

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

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

2. COMPANY PERFORMANCE

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

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

3. DIRECTORS

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

4. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions of Section 217 (2AA) of the Companies

Act, 1956, your Directors confirm having :

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

5. PARTICULARS OF EMPLOYEES

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

6. AUDITORS

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

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

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

15th May, 2007

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

On behalf of the Board

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

AUDITORS' REPORT TO THE MEMBERS OF WILLS CORPORATION LIMITED

- We have audited the attached Balance Sheet of **Wills Corporation Limited**, as at 31st March, 2007, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- on the basis of written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti
Partner
Membership No.54001

Place : Kolkata
Date : 15th May, 2007

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF WILLS CORPORATION LTD.

(Referred to in paragraph 3 thereof)

1. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.
 - (b) In our opinion, the fixed assets have been physically verified by the management at reasonable intervals, having regard to the size of the Company and nature of its assets. No material discrepancies between the book records and the physical inventory was noticed.
 - (c) During the year, in our opinion, and according to information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company.
2. According to information and explanations given to us and as per the books and records of the Company examined by us, there was no stock held by the Company at any time during the year.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured to parties covered in the Register mentioned under Section 301 of the Companies Act, 1956, paragraphs (iii) (b), (c) and (d) of the Order are not applicable.
 - (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured from parties covered in the Register mentioned under Section 301 of the Companies Act, 1956, paragraphs (iii) (f) and (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for purchase of fixed assets and for sale of goods and services. Further on the basis of our examination, and according to the information and explanations given to us, we have neither come across, nor have we been informed of any instance of major weakness in the aforesaid internal control system.
5. In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposit from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. (a) According to the information and explanations given to us and according to the books and records examined by us, in our opinion, the Company has been regular in depositing undisputed statutory dues including sales tax, income tax, cess and other material statutory dues as applicable to it with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, there are no undisputed dues, including sales tax, income tax, cess which were outstanding for more than six months as at 31st March, 2007.
 - (c) According to the information and explanation given to us, there are no disputed dues, including sales tax, income tax, cess which were outstanding as at 31st March, 2007.
9. The Company does not have accumulated losses as at 31st March, 2007, and has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
10. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
12. According to information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
13. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
14. The Company has not raised any money by public issue during the year.
15. According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.
16. The nature of the Company's activities during the year ended 31st March, 2007, indicate that the provisions of clauses 4(viii), (xi), (xiii), (xvi), (xvii), (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

For Basu, Chatterjea & Co.
Chartered Accountants
Sourabh Chakravarti
Partner
Membership No.54001

Place : Kolkata
Date : 15th May, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

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

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

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

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

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

	Schedule	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. INCOME					
Dividend Income from Current Investments		33,24,260		25,87,601	
Profit on Sale of Current Investments (net)		93,092		39,822	
Rental Income		4,80,000		4,80,000	
Miscellaneous Income		3,58,920		3,59,100	
		<u>42,56,272</u>		<u>34,66,523</u>	
II. EXPENDITURE					
Salaries and Wages		5,13,083		4,86,083	
Operating and Establishment Expenses	7	1,17,630		1,28,734	
Excess of Cost over fair value of Current Investments		—		8,534	
Depreciation		93,155		93,155	
		<u>7,23,868</u>		<u>7,16,506</u>	
III. PROFIT					
Profit before Taxation		35,32,404		27,50,017	
Provision for Taxation		61,000		45,000	
Provision for Fringe Benefit Tax		500	61,500	1,900	46,900
Profit after Taxation		34,70,904		27,03,117	
Profit brought forward		1,45,30,290		1,18,27,173	
Available for appropriations		<u>1,80,01,194</u>		<u>1,45,30,290</u>	
IV. APPROPRIATIONS					
Interim Dividend Paid		1,00,00,000		—	
Dividend Tax Paid		14,02,500		—	
Transfer to General Reserve		3,47,090		—	
Profit Carried forward		62,51,604		1,45,30,290	
		<u>1,80,01,194</u>		<u>1,45,30,290</u>	
Earnings Per Share (Face Value Rs.10.00 each)	8(2)	0.71		0.55	
Notes to Accounts	8				
Significant Accounting Policies	9				

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

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

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

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

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

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

For Basu, Chatterjee & Co.
Chartered Accountants

Sourabh Chakravarti
Partner

Kolkata, 15th May, 2007

On behalf of the Board

P. Chatterjee Director
S. Dutta Director
T. K. Ghosal Secretary

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
Authorised :		
50,00,000 Ordinary Shares of Rs. 10/- each	5,00,00,000	5,00,00,000
	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued, Subscribed and Paid up :		
48,85,626 Ordinary Shares of Rs. 10/- each, fully paid up	4,88,56,260	4,88,56,260
	<u>4,88,56,260</u>	<u>4,88,56,260</u>

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

2. RESERVES AND SURPLUS

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

3. FIXED ASSETS

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

There was no addition /deduction to the Fixed Assets during the current year and previous year.

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

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

The aggregate lease rental is shown as Lease Rental.

SCHEDULES TO THE ACCOUNTS (Contd.)

4. INVESTMENTS

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

5. CURRENT ASSETS, LOANS AND ADVANCES

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

6. CURRENT LIABILITIES AND PROVISIONS

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

7. OPERATING AND ESTABLISHMENT EXPENSES

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

SCHEDULES TO THE ACCOUNTS(Contd.)

8. NOTES TO ACCOUNTS

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

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
2. Earnings per Share		
Profit after Taxation (Rs.)	34,70,904	27,03,117
Weighted average number of Ordinary Shares outstanding	48,85,626	48,85,626
Basic and diluted earnings per share in Rupees (Face Value - Rs.10/- per share)	0.71	0.55

- Provision for taxation included in the Profit and Loss Account represents Current Tax. The incidence of Deferred Tax being insignificant, is not considered.

4. Related Party Disclosures :

(a) Relationships :

Holding Company - ITC Limited

Key Management Personnel

Mr. K. Vaidyanath Non-Executive Chairman
Mr. P. Chatterjee Non-Executive Director
Mr. B. B. Chatterjee Non-Executive Director
Mr. S. Dutta Non-Executive Director
Mr. T. K. Ghosal Secretary

- Disclosure of transaction between the Company and Related Parties and the status of outstanding balances:

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

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

6. Employee Benefits :

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

	Gratuity (Unfunded) Amount (Rs.)	Leave Encashment (Unfunded) Amount (Rs.)
Balance Sheet Recognition		
Present Value of Obligation	21,473	24,780
Fair Value of Plan Assets	—	—
Liability/(Assets)	21,473	24,780
Unrecognised Past Service Cost	20,450	22,120
Liability/(Asset) recognised in the Balance Sheet	41,923	46,900

Component of Employer's Expense

Current Service Cost	7,684	3,757
Interest Cost	1,432	1,548
Expected Return on Plan Assets	—	—
Net Actuarial Gain/(Loss) recognised in the year	(8,093)	(2,645)
Past Service Cost	20,450	22,120
Expenses recognised in the Profit and Loss Account (in Salaries and Wages)	21,473	24,780

Movement in the Net Liability recognised in the Balance Sheet

Opening Net Liability as on 1st April, 2006	20,450	22,120
Expenses recognised in the Profit and Loss Account	21,473	24,780
Payment made to employee on Retirement	—	—
Closing Net Liability as on 31st March, 2007	41,923	46,900

Discount Rate 7.5% p.a. 7.5% p.a.

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

