	-	419.73
Other Financial Liabilities	21.03	21.03	-	-	-	-	21.03
	440.76	310.52	54.19	76.05	-	-	440.76

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 year	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

* 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 Cash credit facility is not included in the above as the same is revolving in nature.

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 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, where extended. Credit limits extension are monitored by the Executive Committee and necessary steps are taken for monitoring, as required.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

22. 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, 2018 and March 31, 2017. 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 ₹ 19.36 Lakhs (2017 : ₹ 22.63 Lakhs) (Refer Note 15) 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, 2018**	As at 31st March, 2017
	No. of Options	No. of Options
Outstanding at the beginning of the year	**16,746**	7,864
Add: Corporate Action: Bonus Issue by ITC	**-**	3,932
Add: Granted during the year@	**2,475**	4,950
Less: Lapsed during the year	**-**	-
Add / (Less): Movement due to transfer of employees within group	**(2,475)**	-
Less: Exercised during the year	**3,546**	-
Outstanding at the end of the year	**13,200**	16,746
Options exercisable at the end of the year	**7,342**	7,258

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 Nil (2017: 2,475) options granted to the Chief Financial Officer of the Company

(iii) Cost of inventory recognized as expense during the year amount to ₹ 620.24 Lakhs (2017 - ₹ 1007.45 Lakhs).

(iv) Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2018 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 understand 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

(₹ Lakhs)

			For the year ended 31st March, 2018		For the year ended 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
I	-	**Recognised in Profit or Loss**				
	1	Current Service Cost	3.18	2.31	3.27	1.96
	2	Past Service Cost	-	-	-	-
	3	Net Interest Cost	(2.42)	0.99	(1.71)	1.02
	4	Total expense recognised in the Statement of Profit and Loss	0.76	3.31	1.56	2.98
	-	Re-measurements recognised in Other Comprehensive Income				
	5	(Return) on plan assets (excluding amounts included in Net interest cost)	(0.25)	-	(1.42)	-
	6	Effect of changes in demographic assumptions	-	-	-	-
	7	Effect of changes in financial assumptions	(2.40)	(0.62)	2.77	0.52
	8	Changes in asset ceiling (excluding interest income)	-	-	-	-
	9	Effect of experience adjustments	0.82	(1.20)	1.21	1.70
	10	Total re-measurements included in OCI	(1.83)	(1.83)	2.56	2.22
	11	Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)	(1.07)	1.48	4.12	5.19

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

II		Net Asset/(Liability) recognised in Balance Sheet	For the year ended 31st March, 2018		For the year ended 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
	1	Present Value of Defined Benefit Obligation	52.50	13.64	60.57	17.31
	2	Fair Value of Plan Assets	80.41	-	87.42	-
	3	Status [Surplus/(Deficit)] *	27.91	(13.64)	26.85	(17.31)
	4	Net Asset/(Liability) recognised in Balance Sheet	As at 31st March, 2018		As at 31st March, 2017	
			Current	Non Current	Current	Non Current
		- Gratuity				
		- Leave Encashment	1.34	12.30	2.59	14.72
	* 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.					

			For the year ended 31st March, 2018		For the year ended 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
III	Change in Defined Benefit Obligations (DBO)					
	1	Present Value of DBO at the beginning of the year	60.57	17.31	51.91	15.13
	2	Current Service Cost	3.18	2.31	3.27	1.96
	3	Interest Cost	3.64	0.99	3.80	1.02
	4	Remeasurement gains / (losses):				
		Effect of changes in demographic assumptions	-	-	-	-
		Effect of changes in financial assumptions	(2.40)	(0.62)	2.77	0.52
		Changes in asset ceiling (excluding interest income)	-	-	-	-
		Effect of experience adjustments	0.82	(1.20)	1.21	1.70
	5	Curtailment Cost / (Credit)	-	-	-	-
	6	Settlement Cost / (Credit)	-	-	-	-
	7	Liabilities assumed in business combination	-	-	-	-
	8	Exchange difference on foreign plans	-	-	-	-
	9	Benefits Paid	(13.32)	(5.14)	(2.39)	(3.02)
	10	Present Value of DBO at the end of the year	52.50	13.64	60.57	17.31

IV	Best Estimate of Employer's Expected Contribution for the next year	As at 31st March, 2018	As at 31st March, 2017
	- Gratuity	Nil	Nil
	- Leave Encashment	NA	NA

			For the year ended 31st March, 2018		For the year ended 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
V	Change in Fair Value of Assets					
	1	Plan Assets at the beginning of the year	87.43	-	82.88	-
	2	Asset acquired in Business Combination	-	-	-	-
	3	Expected Return on Plan Assets	6.05	-	5.51	-
	4	Remeasurement Gains/(Losses) on plan assets	0.25	-	1.42	-
	5	Actual Company Contributions	-	-	-	-
	6	Benefits Paid	(13.32)	-	(2.39)	-
		Others	-	-	-	-
	7	Plan Assets at the end of the year	80.41	-	87.42	-

VI	Actuarial Assumptions		As at 31st March, 2018		As at 31st March, 2017	
			Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)
	1	Gratuity	6.50%	7.50%	6.50%	6.75%
	2	Leave Encashment	NA	7.50%	NA	6.75%
	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.					

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

VIII	Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact)		As at 31st March, 2018		As at 31st March, 2017	
			Gratuity	Leave Encashment	Gratuity	Leave Encashment
	1	Present Value of Defined				
		Benefit Obligation	52.50	13.64	60.57	17.31
	2	Fair Value of Plan Assets	80.41	-	87.42	-
	3	Status [Surplus/(Deficit)]	27.91	(13.64)	26.85	(17.31)
	4	Experience Adjustment of				
		Plan Assets [Gain/(Loss)]	0.25	-	1.42	-
	5	Experience Adjustment of obligation [(Gain)/Loss]	0.82	(1.20)	1.21	1.70

IX	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.			
				₹ Lakhs
			DBO as at 31 March 2018	DBO as at 31 March 2017
	1	Discount Rate + 100 basis points	62.48	73.01
	2	Discount Rate - 100 basis points	70.23	82.28
	3	Salary Increase Rate + 1%	70.62	82.91
	4	Salary Increase Rate – 1%	62.07	73.30

(v) Ministry of Corporate Affairs (MCA) has notified Ind AS 115 – "Revenue from Contracts with Customers" with effect from 1st April 2018. The company is in the process of assessing its impact on the financial statements

23. 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.

24. 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 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 and the date of transition to Ind AS is 1st April, 2015.

b) 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 and Ind AS 1 – Presentation of Financial Statements based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

c) Going Concern Assumption

As at 31 March 2018, the net worth of the Company has been 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.

d) 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 use. Depreciation or amortization is calculated in a

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

e) 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.

f) 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.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

g) 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.

h) 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.

i) 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.

j) Revenue from sale of products and services

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of returns and discounts to customers. Revenue from the sale of goods excludes Goods and Services Tax. Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, which is mainly upon delivery, the amount of revenue can be measured reliably and recovery of the consideration is probable. Revenue from services is recognised in the periods in which the services are rendered

k) 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.

l) 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.

m) 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.

n) 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
S. K. SIPANI Company Secretary	SHARAD MUNDRA Chief Financial Officer

Place: Gurugram
Date: 23rd April, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

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 ₹ 7.18 lakhs (previous year ₹ 5.11 lakhs). The net loss of the Company was ₹ 0.39 lakhs (previous year ₹ 6.28 lakhs).

3. **DIVIDEND**

In view of losses incurred, your Directors are unable to recommend any dividend for the year under review.

4. **DIRECTORS**

(a) Changes in Directors during the year

During the year under review, Dr. Ramesh Chand Dhiman and Mr. Samir Vijay Limaye stepped down as Non-Executive Directors of your Company with effect from close of work on 31st December, 2017. Your Directors place on record their appreciation for the contributions made by Dr. Dhiman and Mr. Limaye during their respective tenure.

The Board of Directors of your Company ('the Board') at the meeting held on 18th December, 2017, appointed Mr. Sib Sankar Bandyopadhyay (DIN: 08016972) and Mr. Suneel Kumar Pandey (DIN: 08017025) as Additional Directors of the Company with effect from the said date. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 105 of the Articles of Association of the Company, Messrs. Bandyopadhyay and Pandey will vacate office at the ensuing Annual General Meeting ('AGM') and are eligible for appointment as Directors of the Company. Your Board at the meeting held on 2nd May, 2018 recommended for the approval of the Members, the appointment of Messrs. Bandyopadhyay and Pandey as Non-Executive Directors of your Company, liable to retire by rotation. Requisite notices under Section 160 of the Act have been received by the Company for appointment of Messrs. Bandyopadhyay and Pandey, who have also filed their consents to act as Directors of your Company, if appointed. Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the ensuing AGM of the Company.

(b) Retirement by Rotation

In accordance with the provisions of Section 152(6) of the Act read with Articles 100, 101 and 102 of the Articles of Association of the Company, Mr. Surendra Kumar Sipani (DIN: 02513625), 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.

5. **BOARD MEETINGS**

Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 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 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 requirements of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company.

9. **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.

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, 2018, 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 1 to this Report.

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

During the financial year 2017-18, 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 2 to this Report.

15. **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. 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-Second AGM. The Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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.

On behalf of the Board

Sib Sankar Bandyopadhyay Director

Dated: 2nd May, 2018 Suneel Pandey Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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 the year - ₹ 4.62 lakhs	
e)	Date(s) of approval by the Board, if any	20th March, 2017	
f)	Amount paid as advances, if any	Nil	

Dated : 2nd May, 2018

On behalf of the Board
Sib Sankar Bandyopadhyay Director
Suneel Pandey 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, 2018

[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 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.	-	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**				
	S. K. Sipani	Nil	Nil	Nil	**Nil**
	S. S. Bandyopadhyay				
	S. K. Pandey				
	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, 2018.

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: 2nd May, 2018

On behalf of the Board

Sib Sankar Bandyopadhyay Director

Suneel Pandey 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, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, 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 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.
   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 of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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.
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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Chennai
May 2, 2018

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 Parag Agro Farm Limited ("the Company") as of March 31, 2018 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 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 of the Company 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, 2018, based on the criteria for internal financial control over financial reporting 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Chennai
May 2, 2018

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 22 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 22 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, 2018 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, 2018, 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 requires 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Chennai
May 2, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
ASSETS			
Non-current Assets			
Property, Plant and Equipment	22	–	–
Advance Tax and TDS Receivables [Net of Provisions ₹ 479,867 (March 31, 2017; ₹ 432,867)]		840,565	839,024
Total Non-current Assets		840,565	839,024
Current Assets			
Biological assets other than bearer plants	5	–	–
Financial Assets			
Investments	4	–	5,000
Cash and Cash Equivalents	6	2,726,566	2,773,570
Other Financial Assets	7	122,946	140,125
Other Current Assets	8	7,138,322	7,138,660
Total Current Assets		9,987,834	10,057,355
Total Assets		10,828,399	10,896,379
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	9	12,800,020	12,800,020
Other Equity	10	(2,114,628)	(2,075,913)
Total Equity		10,685,392	10,724,107
Liabilities			
Current Liabilities			
Financial Liabilities			
Trade Payables	21	136,047	142,304
Other Current Liabilities	11	6,960	29,968
Total Current Liabilities		143,007	172,272
Total Liabilities		143,007	172,272
Total Equity and Liabilities		10,828,399	10,896,379

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

For and on behalf of the Board of Directors

Suneel Pandey
Director

Sib Sankar Bandyopadhyay
Director

Place: Secunderabad
Date: May 2, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

		Note	For the year ended March 31,2018 (₹)	For the year ended March 31,2017 (₹)
I	Revenue from Operations	12	**514,041**	238,433
II	Other Income	13	**203,630**	272,369
III	**Total Income (I+II)**		**717,671**	510,802
IV	**EXPENSES:**			
	Purchases of Stock-in-Trade		**462,000**	222,801
	Other Expenses	14	**247,386**	856,939
	Total Expenses (IV)		**709,386**	1,079,740
V	**Profit / (Loss) Before Tax (III-IV)**		**8,285**	(568,938)
VI	**Tax Expense:**			
	Current Tax	15(b)	**47,000**	59,553
VII	**Loss for the Year (V-VI)**		**(38,715)**	(628,491)
VIII	**Other Comprehensive Income**		**–**	–
IX	**Total Comprehensive Loss for the Year (VII+VIII)**		**(38,715)**	(628,491)
	Earnings per equity share: Basic and Diluted (face value of Rs. 1 each)	18	**(0.01)**	(0.05)

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

For and on behalf of the Board of Directors

Suneel Pandey
Director

Sib Sankar Bandyopadhyay
Director

Place: Secunderabad
Date: May 2, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

		For the year ended March 31,2018 (₹)	For the year ended March 31,2017 (₹)
A.	**Equity Share Capital**		
	Balance at April 1	**12,800,020**	128,000,200
	Changes in Equity Share Capital during the the year (Refer Note 16)	**–**	(115,200,180)
	Balance at March 31	**12,800,020**	12,800,020
B.	**Other Equity - Reserves & Surplus**		
	Retained Earnings		
	Balance at April 1	**(2,075,913)**	(116,647,602)
	Changes in Equity Share Capital during the the year (Refer Note 16)	**–**	115,200,180
	Loss for the Year	**(38,715)**	(628,491)
	Balance at March 31	**(2,114,628)**	(2,075,913)

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

For and on behalf of the Board of Directors

Suneel Pandey
Director

Sib Sankar Bandyopadhyay
Director

Place: Secunderabad
Date: May 2, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
A. Cash Flow from Operating Activities		
Profit / (Loss) Before Tax	**8,285**	(568,938)
Adjustments for:		
Interest Income	**(203,630)**	(272,369)
Operating Loss Before Working Capital Changes	**(195,345)**	(841,307)
Adjustments for:		
Decrease in Trade Receivables	**–**	734,437
(Increase)/Decrease in Other Assets	**2,338**	(22,019)
Decrease in Trade Payables	**(6,257)**	(894,090)
Increase/(Decrease) in Other Current Liabilities and Provisions	**(23,008)**	28,077
Cash used in Operations	**(222,272)**	(994,902)
Income Taxes Paid (Net of Refunds)	**(48,541)**	(93,510)
Net Cash used in Operating Activities	**(270,813)**	(1,088,412)
Cash Flows from Investing Activities		
Redemption of Investments	**5,000**	10,000
Interest Received	**218,809**	142,282
Net Cash generated from Investing Activities	**223,809**	152,282
Cash Flow from Financing Activities	**–**	–
Net Decrease in Cash and Cash Equivalents	**(47,004)**	(936,130)
Cash and Cash Equivalents at the beginning of the year	**2,773,570**	3,709,700
Cash and Cash Equivalents at the end of the year (Refer Note 6)	**2,726,566**	2,773,570

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

For and on behalf of the Board of Directors

Suneel Pandey
Director

Sib Sankar Bandyopadhyay
Director

Place: Secunderabad
Date: May 2, 2018

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 and has undertaken trading of poplar wood and saplings.

2. Standards issued but not yet effective

Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28th March, 2018 notifying Ind AS 115, ' Revenue from Contracts with Customers'. The notification is applicable for annual periods beginning on or after 1st April, 2018. The Company is in the process of examining the impact of this Standard on its 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, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The date of transition to Ind AS is April 1, 2015. The year ended March 31, 2017 were the Company's first Ind AS financial statements. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013.

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 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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. 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.

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.

3.11 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

3.12 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).

3.13 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 2018	As at 31 March 2017
4. Investments		
Current (unquoted, at cost)		
National Savings Certificates (Refer Note below)	–	5,000
	–	5,000

Note: The above investment in National Savings Certificates was held in the name of employee of the Holding Company and pledged with various Mandi Samitis.

5. Biological Assets other than Bearer Plants		
Unharvested Agri-Produce (Inter-Cropping of Traditional Crops)	4,128,268	4,128,268
Unharvested Poplar Trees (Standing Crops)	15,818,629	15,818,629
	19,946,897	19,946,897
Less: Provision for Write Down (Refer Note 22)	(19,946,897)	(19,946,897)
	–	-

Note: Additional disclosure in terms of Schedule III and Ind AS 41 have not been given in view of the ongoing litigation (Refer Note 22).

6. Cash and Cash Equivalents		
Balances with Banks:		
Current Account	46,226	15,611
Deposit Accounts (Refer Note below)	2,676,717	2,750,000
Cash on Hand	3,623	7,959
	2,726,566	2,773,570

Note: Deposits maintained 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.

7. Other Financial Assets		
Current:		
Interest Accrued on Bank Deposits	120,946	136,125
Others (Receivable on National Savings Certificate and Kisan Vikas Patra)	2,000	4,000
	122,946	140,125
8. Other Assets		
Current:		
Deposit with Statutory Authorities	7,138,322	7,138,322
Prepaid Expenses	–	338
	7,138,322	7,138,660

	As at 31 March 2018	As at 31 March 2017
9. Equity Share Capital		
Authorised Share Capital:		
13,000,000 Equity Shares of ₹ 1 each fully paid-up Refer Note 16)	130,000,000	130,000,000
Issued, Subscribed and Paid-up Capital:		
12,800,020 Equity Shares of ₹ 1 each fully paid-up (Refer Note 16)	12,800,020	128,000,020

Notes: **Change in Authorised Share Capital:**
During the previous year, pursuant to the Reduction of Share Capital approved by the Hon'ble High Court of Bombay, Authorised Share Capital has been changed to Rs. 130,000,000 comprising of 130,000,000 equity shares of Rs. 1 each (Refer Note 16).

A) Reconciliation of number of Equity Shares outstanding:

	Face Value	No. of Shares	Amount
Balance at April 1, 2016	10	12,800,020	128,000,200
Less: Reduction of Share Capital during the year 2016-17 (Refer Note 16)		–	115,200,180
Balance as at March 31, 2017	1	12,800,020	12,800,020
Add: issued during the year 2017-18		–	–
Balance at March 31, 2018	1	12,800,020	12,800,020

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

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	%	No. of Shares	%
ITC Limited and its Nominees (Refer Note 16)	12,800,020	100	12,800,020	100

* 12,800,014 shares are held by ITC Limited, the Holding Company and the balance 6 shares are held by nominees of the Holding Company jointly with the Holding Company.

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) Equity 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, 2018:

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.

	As at 31 March 2018	As at 31 March 2017
10. Other Equity		
Reserves and Surplus		
Retained Earnings (Refer Note 16)		
Retained earnings comprise of the Company's prior years' undistributed earnings after taxes.	(2,114,628)	(2,075,913)
Other Comprehensive Income	–	–
	(2,114,628)	(2,075,913)
11. Other Liabilities		
Current:		
Statutory Liabilities	6,960	29,968
	6,960	29,968

(Amount in ₹)

	For the year ended 31 March 2018	For the year ended 31 March 2017
12. Revenue from Operations		
Sale of Products (Wood / Saplings)	514,041	238,433
	514,041	238,433
13. Other Income		
Interest Income:		
Bank Deposits	203,630	217,261
Refund from Income Tax	–	55,108
	203,630	272,369
14. Other Expenses		
Rent	8,197	8,197
Rates and Taxes	2,230	3,342
Insurance	2,719	2,221
Security Charges	113,487	465,249
Legal Expenses	51,803	291,385
Miscellaneous Expenses	68,950	86,545
	247,386	856,939
Miscellaneous expenses include :		
Payment to Auditors (excluding applicable taxes)		
- Statutory Audit	50,000	50,000
- Tax Audit	15,000	15,000
	65,000	65,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

15. **Tax Expenses**

(a) The Company is in the business of Agro Forestry and related income and expenses are agricultural income, which are exempt u/s 10 of the Income Tax Act, 1961.

(b) Reconciliation of the income tax provision to the amount computed by applying the Indian statutory income tax rate to the profit before tax is sumarised below:

(Amount in ₹)

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Profit/ (Loss) before Income Tax	8,285	(568,938)
Enacted tax rates	25.75%	29.87%
Computed Expected Tax Expense	2,133	(169,942)
Tax on Income after excluding expenses for income exempt u/s 10	44,867	236,565
Unrecognised MAT Credit	–	(7,071)
Income tax expense	47,000	59,553

16. **Reduction of Issued, Subscribed and Paid-Up Equity Share Capital:**

The Shareholders, in 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 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 dates September 29, 2016 and became effective from November 22, 2016 consequent to the 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 in the year 2016-17.

17. **Contingent Liabilities**

	As at 31 March 2018	As at 31 March 2017
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

18. **Earnings Per Share**

	For the year ended 31 March 2018	For the year ended 31 March 2017
Computation of earnings per share is set out below:		
Net Loss attributable to Equity Shareholders (A) (₹)	(38,715)	(628,491)
Weighted Average Number of Equity Shares outstanding during the year (B) (Nos.)	12,800,020	12,800,020
Face value of Equity Share (₹)	1.00	1.00
Earnings Per Share (Basic and Diluted) (A/B) (₹)	(0.01)	(0.05)

19. **Segment Information**

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by 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 product sold primarily in India and hence there are no reportable geographical segments.

Mr R. P. Shukla had a share of 13% in the total Revenue from Operations in the current year. During the previous year, M/s Trimurti Industries had 93% share in the total Revenue from Operations.

20. **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 (upto December 31, 2017)
S. Limaye	Non-Executive Director (upto December 31, 2017)
Suneel Pandey	Non-Executive Director (with effect from December 18, 2017)
Sib Sankar Bandyopadhyay	Non-Executive Director (with effect from December 18, 2017)

(b) **Details of Related Party Transactions:**

(Amount in ₹)

	For the year ended 31 March 2018	For the year ended 31 March 2017
ITC Limited:		
Purchases	462,000	212,180

(c) Details of Related Party Balances:

	As at 31 March 2018	As at 31 March 2017
ITC Limited:	–	–

21. 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.

22. 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 leashold 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 leashold 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, the company continues to engage in trading of poplar wood / saplings 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.

23. **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

(Amount in ₹)

	Note	As at March 31, 2018		As at March 31, 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets (Measured at amortised cost)					
i) Investments	4	–	–	5,000	5,000
ii) Cash and Cash Equivalents	6	2,726,566	2,726,566	2,773,570	2,773,570
iii) Other Financial Assets	7	122,946	122,946	140,125	140,125
Total Financial Assets		2,849,512	2,849,512	2,918,695	2,918,695
Financial Liabilities (Measured at amortised cost)					
(i) Trade Payables		136,047	136,047	142,304	142,304
Total Financial Liabilities		136,047	136,047	142,304	142,304

C. Financial Risk Management Objectives

The Company's activities expose it 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, 2018 is ₹ 2,676,717 (As at March 31, 2017 - ₹ 2,750,000) and is represented by carrying amount of Balance with Banks - Deposit Accounts (Refer Note 6).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

iii) **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 has cash and cash equivalents of ₹ 27,26,566 while the trade payables is ₹ 1,36,047 as at March 31, 2018. Trade payables is about 5% of the total cash and cash equivalents, hence the company does not foresee any liquidity risk.

iv) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. The company does not deal in credit unless specifically approved by the Chief Operating Decision Maker (CODM) and such credit extention is short term in nature ranging from 0 - 15 days. There are no outstanding debtors for which ECL provsision is required to be assessed.

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 2018	For the year ended 31 March 2017
Revenue from Top Customer	**13%**	93%
Revenue from Top 5 Customers	**35%**	100%

The Company's credit period generally ranges from 0-15 days.

D. Fair value measurement

As at March 31, 2018, 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.

24. Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

25. The financial statements were approved for issue by the Board of Directors on May 02, 2018.

For and on behalf of the Board of Directors

Suneel Pandey Director

Sib Sankar Bandyopadhyay Director

Place: Secunderabad

Date: May 2, 2018

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

1. Your Directors submit their Report for the financial year ended 31st March, 2018.

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 ₹ 16.27 lakhs (previous year ₹ 19.91 lakhs). The Loss of the Company was ₹ 29.35 lakhs (previous year ₹ 32.42 lakhs). The Total Comprehensive Loss for the said year was ₹ 29.57 lakhs (previous year ₹ 34.03 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**

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

   During the year under review, Dr. Ramesh Chand Dhiman and Mr. Samir Vijay Limaye stepped down as Non-Executive Directors of your Company with effect from close of work on 31st December, 2017. Your Directors place on record their appreciation for the contributions made by Dr. Dhiman and Mr. Limaye during their respective tenure.

   The Board of Directors of your Company ('the Board') at the meeting held on 18th December, 2017, appointed Mr. Sib Sankar Bandyopadhyay (DIN: 08016972) and Mr. Suneel Kumar Pandey (DIN: 08017025) as Additional Directors of the Company with effect from the said date. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 105 of the Articles of Association of the Company, Messrs. Bandyopadhyay and Pandey will vacate office at the ensuing Annual General Meeting ('AGM') and are eligible for appointment as Directors of the Company. Your Board at the meeting held on 2nd May, 2018 recommended for the approval of the Members, the appointment of Messrs. Bandyopadhyay and Pandey as Non-Executive Directors of your Company, liable to retire by rotation. Requisite notices under Section 160 of the Act have been received by the Company for appointment of Messrs. Bandyopadhyay and Pandey, who have also filed their consents to act as Directors of your Company, if appointed. Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the ensuing AGM of the Company.

   During the year under review, there was no change in the Key Managerial Personnel of the Company.

   (b) Retirement by Rotation

   In accordance with the provisions of Section 152(6) of the Act read with Articles 100, 101 and 102 of the Articles of Association of the Company, Mr. Surendra Kumar Sipani (DIN: 02513625), 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.

5. **BOARD MEETINGS**

   Four meetings of the Board were held during the year ended 31st March, 2018.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

   As required under Section 134 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 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, 2018, 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. 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-Fourth AGM. The Board has also recommended for the approval of the Members, remuneration of DHS for the financial year 2018-19. Appropriate resolution in respect of the above is appearing in the Notice convening the ensuing AGM of the Company.

16. **COMPLIANCE WITH SECRETARIAL STANDARDS**

    The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

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.

On behalf of the Board

Sib Sankar Bandyopadhyay — Director

Dated: 2nd May, 2018 — Suneel Pandey — Director

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2018

[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 Commence-ment of Employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
P. S. Rawat	49	Assistant Manager	2,67,021/-	2,54,463/-	B.A., M.A (Economics)	22	01.01.1996	N.A.
K. C. Pandey	48	Assistant Manager	2,04,564/-	1,95,456/-	B.A., M.A. (Political Science)	22	01.01.1996	N.A.
H. Singh	56	Supervisor	1,36,656/-	1,29,180/-	Under Matric	21	01.05.1997	N.A.
R. Bhandari	41	Supervisor	1,33,308/-	1,26,216/-	B. Com	12	01.04.2006	N.A.
R. S. Chauhan	58	Supervisor	1,32,828/-	1,25,568/-	Diploma in Agricultural Science	12	01.04.2006	N.A.
M. R. Morya	51	Field Assistant	1,32,444/-	1,24,968/-	Under Matric	22	01.01.1996	N.A.
Usman	49	J. Driver	1,30,824/-	1,23,288/-	N.A.	22	01.01.1996	N.A.
R. Singh	45	Block Assistant	1,29,528/-	1,22,424/-	12th Pass	20	01.01.1998	N.A.
S. Lal	52	Field Assistant	1,28,880/-	1,21,644/-	12th Pass	21	01.01.1997	N.A.
N. Kishor	50	Field Assistant	1,28,292/-	1,21,332/-	10th Pass	22	01.01.1996	N.A.

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.

On Behalf of the Board

Sib Sankar Bandyopadhyay Director

Dated: 2nd May, 2018 Suneel Pandey Director

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2018

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 - ₹ 4.62 lakhs
e)	Date(s) of approval by the Board, if any	20th March 2017
f)	Amount paid as advances, if any	Nil

On Behalf of the Board

Sib Sankar Bandyopadhyay Director

Dated: 2nd May, 2018 Suneel Pandey 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, 2018

[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 : suneel.pandey@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, 2018.

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, 2018 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

Sib Sankar Bandyopadhyay Director

Dated: 2nd May, 2018 Suneel Pandey Director

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, 2018, 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 and the Order issued under section 143(11) of the Act.

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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, 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 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.
   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 of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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.
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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place : Chennai
May 2, 2018

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 Pavan Poplar Limited ("the Company") as of March 31, 2018 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 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 of the Company 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, 2018, based on the criteria for internal financial control over financial reporting 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place : Chennai
May 2, 2018

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, Goods and Services 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, 2018 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, 2018, 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)
Ananthi Amarnath
Partner
(Membership No. 209252)

Place : Chennai
May 2, 2018

BALANCE SHEET AS AT 31ST MARCH, 2018

	Note	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
ASSETS			
Non-current assets			
Property, Plant and Equipment	24	–	–
Advance Tax and TDS Receivables [Net of Provisions ₹ 707,011 (March 31, 2017 - ₹ 458,011)]		13,615	11,786
Total Non-current Assets		13,615	11,786
Current Assets			
Biological assets other than bearer plants	4	–	–
Financial Assets			
Trade Receivables	5	–	–
Cash and Cash Equivalents	6	12,466,700	15,546,010
Other Financial Assets	7	1,563,938	1,027,355
Other Current Assets	8	42,340	43,363
Total Current Assets		14,072,978	16,616,728
Total Assets		14,086,593	16,628,514
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	9	55,100,040	55,100,040
Other Equity	10	(44,743,212)	(41,786,412)
Total Equity		10,356,828	13,313,628
Liabilities			
Non-current Liabilities			
Provisions	11	1,250,421	1,147,061
Total Non-current Liabilities		1,250,421	1,147,061
Current Liabilities			
Financial Liabilities			
Trade Payables	23	329,383	278,468
Other Financial Liabilities	12	416,505	210,503
Other Current Liabilities	13	1,657,187	1,657,715
Provisions	11	76,269	21,139
Total Current Liabilities		2,479,344	2,167,825
Total Liabilities		3,729,765	3,314,886
Total Equity and Liabilities		14,086,593	16,628,514

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

On behalf of the Board of Directors

Sib Sankar Bandyopadhyay
Director
Suneel Pandey
Director
A. Chinnaiya
Company Secretary
Place: Secunderabad
Date: May 2, 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

		Note	For the year ended March 31,2018 (₹)	For the year ended March 31,2017 (₹)
I	Revenue from Operations	14	**519,800**	698,984
II	Other Income	15	**1,107,683**	1,291,888
III	**Total Income (I+II)**		**1,627,483**	1,990,872
IV	**EXPENSES:**			
	Purchases of Stock-in-Trade		**462,000**	630,000
	Employee Benefits Expense	16	**3,267,884**	3,149,612
	Other Expenses	17	**583,796**	1,090,814
	Total Expenses (IV)		**4,313,680**	4,870,426
V	Loss Before Tax (III-IV)		**(2,686,197)**	(2,879,554)
VI	Tax Expense:			
	Current Tax	18(c)	**249,000**	362,694
	Total Tax Expense (VI)		**249,000**	362,694
VII	Loss for the Year (V-VI)		**(2,935,197)**	(3,242,248)
A	Other Comprehensive Income:			
	(i) Items that will not be reclassified to profit and loss			
	- Remeasurement of the defined benefit liability	25	**(21,603)**	(160,356)
	(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 not be reclassified to profit and loss		-	-
VIII	**Total Other Comprehensive Loss [(A(i-ii) + B(i-ii))]**		**(21,603)**	(160,356)
IX	**Total Comprehensive Loss for the Year (VII+VIII)**		**(2,956,800)**	(3,402,604)
	Earnings per Equity Share: Basic and Diluted (face value of Rs. 10 each)	20	**(0.53)**	(0.59)

See accompanying notes forming part of the Financial Statements
In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

On behalf of the Board of Directors

Sib Sankar Bandyopadhyay — Director
Suneel Pandey — Director
A. Chinnaiya — Company Secretary

Place: Secunderabad
Date: May 2, 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

(All amounts are in Rupees unless otherwise stated)

		Amount
A.	**Equity Share Capital:**	
	Balance at April 1, 2016	**55,100,040**
	Changes in Equity Share Capital during the year 2016-17	-
	Balance at March 31, 2017	**55,100,040**
	Changes in Equity Share Capital during the year 2017-18	-
	Balance at March 31, 2018	**55,100,040**

B.	**Other Equity :**	**Reserves and Surplus**		**Other items of Other Comprehensive Income**	**Total**
		General Reserve	**Retained Earnings**		
	Balance at April 1, 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)
	Loss for the year 17-18	-	(2,935,197)	-	(2,935,197)
	Remeasurement of the Defined Benefit Liability [Refer Note 18(b)]	-	-	(21,603)	(21,603)
	Balance at March 31, 2018	**500,000**	**(45,060,318)**	**(182,894)**	**(44,743,212)**

See accompanying notes to the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

On behalf of the Board of Directors

Sib Sankar Bandyopadhyay — Director
Suneel Pandey — Director
A. Chinnaiya — Company Secretary

Place: Secunderabad
Date: May 2, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

	For the year ended March 31, 2018 (₹)	For the year ended March 31, 2017 (₹)
A. Cash Flow from Operating Activities		
Loss Before Tax	**(2,686,197)**	(2,879,554)
Adjustments for:		
Interest Income	**(1,107,683)**	(1,291,888)
Operating Loss Before Working Capital Changes	**(3,793,880)**	(4,171,442)
Adjustments for:		
(Increase)/Decrease in Other Current Assets	**1,023**	(259)
Increase in Trade Payable	**50,915**	158,408
Increase/ (Decrease) in Other Current Liabilities, Other Financial Liabilities and Provisions	**342,361**	(58,785)
Cash used in Operations	**(3,399,581)**	(4,072,078)
Income Taxes Paid (Net of Refunds)	**(250,829)**	(363,872)
Net Cash used in Operating Activities	**(3,650,410)**	(4,435,950)
Cash Flow from Investing Activities		
Interest Received	**571,100**	264,533
Net Cash generated from Investing Activities	**571,100**	264,533
Cash Flow from Financing Activities	**-**	-
Net decrease in Cash and Cash Equivalents	**(3,079,310)**	(4,171,417)
Cash and Cash Equivalents at the beginning of the year	**15,546,010**	19,717,427
Cash and Cash Equivalents at the end of the year (Refer Note 6)	**12,466,700**	15,546,010

See accompanying notes forming part of the Financial Statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Ananthi Amarnath
Partner

Place: Chennai
Date: May 2, 2018

On behalf of the Board of Directors

Sib Sankar Bandyopadhyay — Director
Suneel Pandey — Director
A. Chinnaiya
Company Secretary
Place: Secunderabad
Date: May 2, 2018

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 and has undertaken trading of poplar saplings.

2. Standards issued but not yet effective

Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28th March, 2018 notifying Ind AS 115, ' Revenue from Contracts with Customers'. The notification is applicable for annual periods beginning on or after 1st April, 2018. The Company is in the process of examining the impact of this Standard on its 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, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The date of transition to Ind AS is April 1, 2015. The year ended March 31, 2017 were the Company's first Ind AS financial statements. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013.

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 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.

3.4. 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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 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

Notes forming part of the Financial Statements (Contd.)

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.

3.10 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. 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.

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.

3.12 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 2018	As at 31 March 2017
4. Biological Assets other than Bearer Plants		
Unharvested Agri-Produce (Inter cropping of traditional crops)	4,327,032	4,327,032
Unharvested Poplar Trees (Standing crops)	20,986,175	20,986,175
	25,313,207	25,313,207
Less: Provision for Write Down (Refer Note 24)	(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).

5. Trade Receivables		
Current		
Unsecured, Considered Good	–	–
Doubtful	18,364	18,364
	18,364	18,364
Less: Allowance for Doubtful Debts (Expected Credit Loss Allowance)	(18,364)	(18,364)
	–	–
6. Cash and Cash Equivalents		
Balances with Banks		
Current Account	15,794	142,511
Deposit Accounts (Refer Note below)	12,450,000	15,400,000
Cash on Hand	906	3,499
	12,466,700	15,546,010

Note: Deposits maintained 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.

7. Other Financial Assets		
Current		
Interest Accrued on the Bank Deposits	1,563,938	1,027,355
	1,563,938	1,027,355
8. Other Assets		
Current		
Deposits with Statutory Authorities	42,340	42,340
Prepaid Expenses	–	1,023
	42,340	43,363
9. Equity Share Capital		
Authorised Share Capital:		
10,000,000 Equity Shares of ₹ 10 each fully paid-up	100,000,000	100,000,000
Issued, Subscribed and Paid-Up Capital:		
5,510,004 Equity Shares of ₹ 10 each fully paid-up	55,100,040	55,100,040

A) Reconciliation of number of Equity Shares outstanding:

	No. of Shares	Amount
Balance at April 1, 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
Add: Issued during the year 2017-18	–	-
Balance at March 31, 2018	5,510,004	55,100,040

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

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	%	No. of Shares	%
ITC Limited and its nominees	5,510,004	100	5,510,004	100

* 5,509,998 shares are held by ITC Limited, the Holding Company and the balance 6 shares are held by nominees of the Holding Company jointly with the Holding Company.

C) Rights, preferences and restrictions attached to the Ordinary Shares:

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.

D) Equity 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, 2018:

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.

(Amount in ₹)

	As at 31 March 2018	As at 31 March 2017
10. Other Equity		
Reserves and Surplus:		
General Reserve		
This represents appropriation of profit by the Company	500,000	500,000
Retained Earnings		
Retained earnings comprise of the Company's prior years' undistributed earnings after taxes	(45,060,318)	(42,125,121)
Other items of Other Comprehensive Income:		
Other items of other comprehensive income consist of remeasurement of net defined benefit liability/asset	(182,894)	(161,291)
	(44,743,212)	(41,786,412)

Notes forming part of the Financial Statements (Contd.)

(Amount in ₹)

	As at 31 March 2018	As at 31 March 2017
11. Provisions		
Employee Benefits:		
Gratuity (Refer Note 25)	**1,156,771**	1,005,258
Compensated Absences	**169,919**	162,942
	1,326,690	1,168,200
Non-current		
Gratuity (Refer Note 25)	**1,094,087**	987,128
Compensated Absences	**156,334**	159,933
	1,250,421	1,147,061
Current		
Gratuity (Refer Note 25)	**62,684**	18,130
Compensated Absences	**13,585**	3,009
	76,269	21,139
	1,326,690	1,168,200
12. Other Financial Liabilities		
Current:		
Employee Dues Payable	**416,505**	210,503
	416,505	210,503
13. Other Liabilities		
Current:		
Statutory Liabilities	**1,657,187**	1,657,715
	1,657,187	1,657,715

	For the year ended 31 March 2018	For the year ended 31 March 2017
14. Revenue from Operations		
Sale of Products (Saplings)	**519,800**	698,984
	519,800	698,984
15. Other Income		
Interest Income:		
- Bank Deposits	**1,107,683**	1,291,428
- Refund from Income Tax	**-**	460
	1,107,683	1,291,888
16. Employee Benefits Expense		
Salaries and Wages	**2,883,939**	2,766,419
Contribution to Provident and Other Funds	**246,163**	249,751
Gratuity Expense (Refer Note 25)	**129,910**	112,357
Staff Welfare Expenses	**7,872**	21,085
	3,267,884	3,149,612
17. Other Expenses		
Power and Fuel	**145,970**	149,634
Rent	**7,760**	7,760
Rates and Taxes	**3,565**	3,164
Insurance	**7,372**	6,080
Repairs and Maintenance - Others	**5,944**	4,520
Security Charges	**113,130**	479,419
Travelling and Conveyance	**81,596**	95,042
Legal Expenses	**143,028**	265,709
Miscellaneous Expenses	**75,431**	79,486
	583,796	1,090,814
Miscellaneous Expenses include:		
Payment to Auditors (excluding applicable taxes)		
- Statutory Audit	**50,000**	50,000
- Tax Audit	**15,000**	15,000
- Reimbursement of Expenses	**-**	3,692
	65,000	68,692

18. Tax Expense

(a) The Company is in the business of Agro Forestry and related income 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 agricultural activities of the Company. Hence, there is no tax impact on such remeasurement of actuarial losses.

(c) A reconciliation of the income tax provision to the amount computed by applying the Indian statutory income tax rate to the loss before tax is summarised below:

	For the year ended 31 March 2018	For the year ended 31 March 2017
Loss before Income Tax	**(2,686,197)**	(2,879,554)
Enacted Tax Rates	**25.75%**	29.87%
Computed Expected Tax Expense	**(691,696)**	(860,123)
Tax on Income after excluding expenses for income exempt u/s 10	**940,696**	1,222,817
Income Tax Expense	**249,000**	362,694

19. Contingent Liabilities

Claims against the Company not acknowledged as Debts		
Local Authority Taxes	**664,524**	664,524
Revision of Land Lease Rent	**10,700,000**	10,700,000
Other Matters	**42,340**	42,340
	11,406,864	11,406,864

20. Earnings Per Share

Computation of earnings per share is set out below:		
Net Loss attributable to Equity Shareholders (A) (₹)	**(2,935,197)**	(3,242,248)
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) (₹)	**(0.53)**	(0.59)

21. Segment Information

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by 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 product sold primarily in India and hence there are no reportable geographical segments.

None of the customers contribute to 10% or more to the total revenue of the Company during the year ended March 31, 2018 and March 31, 2017.

22. Related Party Disclosures

a) Details of Related Parties

Name	**Relationship**
ITC Limited	Holding Company
WIMCO Limited	Fellow Subsidiary
Prag Agro Farm Limited	Fellow Subsidiary
Key Management Personnel	**Relationship**
S. K. Sipani	Non-Executive Director
R.C. Dhiman	Non-Executive Director (upto December 31, 2017)
S. Limaye	Non-Executive Director (upto December 31, 2017)
Suneel Pandey	Non-Executive Director (with effect from December 18, 2017)
Sib Sankar Bandyopadhyay	Non-Executive Director (with effect from December 18, 2017)

(b) Details of Related Party Transactions:

	For the year ended 31 March 2018	For the year ended 31 March 2017
ITC Limited:		
Purchases	**462,000**	630,000

(c) Details of Related Party Balances:

	As at 31 March 2018	As at 31 March 2017
ITC Limited:		
Trade Receivable	–	–

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 had filed an appeal against the said Order, which

Notes forming part of the Financial Statements (Contd.)

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 paid on acquisition of such leasehold land amounting to ₹ 44,933,855 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 and consequently, cost of such assets is Nil.

In the interim, the Company has been examining alternate business opportunities and base its long experience of trading in poplar wood/saplings, the Company continues to engage in trading of poplar wood / saplings in the 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, 2018 and March 31, 2017:

(Amount in ₹)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Change in Benefit Obligation		
Benefit Obligation at the beginning	**1,005,258**	855,920
Current Service Cost	**62,055**	52,790
Interest Expense	**67,855**	59,567
Remeasurements - Actuarial Losses	**21,603**	160,356
Benefits Paid	**–**	(123,375)
Benefit Obligations at the end	**1,156,771**	1,005,258

Amount for the year ended March 31, 2018 and March 31, 2017 recognised in the Statement of Profit and Loss under employee benefit expense:

Current Service Cost	**62,055**	52,790
Interest Expense	**67,855**	59,567
Gratuity Expense	**129,910**	112,357

Amount for the year ended March 31, 2018 and March 31, 2017 recognised in the Statement of Other Comprehensive Income:

Remeasurements of the Defined Benefit Liabilities		
Effect of changes in Financial Assumptions	**97,567**	58,666
Effect of Experience Adjustments	**(75,964)**	101,690
Cost recognised in the Statement of Other Comprehensive Income	**21,603**	160,356

Liability recognised in the Balance Sheet	**As at March 31, 2018**	As at March 31, 2017
Remeasurements of the Defined Benefit Liabilities		
Present Value of Defined Benefit Obligation	**1,156,771**	1,005,258
Liability recognised in Balance Sheet		
- Current	**62,685**	18,130
- Non-Current	**1,094,086**	987,128
Liability recognised in Balance Sheet	**1,156,771**	1,005,258

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	As at March 31, 2018	As at March 31, 2017
Discount Rates	7.50%	6.75%
Expected rates of salary increase	7.00%	5.00%
Mortality Tabl	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate
Retirement Age	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, 2018, every percentage point increase / decrease in discount rate will affect the Company's gratuity benefit obligation by approximately Rs. 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 Rs. 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, 2018		As at March 31, 2017	
		Fair Value	Carrying Value	Fair Value	Carrying Value
Financial Assets (Measured at amortised cost)	5	-	-	-	-
i) Trade Receivables	6	12,466,700	12,466,700	15,546,010	15,546,010
ii) Cash and Cash Equivalents	7	1,563,938	1,563,938	1,027,355	1,027,355
iii) Other Financial Assets					
Total Financials Assets		**14,030,638**	**14,030,638**	**16,573,365**	**16,573,365**
Financial Liabilities (Measured at amortised cost)					
(i) Trade Payables		329,383	329,383	278,468	278,468
(ii) Other Financial Liabilities	12	416,505	416,505	210,503	210,503
Total Financials Liabilities		**745,888**	**745,888**	**488,971**	**488,971**

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, 2018 is Rs. 12,450,000 (As at March 31, 2017 - Rs. 15,400,000) and is represented by carrying amount of Balance with Banks - Deposit Accounts (Refer Note 6).

ii) **Price Risk**

The Company invests its surplus funds in bank deposits measured at amortized cost. Accordingly, these do not pose any significant price risk.

iii) **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

Notes forming part of the Financial Statements (Contd.)

company has Cash and Cash equivalents of Rs. 1,24,66,700 while the aggregate of trade payables and other financial liabilities is Rs. 7,45,888. Aggregate of trade payables and other financial liabilities is about 6% of the total cash and cash equivalents, hence the company does not foresee any liquidity risk.

iv) 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 does not deal in credit unless specifically approved by the Chief Operating Decision Maker and such credit extension is short term in nature ranging from 0 - 15 days. There are no outstanding debtors for which ECL provision is required to be assessed. The following table gives details in respect of percentage of revenues generated from top customer and top 5 customers

(Amount in ₹)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from top customer	**9.23%**	6.58%
Revenue from top 5 customers	**33.24%**	26.71%

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:

	As at 31 March 20.18	As at 31 March 2017
Opening Balance	**(18,364)**	(18,364)
Add: Provisions made (Net)	**–**	–
Less: Utilisation	**–**	–
Closing Balance	**(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.

27. Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

28. The financial statements were approved for issue by the Board of Directors on May 2, 2018.

On behalf of the Board of Directors

Suneel Pandey	Director
Sib Sankar Bandyopadhyay	Director
A. Chinnaiya	Company Sectratry

Place: Secunderabad
Date: May 2, 2018

ITC: Transforming Lives and Landscapes

Enduring Value

ITC e-Choupal

- Empowering 4 million farmers

Afforestation Programme

- Greening more than 6,80,000 acres

Watershed Development Programme

- Providing Soil & Moisture conservation to nearly 8,75,000 acres of drylands

Livestock Development Initiative

- Providing animal husbandry services in seven States and 25 Districts

Women Empowerment Initiative

- Creating over 61,000 sustainable livelihoods for women

Primary Education Initiative

- Benefitting nearly 5,60,000 children

Skilling & Vocational Training Initiative

- More than 55,000 youth trained

Health & Sanitation Programme

- Over 31,000 low-cost sanitary units constructed

Renewable Energy

- Over 43% of energy consumption at ITC is from renewable sources

Responsible Luxury

- ITC Hotels: Trailblazer in Responsible Luxury
- All ITC's Premium Luxury Hotels are LEED® Platinum Certified

Promoting Sustainable Agricultural Practices

- Increasing farm productivity and farmer incomes
- Covering 4,15,000 acres

Solid Waste Management Initiative

- Well-being Out of Waste programme covers 77,00,000 citizens

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.