

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2012.

	Year ended 31.03.2012	Year ended 31.03.2011
	(₹ Lakhs)	(₹ Lakhs)
Gross operating Profit/(Loss)	44.98	(43.57)
Less: Interest and finance charges	0.00	0.00
Profit/(Loss) before depreciation and taxation	44.98	(43.57)
Less: Depreciation & Impairment loss	2.37	2.51
Profit/(Loss) before Taxation	42.61	(46.08)
Less: Provision for Taxation	—	—
Profit/(Loss) after Taxation	42.61	(46.08)
Brought forward from previous year	(6,033.33)	(5,987.25)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(5,990.71)	(6,033.33)

The gross operating profit for the year ended March 31, 2012 was ₹ 44.98 lakhs, compared to a loss of ₹ 43.57 lakhs in the previous year and after providing depreciation, the net profit for the year was ₹ 42.61 lakhs as against a net loss of ₹ 46.08 lakhs in the previous year.

Economic Scenario

Recoveries of non-performing assets continued to be muted at ₹ 7.50 lakhs for the year. Your Company continues to vigorously pursue various legal cases initiated against defaulting clients.

Operations

During the last fifteen years your Company has concentrated on recoveries and has collected a total of ₹ 9,673.33 lakhs including by way of property settlements. The collections were largely utilized for repayment of debts - ₹ 955.05 lakhs (Inter corporate deposits), ₹ 687.39 lakhs (Non-convertible debentures), ₹ 161.08 lakhs (Bill Rediscounting), ₹ 1,571.43 lakhs (Fixed Deposits), ₹ 528.67 lakhs (Financial Institutions), ₹ 4,371.72 lakhs (Banks) and ₹ 470 lakhs (Repayment of Loan from Holding Company), an aggregate of ₹ 8,745.34 lakhs.

Your Company has prepared the annual accounts on a going concern basis and continues to concentrate its efforts towards recovery of its dues. The future plans for the Company will be reviewed post settlement of major outstanding.

Your Company has no other external liabilities outside the ITC Group.

Reserve Bank of India directions to NBFCs

Your Company has made provisions as per the Reserve Bank of India's Directions.

Directors' Responsibility Statement

Your Directors have:

- i) followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;

On behalf of the Board

Anil Seth P.K. Sen
Director *Director*

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

Dividend

In view of the accumulated loss, your Board regrets that the Company is not in a dividend paying position.

Particulars of Employees

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

Subsidiary Companies

BFIL Securities Limited

Your Company's subsidiary got dissolved on 25th November, 2011.

MRR Trading & Investment Company Limited

With a view to acquire office space in Mumbai, by way of tenancy rights, your Company had acquired the entire equity share capital of MRR Trading & Investment Company Limited after obtaining the necessary approval from the Central Government. The tenanted space is being utilized as Corporate Office and Registered Office of your Company.

Directors

Sri Anil Seth retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Deposits

The Company has not accepted any deposits during the year under the Companies (Acceptance of Deposits) Rules, 1975. As at 31st March 2012, the Company does not hold any Fixed Deposits.

Acknowledgements:

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LIMITED.

1. We have audited the attached Balance Sheet of BFIL Finance Limited (the "Company") as at March 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order,

2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2012;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Lovelock & Lewes**
Firm Registration No. 301056E

Chartered Accountants
Sunit Kumar Basu
Partner

Hyderabad, May 02, 2012

Membership No: 55000

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of BFIL Finance Limited on the financial statements as of and for the year ended March 31, 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory has been physically verified by the Management during the year. However, in respect of stock on hire, the Company has initiated legal proceedings for recovering its dues and no physical verification was carried out. In our opinion, the frequency of verification of stock in trade is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. There were no discrepancies noticed on physical verification of inventory as compared to book records.
3. The Company has neither granted nor taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
8. (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 income tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.
 - (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, as at March 31, 2012 which has not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rupees)	Period to which the amount relates	Forum where the dispute is pending
UP Trade tax Act, 1948	Lease tax	37,01,037	1996-97 to 1999-2000	Joint Commissioner (A), Trade Tax, Kanpur
Rajasthan Sales tax	Lease tax	4,88,211	1996-97	Deputy Commissioner (A), Commercial taxes, Jaipur
Income tax Act, 1961	Penalty	76,56,074	A.Y 2002-03	Income Tax Appellate Tribunal, Mumbai

9. The accumulated losses of the Company exceeded fifty percent of its net worth as at March 31, 2012. The Company has not incurred cash losses in the financial year ended on March 31, 2012 and it has incurred cash losses in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
13. In our opinion, the company has not entered into any transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year. However, the company as at March 31, 2012 holds certain securities as stock-in-trade and such securities have been held by the company in its own name.
14. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. The Company has not obtained any term loans.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company issued unsecured non-convertible debentures in earlier years, aggregating Rs. 150,000,000 which is outstanding at the year-end, in respect of which it is not required to create security or charge.
19. The Company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
21. The Clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g) and (iv) of paragraph 4, of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For **Lovelock & Lewes**
Firm Registration No. 301056E

Chartered Accountants
Sunit Kumar Basu
Partner

Hyderabad, May 02, 2012

Membership No: 55000

BALANCE SHEET

(All amounts in ₹, unless otherwise stated)

	Note	As at 31st March, 2012	As at 31st March, 2011
Equity and Liabilities			
Shareholders' funds			
Share Capital	3	20,00,00,000	20,00,00,000
Reserves and Surplus	4	(59,90,71,464)	(60,33,32,791)
Non-current Liabilities			
Long-term borrowing	5	47,54,11,077	47,54,11,077
Current Liabilities			
Trade Payables	6	1,07,347	1,05,516
Other current liabilities	7	4,54,280	6,60,630
Short-term provisions	8	76,56,074	76,56,074
Total		8,45,57,314	8,05,00,506
Assets			
Non-current assets			
Fixed Assets			
Tangible Assets	9	11,15,284	45,29,340
Capital work-in-progress		2,81,72,250	2,81,72,250
Non-current investments	10	4,30,23,750	4,30,23,750
Current Assets			
Inventories	11	1,000	1,000
Trade Receivables	12	—	—
Cash and Bank balances	13	78,81,625	8,29,760
Short-term loans and advances	14	11,71,168	5,66,654
Other current assets	15	31,92,237	33,77,752
Total		8,45,57,314	8,05,00,506

The notes are an integral part of these financial statements

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

For Lovelock & Lewes

Firm Registration No. 301056E

Chartered Accountants

Sunit Kumar Basu, Partner

Membership No. 55000

Hyderabad, 02 May, 2012

For and on behalf of the Board of Directors

Anil Seth Director

P.K. Sen Director

V. Radhakrishnan Manager &

Company Secretary

STATEMENT OF PROFIT AND LOSS

	Note	For the year ended 31st March, 2012	For the year ended 31st March, 2011
REVENUE			
Other Income	16	67,95,144	52,24,974
TOTAL REVENUE		67,95,144	52,24,974
EXPENSES			
Employee Benefit Expense	17	98,100	98,100
Depreciation and Amortization Expenses	18	2,36,623	2,50,806
Other Expense	19	21,99,094	94,83,996
TOTAL EXPENSES		25,33,817	98,32,902
PROFIT/(LOSS) BEFORE TAX		42,61,327	(46,07,928)
Tax Expense			
Current Tax		—	—
Deferred Tax		—	—
PROFIT/(LOSS) FOR THE YEAR		42,61,327	(46,07,928)
Earnings per equity share:			
[Nominal Value per share: ₹ 10 (2011: ₹ 10)]			
Basic and Diluted		0.21	(0.23)

The notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date.

For Lovelock & Lewes

Firm Registration No. 301056E

Chartered Accountants

Sunit Kumar Basu, Partner

Membership No. 55000

Hyderabad, May 02, 2012

For and On behalf of the Board of Directors

Anil Seth Director

P. K. Sen Director

V. Radhakrishnan Manager &

Company Secretary

CASH FLOW STATEMENT

(All amounts in ₹, unless otherwise stated)

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
A. Cash Flow from Operating Activities:		
Profit/(Loss) before taxation	42,61,327	(46,07,928)
Adjustments for :		
Depreciation/Amortization	2,36,623	2,50,806
Provision no longer required written back	(7,50,000)	(9,11,182)
Interest Income	(45,144)	(63,724)
Operating Profit Before Working Capital Changes	37,02,806	(53,32,028)
Changes in Working Capital :		
Increase/(Decrease) in trade payables	1,831	1,72,145
Increase/(Decrease) in other current liabilities	(2,06,350)	76,56,074
(Increase)/Decrease in short-term loans and advances	(6,04,514)	(4,21,373)
(Increase)/Decrease in trade receivables	7,50,000	9,11,182
(Increase)/Decrease in other current assets	33,62,948	(33,77,752)
Cash Generated from Operations	70,06,721	(3,91,752)
Taxes paid	—	—
Net cash generated from operations activities	<u>70,06,721</u>	<u>(3,91,752)</u>
B. Cash flow from Investing Activities		
Interest received	45,144	63,724
Investments in bank deposits (Refer note 2 below)	(38,178)	(5,45,682)
Net cash from investing activities	<u>6,966</u>	<u>(4,81,958)</u>
C. Cash flow from Financing Activities	—	—
Net increase in cash and cash equivalents	<u>70,13,687</u>	<u>(8,73,710)</u>
Cash and Cash equivalents at the beginning of the year	<u>2,84,078</u>	<u>11,57,788</u>
Cash and Cash equivalents at the end of the year	<u>72,97,765</u>	<u>2,84,078</u>
Cash and cash equivalents comprise of:		
Cash on Hand	—	—
Balances with Banks	72,97,765	2,84,078
Total	<u>72,97,765</u>	<u>2,84,078</u>

- The above cash flow statement has been prepared under the "Indirect Method" as set out in AS-3 on 'Cash Flow Statements'.
- "Other bank balances" included under Cash and Bank balances represent investment in fixed deposits with banks, maturing beyond 3 months. Such balances have been excluded from opening and closing balances of Cash and Cash equivalents and movements in such balances have been shown under "Investing Activities".
- The comparative figures for the previous year have been re-arranged to conform with the revised presentation of the accounts. This is the Cash Flow Statement referred to in our report of even date.

For Lovelock & Lewes

Firm Registration No. 301056E

Chartered Accountants

Sunit Kumar Basu

Partner

Membership No. 55000

Hyderabad, May 02, 2012

For and on behalf of the Board of Directors

Anil Seth Director

P. K. Sen Director

V. Radhakrishnan Manager &

Company Secretary

Hyderabad, May 02, 2012

NOTES TO THE FINANCIAL STATEMENTS**1 General Information**

BFIL Finance Limited (the 'Company') is registered as Non-Banking Finance Company and was engaged in the business of Leasing, Hire purchase and other allied finance activities. Currently, there are no operational activities and the Company continues to pursue recovery of its old dues in the normal course of business.

2 Summary of significant accounting policies**2.1 Basis of preparation**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis based on the principle of going concern.

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 VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

2.2 Tangible Assets

All tangible assets including assets given on lease are valued at cost inclusive of direct and incidental expenses related to acquisition. Depreciation on tangible assets is provided on written down value method on pro-rate basis in accordance with the rates prescribed under amended Schedule XIV of the Companies Act, 1956. Leasehold improvements (excluding electrical installations) are being depreciated @ 5% on written down value and Electrical Installations included in Lease hold improvements are being amortised @ 15%.

All the tangible assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the statement of profit and loss in the respective financial year. The impairment loss recognized in the prior

years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

2.3 Investments

All investments are stated at cost i.e. cost of acquisition, inclusive of expense incidental to acquisition where applicable. Provision for any permanent diminutions in the value of investments is made which is considered to be appropriate. Income from investments is stated in revenue account in the year in which it is accrued and at gross value.

2.4 Inventories

Stock in trade comprising stock of securities are stated at cost or market price whichever is lower. Stock on hire is valued at agreement value less amount receivable.

2.5 Revenue Recognition

As per the directives of the Reserve Bank of India, revenue is recognised upon realisation, on Non-Performing Assets.

Revenue is not recognized on the grounds of prudence until realised in respect of liquidated damages, penalties and delayed payment charges, as recovery of the amounts is uncertain.

2.6 Current and Deferred Tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in ₹, unless otherwise stated)

	As at 31st March, 2012	As at 31st March, 2011
3 Share Capital		
3.1 Break up of Share Capital		
Authorised:		
30,000,000 (2011:30,000,000) equity shares of Rs. 10 each	30,00,00,000	30,00,00,000
1,000,000 (2011: 1,000,000) cumulative redeemable/convertible preference share of Rs. 100 each	10,00,00,000	10,00,00,000
Issued:		
20,000,000 (2011:20,000,000) equity shares of Rs. 10 each	20,00,00,000	20,00,00,000
Subscribed and paid up:		
20,000,000 (2011:20,000,000) equity shares of Rs. 10 each	20,00,00,000	20,00,00,000
Total	<u>20,00,00,000</u>	<u>20,00,00,000</u>
3.2 Rights, preferences and restrictions attached to shares		
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.		
3.3 Out of the above shares, 19,999,994 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. There is no movement in the shareholder's equity during the year, including the previous year.		
4 Reserves and Surplus		
Surplus/(Deficit) in Statement of Profit and Loss		
Balance as at the beginning of the year	(60,33,32,791)	(59,87,24,863)
Profit/(Loss) for the year	42,61,327	(46,07,928)
Balance as at the end of the year	(59,90,71,464)	(60,33,32,791)
5 Long-term borrowings		
5.1 Break up of Long-term borrowings		
Unsecured:		
1,500,000-0% Non-convertible debentures of Rs. 100 each issued to holding company.	15,00,00,000	15,00,00,000
Loans from holding company (Interest free)	32,54,11,077	32,54,11,077
Total	<u>47,54,11,077</u>	<u>47,54,11,077</u>
5.2 Above Long-term borrowings are repayable on April 01,2013.		
6 Trade Payables		
Trade Payables (Refer note 25 below)	1,07,347	1,05,516
Total	<u>1,07,347</u>	<u>1,05,516</u>
7 Other current liabilities		
Statutory dues including Tax deducted at Source	4,54,280	6,60,630
Total	<u>4,54,280</u>	<u>6,60,630</u>
8 Short-term provisions		
8.1 Break up of Short-term provisions		
Provision for litigation/disputes	76,56,074	76,56,074
Total	<u>76,56,074</u>	<u>76,56,074</u>
8.2 Provision for litigation/disputes		
Balance as at the beginning of the year	76,56,074	—
Additions during the year	—	76,56,074
Balance as at the end of the year	76,56,074	76,56,074
Classified as Current	76,56,074	76,56,074
Total	<u>76,56,074</u>	<u>76,56,074</u>
8.3 Provision for litigation/disputes represents claims against the Company not acknowledged as debts that are expected to materialise in respect of matters in litigation.		

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in ₹, unless otherwise stated)

9 Tangible Assets

9.1 Break up of Tangible Assets

Own Assets	Gross Block (at cost)			Depreciation			Lease Terminal Adjustment		Net Block		
	1st April, 2011	Disposals/ Adjustments	31st March, 2012	1st April, 2011	For the year	Disposals/ Adjustments	31st March, 2012	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Buildings (Refer Note 9.4 below)	1,08,59,437	1,08,59,437	—	75,14,770	1,67,234	76,82,004	—	—	—	—	33,44,667
Office equipment	29,68,955	—	29,68,955	28,54,972	15,854	—	28,70,826	—	—	98,129	1,13,983
Furniture and fixtures	1,48,05,658	—	1,48,05,658	1,48,05,658	—	—	1,48,05,658	—	—	—	—
Leasehold improvement	66,09,094	—	66,09,094	55,38,404	53,535	—	55,91,939	—	—	10,17,155	10,70,690
Total (A)	3,52,43,144	1,08,59,437	2,43,83,707	3,07,13,804	2,36,623	76,82,004	2,32,68,423	—	—	11,15,284	45,29,340
Assets given on Lease:											
Plant and Machinery	18,49,69,407	—	18,49,69,407	9,29,40,382	—	—	9,29,40,382	3,53,45,463	3,53,45,463	5,66,83,562	5,66,83,562
Less: Provision for doubtful Leased Assets	—	—	—	—	—	—	—	—	—	(5,66,83,562)	(5,66,83,562)
Total (B)	18,49,69,407	—	18,49,69,407	9,29,40,382	—	—	9,29,40,382	3,53,45,463	3,53,45,463	—	—
Total (A) + (B)	22,02,12,551	1,08,59,437	20,93,53,114	12,36,54,186	2,36,623	76,82,004	11,62,08,805	3,53,45,463	3,53,45,463	11,15,284	45,29,340
March 31, 2011	23,15,68,059	1,13,55,508	22,02,12,551	12,99,44,168	2,50,806	65,40,788	12,36,54,186	3,53,45,463	3,75,32,804	6,12,12,902	6,40,91,087

Notes:

9.2 Leasehold Improvement represents the amount incurred on renovation of the premises of the wholly owned subsidiary, MRR Trading & Investment Company Limited, which holds the tenancy rights.

9.3 Capital work in progress amounting to Rs. 28,172,250 (2011: Rs. 28,172,250) represents the value of the property received towards settlement of dues, for which the registration is pending.

9.4 Disposal represents transfer of own assets to assets held for sale. (Refer Note 21 below)

9.5 Depreciation as at the year end on own assets includes impairment loss as under:

	As at 31st March, 2012	As at 31st March, 2011
Buildings	32,00,858	32,00,858
Furniture and Fixtures	48,86,754	48,86,754
Total	80,87,612	80,87,612

10. Non-current Investment

Trade Investments - Unquoted equity instruments (valued at cost unless stated otherwise)

Investment in subsidiaries:

50,000 (2011: 50,000) equity shares of Rs. 10 each held in MRR Trading & Investment Company Limited.

(Net of provision aggregating to Rs. 7,620,770 [2011: Rs. 7,620,770] for other than temporary diminution)

Other investments

Government and trust securities:

National Saving Certificate (Net of provision aggregating to Rs. 5,000 [2011: Rs. 5,000])

Kisan Vikas Patra (Net of provision aggregating to Rs. 5,000 [2011: Rs. 5,000])

Total	4,30,23,750	4,30,23,750
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Aggregate amount of unquoted investments 4,30,23,750 4,30,23,750

Aggregate provision for diminution in value of investments 76,30,770 76,30,770

11. Inventories

(valued at cost or market value whichever is less)

Stock in Trade

Quoted equity instruments:

3 (2011:3) equity shares of Rs. 10 each of Ultra Tech Cemco Limited 1,000 1,000

Unquoted investments:

540,000 (2011: 540,000) Optionally fully convertible debentures of G-Tech Stone Limited - Rs. 59,400,000 (2011 Rs. 59,400,000) — —

(Net of provision for erosion in value Rs. 59,400,000 [2011: Rs. 59,400,000])

Stock on hire

(Net of provision for doubtful assets amounting to Rs.23,903,734 [2011: Rs. 23,903,734] and unmatured finance charges amounting to Rs. 6,762,982 [2011: Rs. 6,762,982])

Total	1,000	1,000
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12. Trade receivables

Unsecured, considered doubtful Outstanding for a period exceeding 6 months from the date they are due for payment

Lease and Hire purchase receivables 4,46,12,700 4,55,34,170

Trade receivables 9,39,55,367 9,39,55,367

Less: Provision for doubtful receivables (13,85,68,067) (13,94,89,537)

Total	—	—
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13. Cash and Bank balances

Cash and Cash equivalents

Bank balance

In current account 22,97,765 2,84,078

Demand deposits (Less than 3 months maturity) 50,00,000 —

Total	72,97,765	2,84,078
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Other bank balances

Deposits with maturity more than 3months but less than 12 months 5,83,860 5,45,682

Total	78,81,625	8,29,760
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14. Short-term loans and advances

Advance Income Tax 11,71,168 5,66,654

Total	11,71,168	5,66,654
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15. Other current assets

Unsecured, considered good:

Interest accrued on deposits 14,804 12,352

Dues from the Holding Company — 33,65,400

Assets held for sale (at lower of cost and net realisable value) 31,77,433 —

(Refer Note 21 below)

Total	31,92,237	33,77,752
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NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in ₹, unless otherwise stated)

	As at 31st March, 2012	As at 31st March, 2011		As at 31st March, 2012	As at 31st March, 2011
16. Other Income			23. Earnings per share		
Interest Income	45,144	63,724	Profit/(Loss) after tax	42,61,327	(46,07,928)
Dividend Income	—	68	Weighted average number of equity shares	2,00,00,000	2,00,00,000
Service Income	60,00,000	42,00,000	Basic and Diluted earnings per share	0.21	(0.23)
Provision no longer required written back	7,50,000	9,11,182	(face value of Rs. 10)		
Miscellaneous Income	—	50,000	The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise net profit / (loss) after taxation. The number of shares considered in computing Basic and Diluted EPS is the weighted average number of shares outstanding during the year.		
Total	<u>67,95,144</u>	<u>52,24,974</u>	24. Segment Reporting		
17. Employee Benefit Expense			The Company operates in a single business segment and hence no further disclosure is being made.		
Salaries, Wages and Bonus	98,100	98,100	25. Micro, Small and Medium Enterprise Development Act, 2006		
Total	<u>98,100</u>	<u>98,100</u>	There are no Micro and Small enterprises, to which the company owes dues, or with which the company had transactions during the year, based on the information available with the company.		
18. Depreciation and Amortization Expenses			26. Related party disclosures		
Depreciation	1,83,088	1,94,453	(a) Names of related parties and nature of relationship:		
Amortization	53,535	56,353	Where control exists		
Total	<u>2,36,623</u>	<u>2,50,806</u>	Holding Company:	ITC Limited	
19. Other Expenses			Subsidiary Company:	MRR Trading & Investment Company Limited Limited.	
Professional and Legal fees	17,77,658	14,92,951	(b) Transactions/Balances		
Travelling Expenses	85,703	29,806			
Audit Fee	75,000	75,000			
Tax Audit Fee	25,000	25,000			
Reimbursement of expenses (including service tax)	17,978	15,100			
Reimbursement of expenses incurred by Subsidiary Company	1,72,944	1,70,463			
Miscellaneous Expenses	44,811	76,75,676			
Total	<u>21,99,094</u>	<u>94,83,996</u>			
20. Contingent Liabilities					
Claims against the Company not acknowledged as debts Lease tax on account of non-accrual of lease rental	37,21,426	37,21,426			
Total	<u>37,21,426</u>	<u>37,21,426</u>			
21. Assets held for Sale					
On February 14, 2012, the Board of Directors of the Company has approved the plan for disposing the Buildings. Carrying Amount as at March 31, 2012 is Rs. 3,177,433 (March 31, 2011: Rs. 3,344,667).					
22. Taxes on Income					
22.1 No provision has been made for Current tax during the year because of carry forward loss under the Income Tax Act.					
22.2 The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the uncertainty of availing the benefit in near future. Break up of such net deferred tax asset is given below:					
Deferred Tax Liabilities:					
Depreciation	(1,38,69,220)	(1,21,99,728)			
Deferred Tax Assets:					
Accumulated business losses	1,77,12,028	10,70,58,857			
Unabsorbed depreciation	7,48,51,668	7,93,70,975			
Deferred Tax Asset/(Liability)	<u>7,86,94,476</u>	<u>17,42,30,104</u>			

STATEMENT REGARDING SUBSIDIARY COMPANIES:

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

MRR TRADING & INVESTMENT COMPANY LIMITED

(a) Holding Company's interest:

50,000 Equity Shares of Rs.10/- each, fully paid-up

(b) Net aggregate amount of Subsidiary's profit/(loss) not dealt with in the Holding Company's accounts:

(i) for the Subsidiary's financial year ended March 31, 2012

(ii) for the previous financial years

(c) Net aggregate amount of Subsidiary's profit/(loss) dealt with in the Holding Company's accounts:

(i) for the Subsidiary's financial year ended March 31, 2012

(ii) for the previous financial years

(Amount in Rs.)

Nil

(416,160)

Nil

Nil

Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company as at March 31, 2012

(as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007)
(All amount in Rupees' Lacs, unless otherwise stated)

Liabilities side:	Amount outstanding	Amount overdue	(4) Break-up of Investments: Current Investments:	Amount outstanding
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			1. Quoted:	
(a) Debentures	—	—	(i) Shares:	—
Secured			(a) Equity	—
Unsecured (from Holding Company)			(b) Preference	—
(other than falling within the meaning of public deposits)	1,500.00	—	(ii) Debentures and Bonds	—
(b) Deferred Credits	—	—	(iii) Units of Mutual funds	—
(c) Term Loans	—	—	(iv) Government Securities	—
(d) Inter-corporate loans and borrowing (from Holding Company)	3,254.11	—	(v) Others	—
(e) Commercial Paper	—	—	2. Unquoted:	
(f) Other Loans	—	—	(i) Shares:	
			(a) Equity	—
			(b) Preference	—
			(ii) Debentures and Bonds	—
			(iii) Units of Mutual funds	—
			(iv) Government Securities	—
			(v) Others	—
Assets side:			Long Term investments:	
	Amount outstanding		1. Quoted:	
(2) Break-up of loans and advances including bills receivables [other than those included in (4) below]:			(i) Shares:	
(a) Secured		—	(a) Equity	—
(b) Unsecured		951.27	(b) Preference	—
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities			(ii) Debentures and Bonds	—
(i) Lease assets including lease rentals under sundry debtors			(iii) Units of Mutual funds	—
(a) Financial lease		961.09	(iv) Government Securities	—
(b) Operating lease		—	(v) Others	—
(ii) Stock on hire including hire charges under sundry debtors:			2. Unquoted:	
(a) Assets on hire		358.54	(i) Shares:	
(b) Repossessed Assets		—	(a) Equity	—
(iii) Other loans counting towards AFC activities			(b) Preference	—
(a) Loans where assets have been repossessed		—	(ii) Debentures and Bonds	—
(b) Loans other than (a) above		—	(iii) Units of Mutual funds	—
			(iv) Government Securities	—
			(v) Others	430.24

(5) Borrower group-wise classification of all assets financed as in (2) and (3) above :

	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties**			
(a) Subsidiaries	—	—	—
(b) Companies in the same group	—	—	—
(c) Other related parties	—	—	—
2. Other than related parties	—	—	—
Total	—	—	—

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

	Market value/Break up or fair value or NAV	Book value (net of provision)
1. Related Parties**		
(a) Subsidiaries	430.24	430.24
(b) Companies in the same group	—	—
(c) Other related parties	—	—
2. Other than related parties	—	—
Total	<u>430.24</u>	<u>430.24</u>

** As per Accounting Standard of ICAI

(7) Other Information

	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties (refer note 1 below)	3,542.05
(ii) Net Non-Performing Assets	—
(a) Related parties	—
(b) Other than related parties	—
(iii) Assets acquired in satisfaction of debt	390.32

Notes:

1 Of the above, Rs. 1,849.69 lacs relates to the assets given on lease. The corresponding net block value of such assets are Rs. 566.83 lacs as at March 31, 2012.