

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

1. Your Directors hereby submit their Report and Accounts for the financial year ended on 31st March, 2012.

2. COMPANY PERFORMANCE

The overall performance of your Company has been satisfactory despite volatility in the financial markets. During the year, your Company has earned revenue of ₹ 40.25 crores from its operations, with total revenue being ₹ 40.58 crores.

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

| | For the year ended 31st March, 2012 (₹) | For the year ended 31st March, 2011 (₹) |
|---|---|---|
| a. Profit Before Tax | 37,34,51,860 | 22,59,80,993 |
| Less : Tax Expense | 5,91,16,827 | 2,62,66,898 |
| b. Profit After Tax | 31,43,35,033 | 19,97,14,095 |
| c. Add : Profit brought forward from previous years | 72,03,34,978 | 56,05,63,702 |
| d. Surplus available for Appropriation | 103,46,70,011 | 76,02,77,797 |
| e. Less : Transferred to Special Reserve under Section 45-IC of the Reserve Bank of India Act, 1934 | 6,28,67,007 | 3,99,42,819 |
| f. Balance carried forward to the following year | 97,18,03,004 | 72,03,34,978 |

3. DIRECTORS

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. R. Tandon 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 Section 217(2AA) of the Companies Act, 1956, your Directors confirm having :-

- followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanations relating to material departures, if any;
- 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. TRADE INVESTMENTS

As stated in the Report of the Directors of the previous years, a petition was filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited (VST), made in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as a competitive bid, pursuant to a Public Offer made by an Acquirer, which closed on 13th June, 2001.

The High Court at Calcutta did not grant an injunction. However, transaction in the shares of VST pursuant to the Counter Offer by the Company and the other Acquirer is subject to the final Order of that Court, which is awaited.

Similar petitions filed by an individual and two shareholders, in the High Court of Delhi at New Delhi and High Court of Judicature of Andhra Pradesh at Hyderabad, had earlier been dismissed by the respective High Courts.

During the year, your Company sold investments aggregating ₹ 83.41 crores in Hotel Leelaventure Limited to ITC Limited (ITC), the Holding Company, at book value.

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

In terms of paragraphs 10 & 13 of the NBFC Regulations, the particulars as applicable to the Company are appended to the Balance Sheet.

7. SUBSIDIARIES

Particulars as required under Section 212 of the Companies Act, 1956, in respect of your Company's subsidiary, Greenacre Holdings Limited, is attached to the Accounts of the Company.

During the year under review, your Company sold its entire equity shareholding (comprising 9,12,38,170 equity shares of ₹ 1/- each) and 50,00,000 Zero Coupon Redeemable Preference Shares of ₹ 100/- each held in Wimco Limited (Wimco) to ITC. Consequently, Wimco and its subsidiaries ceased to be subsidiaries of the Company with effect from 29th September, 2011. Further, 55,00,000 5% Cumulative Redeemable Preference Shares of ₹ 100/- each, aggregating ₹ 55 crores, held by the Company in Wimco were redeemed during the year. Your Company also agreed that the cumulative dividend on the said Preference Shares aggregating ₹ 8.33 crores be waived.

The Company also sold 2,26,06,065 ordinary shares of Technico Pty Limited (Technico), Australia, to ITC and with effect from 26th March, 2012, Technico and its subsidiaries ceased to be subsidiaries of the Company.

8. PARTICULARS OF EMPLOYEES

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are provided in the Annexure to this Report.

9. AUDITORS

The Company's Auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants, retire at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment.

10. AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. R. Tandon as Chairman and M/s. B. B. Chatterjee and Saradindu Dutta as Members.

11. 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. The foreign exchange outgo on account of purchase of fixed assets was ₹ 6,87,39,801/- (previous year ₹ 1,11,487/- on account of market research expenses).

10th May, 2012

Registered Office:

Virginia House

37, J. L. Nehru Road

Kolkata 700 071

On behalf of the Board

R. Tandon *Director*

S. Dutta *Director*

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

**Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors
Employed throughout the year and in receipt of remuneration aggregating ₹ 60,00,000/- or more per annum**

| Name | Age (Years) | Designation/ Nature of Duties | Gross Remuneration (₹) | Net Remuneration (₹) | Qualifications | Experi- ence (Years) | Date of Commence- ment of Employment | Previous Employment/ Position Held |
|----------------------|----------------|--|------------------------------|----------------------------|-------------------------------|----------------------------|---|---------------------------------------|
| Sachidanand Madan | 53 | Services on loan to fellow subsidiary company | 88,87,782/- | 42,30,825/- | B.Com (Hons.), ACA and ACS | 30 | 01.09.2007 | COO, Technico Pty Ltd. - Australia |

Notes :

- Remuneration includes salary, performance bonus, allowances & other benefits / applicable perquisites except contribution to the approved Group Pension under the Defined Contribution 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 in Section 198 of the Companies Act, 1956.
- Net remuneration comprises cash income less: a) income tax, surcharge & education cess deducted at source.
b) employee's own contribution to Provident Fund.
- The aforesaid appointment is contractual in accordance with terms and conditions as per Company rules.
- The aforesaid employee is not a relative of any Director of the Company.

10th May, 2012

On behalf of the Board

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

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

AUDITORS' REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED

- We have audited the attached Balance Sheet of **RUSSELL CREDIT LIMITED** ('the Company') as at 31st March, 2012, and also the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - 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, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) 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, 2012;
 - in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date ; and
 - in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For A. F. Ferguson & Co.
Chartered Accountants
(Registration No. 112066W)

Shyamak R. Tata
Partner
(Membership No. 38320)

Kolkata
10th May, 2012

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 3 thereof]

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses 4(ii), (iii), (v), (vi), (viii), (x), (xi), (xii), (xiii), (xv), (xvi), (xviii), (xix) and (xx) of Companies (Auditor's Report) Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

- (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, no material discrepancies were noticed on such verification.
- (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the Company.
- (ii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (iii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (iv) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, income-tax, sales tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) As at 31st March, 2012, according to the records of the Company and the information and explanations given to us, there were no dues on account of income-tax, service tax and cess which have not been deposited on account of any dispute. The particulars of

dues relating to sales tax that have not been deposited on account of any dispute are given below:

| Name of the statute | Nature of the dues | Forum where pending | Period to which the amount relates | Amount (₹) |
|--|--------------------|----------------------------------|------------------------------------|------------|
| Tamil Nadu General Sales Tax Act & Central Sales Tax Act | Sales Tax | Appellate Assistant Commissioner | 2003-04 | 1,78,605 |
| Tamil Nadu General Sales Tax Act & Central Sales Tax Act | Sales Tax | Commercial Tax Officer | 2004-05 | 19,24,395 |
| Tamil Nadu General Sales Tax Act & Central Sales Tax Act | Sales Tax | Commercial Tax Officer | 2005-06 | 24,24,648 |
| The Central Sales Tax Act | Sales Tax | Directorate of Commercial Taxes | 2005-06 | 10,53,273 |

Out of the total disputed dues aggregating ₹ 55,80,921/- as above, ₹ 45,27,648/- has been stayed for recovery by the relevant authorities.

- (v) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
- (vi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (vii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no significant fraud on the Company has been noticed or reported during the year.

Kolkata
10th May, 2012

For A. F. Ferguson & Co
Chartered Accountants
(Registration No. 112066W)
Shyamak R. Tata
Partner
(Membership No. 038320)

BALANCE SHEET AS AT 31ST MARCH, 2012

| | Note | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|------|---------------------------|----------------------|---------------------------|----------------------|
| | | (₹) | (₹) | (₹) | (₹) |
| I. Equity and Liability | | | | | |
| 1. Shareholders' Funds | | | | | |
| a) Share capital | 3 | 646,47,87,370 | | 646,47,87,370 | |
| b) Reserves and surplus | 4 | 170,54,08,777 | 817,01,96,147 | 139,10,73,744 | 785,58,61,114 |
| 2. Non-current liabilities | | | | | |
| a) Deferred tax liabilities (net) | 5 | 29,50,109 | | 38,32,369 | |
| b) Long term provisions | 6 | 4,34,136 | 33,84,245 | 16,02,093 | 54,34,462 |
| 3. Current liabilities | | | | | |
| a) Other current liabilities | 7 | 65,00,419 | | 1,62,85,996 | |
| b) Short term provisions | 8 | 1,05,86,314 | 1,70,86,733 | 86,61,565 | 2,49,47,561 |
| Total | | | 819,06,67,125 | | 788,62,43,137 |
| II. Assets | | | | | |
| 1. Non-current assets | | | | | |
| (a) Fixed assets | | | | | |
| i) Tangible assets | 9 | 9,19,26,955 | | 8,00,91,450 | |
| ii) Capital work-in-progress | | 5,15,38,885 | | — | |
| | | 14,34,65,840 | | 8,00,91,450 | |
| (b) Non-current investments | 10 | 150,21,02,353 | | 436,92,14,563 | |
| (c) Long term loans and advances | 11 | 2,91,00,583 | 167,46,68,776 | 13,91,61,977 | 458,84,67,990 |
| 2. Current assets | | | | | |
| (a) Current portion of long term investment | 12 | — | | 55,00,00,000 | |
| (b) Inventories | 13 | 542,06,71,521 | | 257,05,24,808 | |
| (c) Trade receivables | 14 | 1,05,78,077 | | 2,89,29,010 | |
| (d) Cash and cash equivalents | 15 | 107,69,44,146 | | 32,37,843 | |
| (e) Short-term loans and advances | 16 | 77,17,428 | | 14,49,73,533 | |
| (f) Other current assets | 17 | 87,177 | 651,59,98,349 | 1,09,953 | 329,77,75,147 |
| Total | | | 819,06,67,125 | | 788,62,43,137 |

The accompanying notes 1 to 24 are an integral part of the financial statements
In terms of our report of even date

For A. F. Ferguson & Co.
Chartered Accountants
Shyamak R. Tata
Partner
Kolkata, 10th May, 2012

On behalf of the Board
R. Tandon Director
S. Dutta Director
S. Jain Manager & Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | Note | For the year ended 31st March, 2012 | | For the year ended 31st March, 2011 | |
|--|-------|--|-----|--|-----|
| | | (₹) | (₹) | (₹) | (₹) |
| I Revenue from operations | 18 | 40,24,70,536 | | 27,09,14,216 | |
| II Other income | 19 | 33,79,025 | | 62,82,188 | |
| III Total revenue | | 40,58,49,561 | | 27,71,96,404 | |
| IV Expenses | | | | | |
| Employee benefits expense | 20 | 1,56,58,832 | | 1,56,07,205 | |
| Finance cost | 21 | 806 | | 40,41,236 | |
| Depreciation expense | 9 | 1,23,81,897 | | 1,20,83,725 | |
| Other expenses | 22 | 43,56,166 | | 1,94,83,245 | |
| Total expenditure | | 3,23,97,701 | | 5,12,15,411 | |
| V Profit before tax | | 37,34,51,860 | | 22,59,80,993 | |
| VI Tax expense: | | | | | |
| Current tax | 23 | 5,99,99,087 | | 2,76,31,424 | |
| Deferred tax | 23 | (8,82,260) | | (13,64,526) | |
| VII Profit for the year | | 31,43,35,033 | | 19,97,14,095 | |
| Earnings per share (Face value ₹ 10/- each) (Basic and Diluted) | 24(6) | 0.49 | | 0.31 | |

The accompanying notes 1 to 24 are an integral part of the financial statements
In terms of our report of even date

For A. F. Ferguson & Co.
Chartered Accountants
Shyamak R. Tata
Partner
Kolkata, 10th May, 2012

On behalf of the Board
R. Tandon Director
S. Dutta Director
S. Jain Manager & Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | For the year ended 31st March, 2012 (₹) | For the year ended 31st March, 2011 (₹) |
|--|---|---|
| A. Cash flow from operating activities | | |
| Profit before tax | 37,34,51,860 | 22,59,80,993 |
| Adjustments for: | | |
| Depreciation | 1,23,81,897 | 1,20,83,725 |
| Interest expense on income tax | 806 | 40,41,236 |
| Liabilities no longer required written back | (14,018) | — |
| Provision on standard assets created/(released) during the year | (5,39,420) | 8,54,154 |
| Unrealised exchange gain | — | (24,72,500) |
| Interest on Fixed Deposit | (7,94,01,558) | — |
| Interest on Loans | (2,02,11,743) | (76,31,922) |
| Dividend income from mutual funds held as stock-in-trade | (16,67,85,437) | (13,58,33,914) |
| Dividend income from investment in equity instruments | (4,34,70,632) | (3,16,05,338) |
| Profit on sale of fixed assets | (469) | (93,693) |
| Operating profit before working capital changes | <u>7,54,11,286</u> | <u>6,53,22,741</u> |
| Changes in working capital: | | |
| (Increase)/Decrease in stock-in-trade | (285,01,46,713) | 115,24,82,403 |
| (Increase)/Decrease in short term loans and advances | 11,91,81,360 | (9,42,25,615) |
| (Increase)/Decrease in long term loans and advances | 10,69,00,295 | 2,32,58,877 |
| (Increase)/Decrease in trade receivables | 1,83,50,933 | (1,37,08,494) |
| (Increase)/Decrease in other current assets | 22,776 | 20,214 |
| Increase/(Decrease) in other current liabilities | 16,94,470 | (2,46,471) |
| Increase/(Decrease) in long term provisions | (9,30,768) | 2,79,753 |
| Increase/(Decrease) in short term provisions | <u>27,54,924</u> | <u>(1,69,45,395)</u> |
| | <u>(260,21,72,723)</u> | <u>105,09,15,272</u> |
| Cash generated from operations before interest and dividend | <u>(252,67,61,437)</u> | <u>111,62,38,013</u> |
| Interest on Fixed Deposit | 7,94,01,558 | — |
| Interest on Loans | 2,02,11,743 | 76,31,922 |
| Dividend income from mutual funds held as stock-in-trade | 16,67,85,437 | 13,58,33,914 |
| Dividend income from investment in equity instruments | <u>4,34,70,632</u> | <u>3,16,05,338</u> |
| Cash generated from operations | <u>(221,68,92,067)</u> | <u>129,13,09,187</u> |
| Income tax (paid) / refunded during the year | (3,92,91,188) | 38,76,437 |
| Net cash (used in) / generated from operating activities | <u>(225,61,83,255)</u> | <u>129,51,85,624</u> |
| B. Cash flow from investing activities | | |
| Purchase of fixed assets | (8,14,20,128) | (26,300) |
| Sale of fixed assets | 56,64,310 | 33,09,995 |
| Fixed deposit not considered as cash and cash equivalents – placed | (107,14,61,402) | — |
| Purchase of long term investments | (11,59,58,219) | (132,20,88,797) |
| Sale of long term investments - subsidiaries | 213,75,06,241 | — |
| Sale of long term investments - others | 83,40,98,160 | — |
| Redemption of preference shares | 55,00,00,000 | — |
| Net cash generated from / (used in) investing activities | <u>225,84,28,962</u> | <u>(131,88,05,102)</u> |
| C. Cash flow from financing activities | | |
| Interest expense on income tax | (806) | (40,41,236) |
| Net cash flow used in financing activities | <u>(806)</u> | <u>(40,41,236)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>22,44,901</u> | <u>(2,76,60,714)</u> |
| Opening cash and cash equivalents | <u>32,37,843</u> | <u>3,08,98,557</u> |
| Closing cash and cash equivalents | <u>54,82,744</u> | <u>32,37,843</u> |

Notes:

- The above cash flow statement has been prepared under the "indirect method" as set out in accounting standard - 3 cash flow statements
- Since the Company is an investment company, purchase and sale of investments and investment in fixed deposits have been considered as part of "Cash flow from investing activities" and dividend earned and interest earned on the same have been considered as part of "Cash flow from operating activities"
- Reconciliation of cash and cash equivalents with the Balance Sheet

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|--|----------------------------------|----------------------------------|
| Cash and cash equivalents as above | 54,82,744 | 32,37,843 |
| Add: Bank balances not considered as cash and cash equivalents | 107,14,61,402 | — |
| Cash and cash equivalents as per balance sheet (refer note 15) | <u>107,69,44,146</u> | <u>32,37,843</u> |

The accompanying notes 1 to 24 are an integral part of the financial statements

In terms of our report of even date

For A. F. Ferguson & Co.
Chartered Accountants
Shyamak R. Tata
Partner
Kolkata, 10th May, 2012

On behalf of the Board
R. Tandon
S. Dutta
S. Jain
Director
Director
Manager & Secretary

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. Corporate Information

Russell Credit Limited, a wholly owned subsidiary of ITC Limited is a Non Deposit taking Systemically Important Non-Banking Financial Company under the Reserve Bank of India Act, 1934.

2. Significant Accounting Policies

Basis of Accounting

The Financial Statements are prepared on accrual basis under 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 set out in the Revised Schedule VI to the Companies Act, 1956 based on the nature of services.

Fixed Assets

Fixed Assets are stated at cost including any incidental acquisition expenses.

Depreciation

Depreciation is provided on 'Straight Line' basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Investments

Current Investments are stated 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 trade date.

Investment Income

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

Inventories

Inventories, comprising of Stock-in-Trade, has been valued at cost or at available market quotation or their fair values, whichever is lower, category wise, in compliance with the Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies. Stock-in-Trade is accounted for based on trade date.

Foreign Currency Translation

Transactions in foreign currency are accounted for 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.

Foreign Currency Monetary Assets and Monetary Liabilities are restated at the rates ruling at the year end and all exchange gains/losses arising therefrom are adjusted in the Statement of Profit and Loss except for those covered by forward contracts where the gains/losses arising from such restatement are recognised over the period of such contracts.

Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of cost of such assets. All other borrowing costs are charged to revenue.

Taxes on Income

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

Deferred tax is accounted for 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 substantially enacted by the balance sheet date.

Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

Employee Benefits

Monthly contributions are made to Provident Funds/Superannuation Funds which are in the nature of defined contribution scheme and such paid / payable amounts are charged against revenue. Liability for Gratuity and Leave Encashment schemes in the nature of defined benefit schemes are based on independent actuarial valuation as per the requirements of Accounting Standard -15 (revised 2005) on "Employee Benefits".

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense.

Lease Rentals

Lease Rentals are accounted for on an accrual basis except in case of lessees in default where accrual is guided by Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

3. Share capital

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|---|----------------------------------|----------------------------------|
| Authorised | | |
| 70,00,00,000 equity shares of ₹ 10/- each | 700,00,00,000 | 700,00,00,000 |
| (2011 - 70,00,00,000 equity shares of ₹ 10/- each) | <u>700,00,00,000</u> | <u>700,00,00,000</u> |
| Issued, Subscribed and Fully Paid-up | | |
| 59,74,54,177 (2011 - 59,74,54,177) equity shares of ₹ 10/- each, fully paid up | 597,45,41,770 | 597,45,41,770 |
| Issued, Subscribed but not Fully Paid-up | | |
| 7,54,22,400 (2011 - 7,54,22,400) equity shares of ₹ 10/- each, ₹ 6.50 per share paid up | 49,02,45,600 | 49,02,45,600 |
| | <u>646,47,87,370</u> | <u>646,47,87,370</u> |

(i) Reconciliation of number of shares and amounts outstanding

| Particulars | As at 31st March, 2012 | | As at 31st March, 2011 | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| | (Number) | Equity Shares (₹) | (Number) | Equity Shares (₹) |
| Issued, Subscribed and Fully Paid-up | | | | |
| Equity Shares of ₹ 10/- each outstanding at the beginning and at the end of the year | 59,74,54,177 | 597,45,41,770 | 59,74,54,177 | 597,45,41,770 |
| Issued, Subscribed but not Fully Paid-up | | | | |
| Equity Shares of ₹ 10/- each, ₹ 6.50 per share paid up, outstanding at the beginning and end of the year | 7,54,22,400 | 49,02,45,600 | 7,54,22,400 | 49,02,45,600 |
| | | <u>646,47,87,370</u> | | <u>646,47,87,370</u> |

(ii) Details of the shareholders holding more than 5% of equity share of the company

| Name of the shareholders | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|---------------------------|--------------------------------|---------------------------|--------------------------------|
| | (%) | No. of Shares held (Number) | (%) | No. of Shares held (Number) |
| Issued, Subscribed and Fully Paid-up | | | | |
| ITC Limited – Holding Company | 100% | 59,74,54,177 | 100% | 59,74,54,177 |
| Issued, Subscribed but not Fully Paid-up | | | | |
| ITC Limited – Holding Company | 100% | 7,54,22,400 | 100% | 7,54,22,400 |

(iii) Rights, preferences and restrictions attached to the equity shares

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

4. Reserves and surplus

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|---|----------------------------------|----------------------------------|
| Capital reserve | | |
| Balance at the beginning and at the end of the year | 2,87,67,445 | 2,87,67,445 |
| General reserve | | |
| Balance at the beginning and at the end of the year | 1,38,36,301 | 1,38,36,301 |
| Special reserve u/s 45-IC of the Reserve Bank of India Act, 1934 | | |
| Balance at the beginning of the year | 62,81,35,020 | 58,81,92,201 |
| Add: Transferred from Statement of Profit and Loss | <u>6,28,67,007</u> | <u>3,99,42,819</u> |
| Balance at the end of the year | 69,10,02,027 | 62,81,35,020 |
| Surplus in Statement of Profit and Loss | | |
| Balance at the beginning of the year | 72,03,34,978 | 56,05,63,702 |
| Add: Profit for the year | <u>31,43,35,033</u> | <u>19,97,14,095</u> |
| | <u>103,46,70,011</u> | <u>76,02,77,797</u> |
| Less: Transferred to Special reserve u/s 45-IC of the Reserve Bank of India Act, 1934 | <u>6,28,67,007</u> | <u>3,99,42,819</u> |
| Balance at the end of the year | <u>97,18,03,004</u> | 72,03,34,978 |
| | <u>170,54,08,777</u> | <u>139,10,73,744</u> |

5. Deferred tax liabilities (net)

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|---|----------------------------------|----------------------------------|
| Deferred tax liabilities | | |
| On fiscal allowances on fixed assets | <u>51,05,252</u> | <u>56,16,364</u> |
| Deferred tax assets | | |
| On employees' sepeation and retirement etc. | 20,53,028 | 12,15,322 |
| Other timing differences | — | 2,91,543 |
| On provision on standard assets | <u>1,02,115</u> | <u>2,77,130</u> |
| | <u>21,55,143</u> | <u>17,83,995</u> |
| | <u>29,50,109</u> | <u>38,32,369</u> |

6 Long term provisions

| | | |
|--|-----------------|------------------|
| Provision for employee benefits | | |
| Provision for compensated absences | 1,32,735 | 10,63,503 |
| Provision - others | | |
| Contingent provision against standard assets | <u>3,01,401</u> | <u>5,38,590</u> |
| | <u>4,34,136</u> | <u>16,02,093</u> |

7 Other current liabilities

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|---|----------------------------------|----------------------------------|
| Other payables (*) | | |
| Dues to related parties Security deposit from the holding company | 12,00,000 | 12,00,000 |
| Liability towards purchase of investments | 5,43,336 | 1,20,09,363 |
| Liability towards expenses | 39,26,799 | 29,58,297 |
| Statutory remittances | <u>8,30,284</u> | <u>1,18,336</u> |
| | <u>65,00,419</u> | <u>1,62,85,996</u> |

(*) There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2012. 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.

8 Short term provisions

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|--|----------------------------------|----------------------------------|
| Current portion of long term employee benefits | | |
| Provision for compensated absences | 27,54,924 | — |
| Provision - others | | |
| Current taxation (net of advance income tax) | 78,18,057 | 83,46,001 |
| Contingent provision against standard assets | <u>13,333</u> | <u>3,15,564</u> |
| | <u>1,05,86,314</u> | <u>86,61,565</u> |

9. Tangible assets

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|----------------------|------------------------------------|---------------|--------------|-------------------------------|---------------------------|------------------|--------------|----------------------------|----------------------------|----------------------------|
| | As at commencement of the year (₹) | Additions (₹) | Disposal (₹) | As at the end of the year (₹) | Upto 31st March, 2011 (₹) | For the year (₹) | Disposal (₹) | Up to 31st March, 2012 (₹) | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
| Plant & equipment(*) | 12,07,36,456 | 2,98,81,243 | 1,37,35,399 | 13,68,82,300 | 4,07,82,206 | 1,23,74,297 | 80,71,558 | 4,50,84,945 | 9,17,97,355 | 7,99,54,250 |
| Office equipment | 1,60,000 | — | — | 1,60,000 | 22,800 | 7,600 | — | 30,400 | 1,29,600 | 1,37,200 |
| TOTAL | 12,08,96,456 | 2,98,81,243 | 1,37,35,399 | 13,70,42,300 | 4,08,05,006 | 1,23,81,897 | 80,71,558 | 4,51,15,345 | 9,19,26,955 | 8,00,91,450 |
| Previous Year | 12,63,59,638 | 26,300 | 54,89,482 | 12,08,96,456 | 3,09,94,461 | 1,20,83,725 | 22,73,180 | 4,08,05,006 | 8,00,91,450 | 9,53,65,177 |

*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 ₹ 13,68,56,001/- (2011 - ₹ 12,07,10,155/-) and Accumulated Depreciation is ₹ 4,50,82,871/- (2011 - ₹ 4,07,81,380/-).

Depreciation for the year charged to Statement of Profit and Loss is ₹ 1,23,73,048/- (2011 - ₹ 1,20,80,356/-).

The aggregate lease rental of ₹ 2,16,25,256/- (2011 - ₹ 2,09,09,256/-) is included in Lease and Other Rentals under Revenue from Operations (Note No. 18)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

10. Non-current Investments
(At cost)

| Long term Investment | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | Number | Value (₹) | Number | Value (₹) |
| A. Trade | | | | |
| Investments in equity instruments | | | | |
| Unquoted | | | | |
| (i) of subsidiaries | | | | |
| Equity shares of ₹ 10/- each, of Greenacre Holdings Limited, fully paid | 4,20,60,166 | 42,10,33,674 | 4,20,60,166 | 42,10,33,674 |
| Equity Shares of ₹ 1/- each, of Wimco Limited, fully paid | — | — | 9,12,38,170 | 55,02,65,126 |
| Ordinary shares of Technico Pty Limited no par value | — | — | 2,26,06,065 | 108,72,41,115 |
| (ii) of associates | | | | |
| Equity Shares of ₹ 10/- each, of Russell Investments Limited, fully paid | 42,75,435 | 4,27,56,850 | 42,75,435 | 4,27,56,850 |
| Equity Shares of ₹ 10/- each, of Classic Infrastructure & Development Limited, fully paid | 37,50,000 | 3,76,88,280 | 37,50,000 | 3,76,88,280 |
| Equity Shares of ₹ 10/- each, of Divya Management Limited, fully paid | 41,82,915 | 6,93,07,630 | 41,82,915 | 6,93,07,630 |
| Equity Shares of ₹ 10/- each, of Antrang Finance Limited, fully paid | 43,24,634 | 4,39,56,071 | 43,24,634 | 4,39,56,071 |
| (iii) of joint venture companies | | | | |
| Equity Shares of ₹ 100/- each, of Maharaja Heritage Resorts Limited, fully paid | 90,000 | 90,00,000 | 90,000 | 90,00,000 |
| Quoted | | | | |
| (i) of associates | | | | |
| Equity Shares of ₹ 10/- each, of International Travel House Limited, fully paid | 36,26,633 | 21,21,58,031 | 36,26,633 | 21,21,58,031 |
| (ii) of other entities | | | | |
| Equity Shares of ₹ 10/- each, of VST Industries Limited, fully paid | 6,00,000 | 9,96,59,626 | 6,00,000 | 9,96,59,626 |
| Equity Shares of ₹ 2/- each of Hotel Leelaventure Limited, fully paid | 31,36,834 | 10,44,92,191 | 1,79,29,513 | 83,40,98,160 |
| Investment in preference shares | | | | |
| Unquoted | | | | |
| of subsidiaries | | | | |
| Zero Coupon Redeemable Preference shares of ₹ 100/- each, of Wimco Limited, fully paid | — | — | 50,00,000 | 50,00,00,000 |
| B. Other Investment | | | | |
| Investments in equity instruments | | | | |
| Unquoted | | | | |
| of other entities | | | | |
| Class 'G' Shares of ₹ 48,000/- each, of Lotus Court Limited, fully paid | 2 | 2,34,00,000 | 2 | 2,34,00,000 |
| Equity Shares of ₹ 100/- each, of Adyar Property Holding Company Private Limited, ₹ 65/- per share paid (*) | 311 | 43,86,50,000 | 311 | 43,86,50,000 |
| | | <u>150,21,02,353</u> | | <u>436,92,14,563</u> |
| Aggregate amount of quoted investments | | 41,63,09,848 | | 1,14,59,15,817 |
| Aggregate market value of quoted investments | | 1,62,81,70,012 | | 1,75,29,90,487 |
| Aggregate amount of unquoted investments | | 1,08,57,92,505 | | 3,22,32,98,746 |
| (*) Uncalled liability on 311 partly paid-up shares of Adyar Property Holding Pvt. Ltd. @ ₹ 35/- per share : ₹ 10,885 /- (2011 – ₹ 10,885/-). | | | | |
| 11 Long term loans and advances | | | | |
| | As at | | As at | |
| | 31st March, 2012 | | 31st March, 2011 | |
| | (₹) | | (₹) | |
| Unsecured, considered good | | | | |
| Security deposits | — | | 1,80,000 | |
| Loans to related parties | 2,00,00,000 | | 12,30,53,750 | |
| MAT credit entitlement | — | | 31,61,098 | |
| Deposits with Government authorities | 3,13,508 | | 3,13,508 | |
| Secured, considered good | | | | |
| Term loan to others (secured by mortgage of immovable property and hypothecation of moveables and receivables) | 87,87,075 | | 1,24,53,621 | |
| | <u>2,91,00,583</u> | | <u>13,91,61,977</u> | |
| 12 Current portion of long term investment (at cost) | | | | |
| | As at | | As at | |
| | 31st March, 2012 | | 31st March, 2011 | |
| | Number | Value (₹) | Number | Value (₹) |
| Investment in preference shares in subsidiaries | | | | |
| Unquoted | | | | |
| 5% Redeemable Cumulative Preference shares of ₹ 100/- each, of Wimco Limited, fully paid | — | — | 55,00,000 | 55,00,00,000 |
| | | — | | 55,00,00,000 |
| Aggregate amount of unquoted investment | | — | | 55,00,00,000 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

13. Inventories

(at lower of cost and fair value)

| Particulars | As at 31st March, 2012 | | As at 31st March, 2011 | |
|--|------------------------|----------------------|------------------------|----------------------|
| | Number | Value (₹) | Number | Value (₹) |
| Stock-in-trade | | | | |
| Equity shares of ₹ 10/- each, fully paid up | | | | |
| SKH Metals Limited (*) | 40,000 | 1 | 40,000 | 1 |
| Patheja Brothers Forgings and Stampings Limited (*) | 50,000 | 1 | 50,000 | 1 |
| Jind Textiles Limited (*) | 5,00,000 | 1 | 5,00,000 | 1 |
| Taib Capital Corporation Limited (*) | 2,45,000 | 1 | 2,45,000 | 1 |
| Sub - total | | <u>4</u> | | <u>4</u> |
| Units of ₹ 10/- each, fully paid up | | | | |
| Birla Sun Life Short Term FMP - Series 7 Dividend Payout | — | — | 4,80,00,000 | 48,00,00,000 |
| Birla Sun Life Short Term FMP-Series 25-Dividend - Payout | 1,00,00,000 | 10,00,00,000 | — | — |
| Birla FMP Fixed Term Plan - Series EW Dividend - Payout | 1,50,00,000 | 15,00,00,000 | — | — |
| Birla Sunlife Fixed Term Plan Series-DY Growth | 1,00,00,000 | 10,00,00,000 | — | — |
| BNP Paribas Fixed Term Fund Series 19F Cal.Qtrly.Div | — | — | 1,00,00,000 | 10,00,00,000 |
| DSP BalckRock DMP-Series 39-12M-Dividend Payout | 5,00,00,000 | 50,00,00,000 | — | — |
| DSP FMP Series-38-12.5 M -Growth | 4,50,00,000 | 45,00,00,000 | — | — |
| DWS Fixed Term Fund - Series 72 - Dividend Plan Payout | — | — | 1,00,00,000 | 10,00,00,000 |
| DWS Fixed Maturity Plan - Series 11- Dividend Plan-Payout | 6,00,00,000 | 60,00,00,000 | — | — |
| DWS Fixed Maturity Plan-Series 5-Growth Plan | 1,00,00,000 | 10,00,00,000 | — | — |
| HDFC FMP 370D January 2012(4) -Growth -Series XIX | 4,00,00,000 | 40,00,00,000 | — | — |
| ICICI Prudential FMP Series 63 - 1 Year Plan C- Dividend | 4,00,00,000 | 40,00,00,000 | — | — |
| IDFC Cash Fund - Super Inst Plan C Daily Dividend | — | — | 99,91,870 | 9,99,43,679 |
| IDFC Fixed Maturity Plan Thirteen Month Series-7 Dividend | 4,50,00,000 | 45,00,00,000 | — | — |
| IDFC Fixed Maturity Plan Yearly Series 64-Dividend | 2,50,00,000 | 25,00,00,000 | — | — |
| IDFC Ultra Short Term Fund Daily Dividend | 2,58,83,948 | 25,91,63,029 | — | — |
| Kotak Floater Short Term - Daily Dividend | — | — | 6,03,28,390 | 61,02,94,055 |
| Reliance Fixed Horizon Fund-XXI-Series 8-Growth Plan | 1,50,00,000 | 15,00,00,000 | — | — |
| Religare Fixed Maturity Plan - Series III - Plan A (12 Months) - Dividend | — | — | 2,50,00,000 | 25,00,00,000 |
| Religare FMP Series XIII Plan F - Dividend Plan | 1,00,00,000 | 10,00,00,000 | — | — |
| UTI - Fixed Income Interval Fund - Series II - Quaterly Interval Plan- IV - Institutional Dividend Plan - Payout | — | — | 2,00,00,000 | 20,00,00,000 |
| Units of ₹ 1,000/- each, fully paid up | | | | |
| DSP BlackRock Liquidity Fund - Institutional Plan - Daily Dividend | — | — | 7,30,056 | 73,02,87,070 |
| TATA Liquid Super High Investment Fund - Daily Dividend | 8,97,974 | 100,08,10,435 | — | — |
| Templeton India Treasury Management Account Super Institutional Plan-Daily Dividend Reinvestment | 4,10,422 | 41,06,98,053 | — | — |
| Sub - total | | <u>542,06,71,517</u> | | <u>257,05,24,804</u> |
| TOTAL | | <u>542,06,71,521</u> | | <u>257,05,24,808</u> |
| (*) Aggregate value of stock-in-trade written off | | 30,39,996 | | 30,39,996 |

14. Trade receivables

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|--|----------------------------------|----------------------------------|
| Unsecured, considered good | | |
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | — | — |
| Trade receivables outstanding for a period less than six months from the date they were due for payment | 1,05,78,077 | 2,89,29,010 |
| | <u>1,05,78,077</u> | <u>2,89,29,010</u> |
| 15. Cash and cash equivalents | | |
| Cash on hand | 1,002 | 4,345 |
| Cheques on hand | — | 3,03,800 |
| Balances with banks | | |
| in current accounts | 54,81,742 | 29,29,698 |
| in deposit account | 107,14,61,402 | — |
| | <u>107,69,44,146</u> | <u>32,37,843</u> |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements is | 54,82,744 | 32,37,843 |

16. Short term loans and advances

| | As at 31st March, 2012 (₹) | As at 31st March, 2011 (₹) |
|---|----------------------------------|----------------------------------|
| Unsecured, considered good | | |
| Loan to related parties | — | 12,00,00,000 |
| Security deposit | 1,80,000 | — |
| Advance to employees | — | 5,000 |
| Advance fringe benefit tax (net of provisions) | 26,737 | 23,395 |
| MAT credit entitlement | 35,21,913 | 2,16,00,000 |
| Advances towards gratuity fund | 3,22,231 | 91,262 |
| Secured, considered good | | |
| Term loan to others (secured by mortgage of immovable property and hypothecation of moveables and receivables) | 36,66,547 | 32,53,876 |
| | <u>77,17,428</u> | <u>14,49,73,533</u> |
| 17. Other current assets | | |
| Unsecured, considered good | | |
| Interest on loan to others | 87,177 | 1,09,953 |
| | <u>87,177</u> | <u>1,09,953</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

| | For the year ended 31st March, 2012 (₹) | For the year ended 31st March, 2011 (₹) | | For the year ended 31st March, 2012 (₹) | For the year ended 31st March, 2011 (₹) |
|--|---|---|---|---|---|
| 18. Revenue from operations | | | 22 Other expenses | | |
| Profit/(loss) on sale of stock-in-trade (*) | (3,001) | 49,71,249 | Rent | 9,28,371 | 8,28,000 |
| Dividend income from mutual funds held as stock-in-trade | 16,67,85,437 | 13,58,33,914 | Bank, custodial and depository charges | 29,828 | 3,61,036 |
| Dividend income from investment in equity instruments | 4,34,70,632 | 3,16,05,338 | Repairs and maintenance | | |
| Interest Income | | | Buildings | 1,68,240 | 1,68,240 |
| on loans | 2,02,11,743 | 76,31,922 | Electricity charges | 4,37,098 | 3,92,347 |
| from fixed deposit with bank | 7,94,01,558 | — | Travelling and conveyance | 84,585 | 62,088 |
| Brokerage income | 5,60,98,911 | 6,15,62,537 | Rates and taxes | 24,204 | 24,600 |
| Lease and other rentals | 3,65,05,256 | 2,93,09,256 | Professional and legal fees | 13,71,144 | 3,39,348 |
| | 40,24,70,536 | 27,09,14,216 | Payment to auditor | | |
| (*) Profit/(loss) on sale of stock-in-trade | | | As auditors- statutory audit | 1,50,000 | 1,50,000 |
| Sales | 3570,56,12,281 | 5859,05,47,086 | For taxation matters (*) | 75,000 | 1,00,000 |
| Less : Purchases | 3855,57,61,995 | 5743,30,93,434 | For other matters (*) | 1,50,000 | 2,00,000 |
| | (285,01,49,714) | 115,74,53,652 | Reimbursement of expenses (*) | 4,812 | 30,499 |
| Add / (less) : increase/(decrease) in closing stock-in-trade | 285,01,46,713 | (115,24,82,403) | Communication expenses | 25,624 | 26,177 |
| Profit / (loss) on sale of stock-in-trade | (3,001) | 49,71,249 | Printing, stationery and periodicals | 75,471 | 69,589 |
| 19 Other income | | | Donation (**) | — | 1,50,00,000 |
| Interest income | | | Provision for standard assets | — | 8,54,154 |
| Interest on income tax refund | 3,448 | 693 | Miscellaneous expenses | 8,31,789 | 8,77,167 |
| Net gain on foreign currency transaction and translation | 15,16,976 | 24,70,485 | | 43,56,166 | 1,94,83,245 |
| Profit on sale of fixed assets | 469 | 93,693 | (*) Paid to the erstwhile auditors, ₹ Nil (2011- ₹ 3,30,499/-) a firm in which some of the partners of the statutory auditors firm are partners | | |
| Provision for standard assets released during the year | 5,39,420 | — | (**) Donation of ₹ 1,50,00,000/-, was made to All India Congress Committee of the Indian National Congress in 2011 | | |
| Liability no longer required written back | 14,018 | — | 23 Tax expense | | |
| Miscellaneous Income | 13,04,694 | 37,17,317 | | For the year ended 31st March, 2012 (₹) | For the year ended 31st March, 2011 (₹) |
| | 33,79,025 | 62,82,188 | Current tax | | |
| 20. Employee benefits expense | | | - for the year | 6,00,00,000 | 3,00,00,000 |
| Salaries and wages | 1,27,89,306 | 1,02,39,097 | - for earlier years | (913) | (23,68,576) |
| Contribution to provident and other funds | 22,46,195 | 48,42,648 | (A) | 5,99,99,087 | 2,76,31,424 |
| Staff welfare expenses | 6,23,331 | 5,25,460 | Deferred tax | | |
| | 1,56,58,832 | 1,56,07,205 | - for the year | (8,82,260) | (13,64,526) |
| 21 Finance cost | | | (B) | (8,82,260) | (13,64,526) |
| Interest on income tax | 806 | 40,41,236 | (A+B) | 5,91,16,827 | 2,62,66,898 |
| | 806 | 40,41,236 | | | |

24. Additional notes to the financial statements

- Claims against the Company not acknowledged as debts :
Sales tax claims disputed by the Company relating to issues of applicability- ₹ 57,99,216/- (2011 - ₹ 56,20,611/-) .
- Guarantees and Counter Guarantees outstanding Nil (2011- ₹ 1,78,605/-)
- Loans to related parties in note 11 and 16 include :
(a) Loan to a fellow subsidiary, balance as at the year end is as follows:
Wimco Limited (*) - ₹ 2,00,00,000/- (2011 - ₹ 10,00,00,000)
(b) Interest free loans to fellow subsidiaries, balances as at the year end are as follows:
Technico Pty Limited, Australia (#) - ₹ Nil (2011 - ₹ 2,30,53,750/-).
Technico Agri Sciences Limited (#) - ₹ Nil (2011 - ₹ 12,00,00,000/-).
(c) The maximum indebtedness during the year :
Wimco Limited (*) - ₹ 55,00,00,000/- (2011- ₹ 30,00,00,000/-)
Technico Pty Limited, Australia (#) - ₹ 2,30,53,750/- (2011- ₹ 2,30,53,750/-).
Technico Agri Sciences Limited (#) - ₹ 12,00,00,000/- (2011 - ₹ 12,00,00,000/-).
(*) Subsidiary till 28.09.2011. Fellow subsidiary with effect from 29.09.2011
(#) Subsidiary till 25.03.2012. Fellow subsidiary with effect from 26.03.2012
- Expenditure in foreign currency during the year:
Market research expenses : ₹ Nil (2011 - ₹ 1,11,487/-)
- Value of imports during the year (C.I.F. basis) :
Capital Goods : ₹ 6,87,39,801 /- (2011-Nil)
- Earnings Per Share :
Profit after tax (₹) 31,43,35,033/- For the year ended 31st March, 2012
Weighted average number of equity shares outstanding 64,64,78,737 For the year ended 31st March, 2011
Basic and diluted earnings per share in Rupees (Face Value - ₹10/- per share) ₹ 0.49 ₹ 0.31
- The status of the petition filed by an individual in the High Court at Calcutta, seeking an injunction against the Company's Counter Offer to the shareholders of VST Industries Limited, is outlined in the Report of the Directors.
- Segment Reporting - The Company operates in a single business segment i.e. Financial Services and in a single geographical segment.
- Capital to Risk Adequacy Ratio:

| Items | 31st March, 2012 | 31st March, 2011 |
|----------------------------------|------------------|------------------|
| (i) CRAR (%) | 114.55 | 99.32 |
| (ii) CRAR - Tier I capital (%) | 114.54 | 99.30 |
| (iii) CRAR - Tier II Capital (%) | 0.01 | 0.02 |
- Exposure to Real Estate Sector:

| Category | 31st March, 2012 | 31st March, 2011 |
|--|------------------|------------------|
| (a) Direct exposure | | |
| (i) Residential Mortgages | Nil | Nil |
| (ii) Commercial Real Estate | Nil | Nil |
| (iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures - | | |
| a. Residential, | Nil | Nil |
| b. Commercial Real Estate | Nil | Nil |
| (b) Indirect Exposure | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | Nil | Nil |

11. Maturity pattern of certain assets and liabilities :

| | 1 to 30/31 days (one month) | Over 1 month to 2 months | Over 2 months to 3 months | Over 3 months to 6 months | Over 6 months to one year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|-----------------------|--------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|------------------------|-------------------------|--------------|----------|
| Liabilities | | | | | | | | | |
| Borrowings from Banks | — | — | — | — | — | — | — | — | — |
| Market Borrowings | — | — | — | — | — | — | — | — | — |
| Assets | | | | | | | | | |
| Advances | — | — | — | — | — | — | — | — | — |
| Investments | 54206.72*1 | — | — | — | — | — | — | 15021.02*2 | 69227.74 |

*1 Investments classified as Inventories as per Note 13

*2 Investments classified as Non Current Investments as per Note 10

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

12. Related Party Disclosures :

| | |
|-----------------------------|--|
| (a) Relationships | |
| Holding Company | ITC Limited |
| Subsidiary Companies | Greenacre Holdings Limited |
| Fellow Subsidiaries | Wimco Limited (*) Pavan Poplar Limited (*) Prag Agro Farm Limited (*) Technico Pty Limited (#) Technico Agri Sciences Limited (#) Technico Technologies Inc.(#) Technico Asia Holdings Pty Limited (#) Technico Horticultural (Kunming) Co. Limited (#) |
| | (*) Subsidiary till 28.09.2011. Fellow subsidiary w.e.f. 29.09.2011 (#) Subsidiary till 25.03.2012. Fellow subsidiary w.e.f. 26.03.2012 |

Key Management Personnel

| | |
|----------------------|-------------------------------|
| Mr. R. Tandon | Non - Executive Chairman |
| Mr. B. B. Chatterjee | Non - Executive Director |
| Mr. P. Banerjee | Non - Executive Director |
| Mr. S. Dutta | Non - Executive Director |
| Mr. S. Jain | Manager and Company Secretary |

Other Related Parties with whom the Company had transactions during the year :

| | |
|----------------------------|--|
| Associate Companies | International Travel House Limited Divya Management Limited |
|----------------------------|--|

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

| Particulars | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|--|-------------------------------------|-------------------------------------|
| | (₹) | (₹) |
| Holding Company | | |
| Sale of quoted investments* | 83,40,98,160 | Nil |
| Sale of unquoted investments (at cost) | 2,13,75,06,241 | Nil |
| Lease rentals received | 1,48,80,000 | 84,00,000 |
| Miscellaneous income | 6,20,104 | Nil |
| Rent, repairs and maintenance | 3,00,111 | 2,76,240 |
| Miscellaneous expenses | 4,37,098 | 4,95,246 |
| Reimbursement of expenses | 1,31,000 | 2,13,935 |

* Investments have been sold to the Holding Company at cost, the market value of such shares on the date of sale was ₹ 70,28,36,910/-.

| Balances as at | 31st March, 2012 | 31st March, 2011 |
|------------------------------------|-------------------------------------|-------------------------------------|
| | (₹) | (₹) |
| Holding Company | | |
| Security deposits received | 12,00,000 | 12,00,000 |
| Payables | Nil | 9,000 |
| Fellow Subsidiary Companies | | |
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| | (₹) | (₹) |

Wimco Limited

| | | |
|--|--------------|--------------|
| Subscription to Preference Share Capital | Nil | 50,00,00,000 |
| Intercompany loan given | 45,00,00,000 | 40,00,00,000 |
| Intercompany loan repaid | 53,00,00,000 | 30,00,00,000 |
| Interest on loan | 1,85,24,727 | 55,49,918 |
| Sale of plant & machinery | 26,53,676 | Nil |

Technico Pty Limited

| | | |
|--------------------------|-------------|-----|
| Intercompany loan repaid | 2,30,53,750 | Nil |
|--------------------------|-------------|-----|

Technico Agri Sciences Limited

| | | |
|--------------------------|--------------|-----|
| Intercompany loan repaid | 12,00,00,000 | Nil |
|--------------------------|--------------|-----|

| Balances as at | 31st March, 2012 | 31st March, 2011 |
|------------------------------------|------------------|------------------|
| | (₹) | (₹) |
| Fellow Subsidiary Companies | | |
| Loans Outstanding | | |

| | | |
|--------------------------------|-------------|--------------|
| Technico Pty Limited | Nil | 2,30,53,750 |
| Technico Agri Sciences Limited | Nil | 12,00,00,000 |
| Wimco Limited | 2,00,00,000 | 10,00,00,000 |

| Particulars | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|-------------------|-------------------------------------|-------------------------------------|
| | (₹) | (₹) |
| Associates | | |

| | | |
|------------------------------------|-------------|-------------|
| Dividend Income | | |
| International Travel House Limited | 1,37,81,205 | 1,17,86,557 |

| | | |
|------------------------------------|--------|-------|
| Travelling Expenses | | |
| International Travel House Limited | 43,542 | 8,706 |

| | | |
|---------------------------------|----------|----------|
| Reimbursement of expense | | |
| Divya Management Limited | 4,36,246 | 4,18,331 |

| | | |
|---|-----------------|-------------|
| Remuneration of managers on deputation to subsidiaries, absorbed | 1,24,77,141 (*) | 1,12,05,286 |
|---|-----------------|-------------|

(*) Subsidiary till 25.03.2012. Fellow subsidiary w.e.f. 26.03.2012

13. Employee Benefits :

Contribution to Defined Contribution Schemes – ₹ 19,95,058/- (2011 – ₹ 34,92,126/-) Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2012 and recognised in the financial statements in respect of Employee Benefit Schemes:

| | For the year ended 31st March, 2012 (₹) | | For the year ended 31st March, 2011 (₹) | |
|---|---|------------------|---|------------------|
| | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| | Funded | Unfunded | Funded | Unfunded |
| I. Components of Employer Expenses | | | | |
| 1. Current Service Cost | 3,30,026 | 2,01,636 | 3,00,629 | 1,41,669 |
| 2. Interest Cost | 1,57,471 | 87,739 | 41,370 | 62,700 |
| 3. Expected Return on Plan Assets | (1,85,625) | Nil | (1,39,680) | Nil |
| 4. Curtailment Cost/(Credit) | Nil | Nil | Nil | Nil |
| 5. Settlement Cost/(Credit) | Nil | Nil | Nil | Nil |
| 6. Past Service Cost | Nil | Nil | Nil | Nil |
| 7. Actuarial Losses/(Gains) | (50,735) | 15,34,781 | 11,48,203 | 75,384 |
| 8. Total expense recognised in the Statement of Profit & Loss (*) | 2,51,137 | 18,24,156 | 13,50,522 | 2,79,753 |

| II. Actual Returns | 8.25% | — | 8% | — |
|---|-----------|------------------|-----------|------------------|
| III. Net Asset / (Liability) recognised in Balance Sheet | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| 1. Present Value of Defined Benefit Obligation | 21,77,769 | 28,87,659 | 19,08,738 | 10,63,503 |
| 2. Fair Value of Plan Assets | 25,00,000 | Nil | 20,00,000 | Nil |
| 3. Status [Surplus/(Deficit)] | 3,22,231 | (28,87,659) | 91,262 | (10,63,503) |
| 4. Unrecognised Past Service Cost | Nil | Nil | Nil | Nil |
| 5. Net Asset/(Liability) recognised in Balance Sheet | 3,22,231 | (28,87,659) | 91,262 | (10,63,503) |

| IV. Change in Defined Benefit Obligations (DBO) | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
|---|------------|------------------|-----------|------------------|
| 1. Present Value of DBO at beginning of year | 19,08,738 | 10,63,503 | 5,17,123 | 7,83,750 |
| 2. Current Service Cost | 3,30,026 | 2,01,636 | 3,00,629 | 1,41,669 |
| 3. Interest Cost | 1,57,471 | 87,739 | 41,370 | 62,700 |
| 4. Curtailment Cost/(Credit) | Nil | Nil | Nil | Nil |
| 5. Settlement Cost/(Credit) | Nil | Nil | Nil | Nil |
| 6. Plan Amendments | Nil | Nil | Nil | Nil |
| 7. Acquisitions | Nil | Nil | Nil | Nil |
| 8. Actuarial (Gains)/Losses | (2,18,466) | 15,34,781 | 10,49,616 | 75,384 |
| 9. Benefits Paid | Nil | Nil | Nil | Nil |
| 10. Present Value of DBO at the end of year | 21,77,769 | 28,87,659 | 19,08,738 | 10,63,503 |

(*) Gratuity expense has been recognised in "Contribution to provident and other funds" and leave encashment expense in "Salaries and wages" under Note 20.

| | For the year ended 31st March, 2012 (₹) | | For the year ended 31st March, 2011 (₹) | |
|--|---|------------------|---|------------------|
| | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| V. Change in Fair Value of Assets | | | | |
| 1. Plan Assets at Beginning of year | 20,00,000 | N.A. | 14,92,000 | N.A. |
| 2. Acquisition Adjustment | Nil | N.A. | Nil | N.A. |
| 3. Expected Return on Plan Assets | 1,85,625 | N.A. | 1,39,680 | N.A. |
| 4. Actuarial Gains/(Losses) | (1,67,731) | N.A. | (98,587) | N.A. |
| 5. Actual Company Contributions | 4,82,106 | N.A. | 4,66,907 | N.A. |
| 6. Benefits Paid | Nil | N.A. | Nil | N.A. |
| 7. Plan Assets at the End of year | 25,00,000 | N.A. | 20,00,000 | N.A. |

VI. Actuarial Assumptions

| | 8.25 | 8.25 | 8.00 | 8.00 |
|---------------------------------------|------|------|------|------|
| 1. Discount Rate (%) | 8.25 | 8.25 | 8.00 | 8.00 |
| 2. Expected Return on Plan Assets (%) | 8.25 | N.A. | 8.00 | N.A. |

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.

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|------------------------|------------------------|
|--|------------------------|------------------------|

VII. Major Category of Plan Assets as a % of the Total Plan Assets

| | | |
|---|--------|--------|
| 1. Government Securities/Special Deposit with RBI | 44.00% | 45.50% |
| 2. High Quality Corporate Bonds | 41.00% | 40.00% |
| 3. Insurance Companies | 7.00% | 7.00% |
| 4. Mutual Funds | 2.00% | 3.30% |
| 5. Cash and Cash Equivalents | 4.00% | 3.40% |
| 6. Equity | 1.00% | 0.80% |
| 7. Term Deposit | 1.00% | 0.00% |

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

| IX. Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment impact) | For the year ended 31st March, 2012 (₹) | | For the year ended 31st March, 2011 (₹) | | For the year ended 31st March, 2010 (₹) | | For the year ended 31st March, 2009 (₹) | | For the year ended 31st March, 2008 (₹) | |
|--|---|------------------|---|------------------|---|------------------|---|------------------|---|------------------|
| | Gratuity | Leave Encashment | Gratuity | Leave Encashment | Gratuity | Leave Encashment | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| | Funded | Unfunded | Funded | Unfunded | Funded | Unfunded | Funded | Unfunded | Funded | Unfunded |
| 1. Present Value of Defined Benefit Obligation | 21,77,769 | 28,87,659 | 19,08,738 | 10,63,503 | 5,17,123 | 7,83,750 | 11,51,189 | 4,98,931 | 13,22,680 | 5,31,699 |
| 2. Fair Value on Plan Assets | 25,00,000 | Nil | 20,00,000 | Nil | 14,92,000 | Nil | 8,15,033 | Nil | — | Nil |
| 3. Status [Surplus / (Deficit)] | 3,22,231 | (28,87,659) | 91,262 | (10,63,503) | 9,74,877 | (7,83,750) | (3,36,156) | (4,98,931) | (13,22,680) | (5,31,699) |
| 4. Experience Adjustment of Plan Assets [Gain / (Loss)] | (1,62,106) | N.A. | (81,127) | N.A. | 2,44,436 | N.A. | Nil | N.A. | Nil | N.A. |
| 5. Experience Adjustment of Obligation [(Gain) / Loss] | (1,87,206) | 15,78,168 | 11,66,407 | 1,58,640 | (6,39,036) | 1,25,154 | Nil | Nil | Nil | Nil |

14. The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / re-classified wherever necessary to correspond with the current year's classification / disclosure.

On behalf of the Board

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

Kolkata, 10th May, 2012

STATEMENT REGARDING SUBSIDIARY COMPANIES Pursuant to Section 212 of the Companies Act, 1956

| Sl No. | Name of the Subsidiary Company | Number of Equity Shares held by the Company | Extent of Holding | Net aggregate amount of the Subsidiary's profits / (losses) not dealt with in the Company's Accounts (₹) | | Net aggregate amount of the Subsidiary's profits / (losses) dealt with in the Company's Accounts (₹) | |
|--------|--------------------------------|---|-------------------|--|---|--|---|
| | | | | For the Subsidiary's financial year ended 31st March, 2012 | For the previous financial years of the Subsidiary since it became the Company's Subsidiary | For the Subsidiary's financial year ended 31st March, 2011 | For the previous financial years of the Subsidiary since it became the Company's Subsidiary |
| 1. | Greenacre Holdings Limited | 4,20,60,166 Equity Shares of ₹ 10/- each | 100% | 96,95,485/- | 8,17,84,188/- | Nil | Nil |

Notes

- Technico Pty Limited and its subsidiaries - Technico Agri Sciences Limited, Technico Asia Holdings Pty Limited, Technico Technologies Inc. and Technico Horticultural (Kunming) Co. Limited ceased to be subsidiaries of the Company with effect from 26th March, 2012.
- Wimco Limited and its subsidiaries - Pavan Poplar Limited and Prag Agro Farm Limited ceased to be subsidiaries of the Company with effect from 29th September, 2011.

On behalf of the Board

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

Kolkata, 10th May, 2012

SCHEDULE TO THE BALANCE SHEET AS AT 31ST MARCH, 2012

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

| Particulars | 31st March, 2012 (₹ in Lakhs) | | Long Term investment: | Amount Outstanding | Amount Net of Provisions | Total |
|---|-------------------------------|--------------------|--|--------------------|--------------------------|------------|
| | Amount Outstanding | Amount Overdue | | | | |
| Liabilities Side: | | | | | | |
| (1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid | | | 1. Quoted: | 4,163.10 | | |
| a) Debentures | | | (i) Shares: (a) Equity | 4,163.10 | | |
| a) Secured | | | (b) Preference | | | |
| Unsecured | | | (ii) Debentures and Bonds | | | |
| (other than falling within the meaning of public deposits) | | | (iii) Units of Mutual Funds | | | |
| b) Deferred Credits | | | (iv) Government Securities | | | |
| c) Term Loans | | | (v) Others (please specify) | | | |
| d) Inter-Corporate loans and borrowings | | | 2. Unquoted: | 10,857.93 | | |
| e) Commercial Papers | | | (i) Shares: (a) Equity | 10,857.93 | | |
| f) Other Loans | | | (b) Preference | | | |
| | | | (ii) Debentures and Bonds | | | |
| | | | (iii) Units of Mutual Funds | | | |
| | | | (iv) Government Securities | | | |
| | | | (v) Others (please specify) | | | |
| Assets Side: | | Amount Outstanding | (5) Borrower group-wise classification of assets financed as in (2) and (3) above | | | |
| (2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] | | | Category | | | |
| (a) Secured | | 124.54 | 1. Related Parties | | | |
| (b) Unsecured | | 200.00 | (a) Subsidiaries | | 200.00 | 200.00 |
| (3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities | | | (b) Companies in the same group | | | |
| (i) Lease assets including lease rentals under sundry debtors | | 934.40 | (c) Other related parties | | | |
| (a) Financial lease | | 934.40 | 2. Other than related parties | 124.54 | 934.40 | 1,058.94 |
| (b) Operating lease | | | Total | 124.54 | 1,134.40 | 1,258.94 |
| (ii) Stock on hire including hire charges under sundry debtors | | | (6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): | | | |
| (a) Assets on hire | | | Category | | | |
| (b) Repossessed Assets | | | 1. Related Parties | | | |
| (iii) Other loans counting towards AFC Activities | | | (a) Subsidiaries | 5,372.41 | 4,210.34 | |
| (a) Loans where assets have been repossessed | | | (b) Companies in the same group | 8,742.90 | 4,148.67 | |
| (b) Loans other than (a) above | | | (c) Other related parties | | | |
| (4) Break-up of Investments: | | | 2. Other than related parties | 68,884.96 | 60,868.73 | |
| Current Investments | | | Total | 83,000.27 | 69,227.74 | |
| 1. Quoted: | | | (7) Other Information | | | |
| (i) Shares: (a) Equity | | | Particulars | | | Amount (₹) |
| (b) Preference | | | (i) Gross Non-Performing Assets | | | |
| (ii) Debentures and Bonds | | | (a) Related Parties | | | |
| (iii) Units of Mutual Funds | | | (b) Other related parties | | | |
| (iv) Government Securities | | | (ii) Net Non-Performing Assets | | | |
| (v) Others (please specify) | | | (a) Related Parties | | | |
| 2. Unquoted: | | 54,206.72 | (b) Other related parties | | | |
| (i) Shares: (a) Equity | | | (iii) Assets acquired in satisfaction of debt | | | |
| (b) Preference | | | | | | |
| (ii) Debentures and Bonds | | | | | | |
| (iii) Units of Mutual Funds | | 54,206.72 | | | | |
| (iv) Government Securities | | | | | | |
| (v) Others (please specify) | | | | | | |