

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 32ND ASADH 2068 (16TH JULY, 2011)

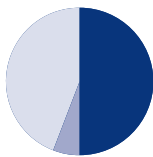
Your Directors are pleased to submit their Report and Audited Accounts of your Company for the year ended 32nd Asadh 2068 (16th July, 2011).

SOCIO-ECONOMIC ENVIRONMENT

The unsettled political environment in Nepal continued through the year under review. Intermittent disruptions and industrial unrest were palpable. Workers at the industrial belts of Biratnagar and Simra including those at the company's factories, went on strike in March 2011 demanding, inter alia, a 100% increase in wages. While the Company's factories resumed operations after 8 days of strike, the Company was forced to declare an indefinite lockout from 16th June, 2011 at its garments manufacturing Unit at Biratnagar after Company officials were locked inside the factory premises by agitating workers who were illegally demanding wages for the period when they stayed away from work. The industry-wide dispute on minimum wages is pending before the Supreme Court of Nepal for resolution.

In its Economic Survey, the Government of Nepal, has estimated GDP growth for the financial year ended mid July 2011 at 3.5% against 4% in the previous year with Industry growing only at 1.4% compared to 3.3 % last year.

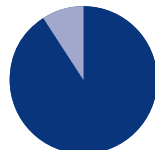
During the year, the Tobacco Products (Control and Regulation) Act was promulgated, which lays down the legal framework for regulation of production, sale, distribution and consumption of tobacco products. Whilst the legal cigarette industry accounts for almost 50% of the overall tobacco consumption in Nepal, the balance 50% is consumed mainly in the form of smuggled cigarettes (6%) bidi and khaini/other smokeless tobacco products (44%). The legal cigarette industry contributes about 91% of the Government's revenue from tobacco with a share of about 4.6% of the Government's total tax revenue. Other forms of tobacco products, constituting a significant share of tobacco consumption being lightly taxed/evasion prone contribute only 9% of the government's revenue from tobacco, and constitute less than half percent of the Government's total tax revenue.



■ Legal Cigarettes 50%
 ■ Smuggled cigarettes 6%
 ■ Other Tobacco Products 44%

CONSUMPTION SHARE

Source: WHO Survey & Industry Estimates



■ From legal cigarettes 91%
 ■ From other tobacco products 9%

TAX REVENUE SHARE

Source: Industry Estimates

A recent report on Tobacco Control in Nepal published by Ministry of Health and Population inter alia has highlighted the low taxation on bidis and lack of uniform taxation on all forms of tobacco products as some of the weaknesses in the Government's tobacco industry related policies. The twin impacts of discriminatory taxation and regulatory policy framework against the legal cigarette industry has led to steady and continuous erosion of legal cigarette's share in the overall tobacco basket, leading to several unintended and adverse consequences like increase in smuggling of cigarettes and other tobacco products and increase in consumption of lightly taxed/tax evaded tobacco products etc. The World Health Organisation (WHO) in its Technical Manual on Tobacco Administration recognising such impact has highlighted the importance of increasing taxes and prices for all tobacco products.

The Tobacco control legislation which took effect from 7th August 2011 incorporated certain provisions that place the legal cigarette industry at a disadvantage and are out of step with those followed in neighbouring countries. These are likely to encourage smuggling of cigarettes, evasion of taxes, as well as fuel further growth in consumption of other forms of tobacco over cigarettes. The disproportionate size of warning on cigarette packs, proposed to be implemented from November 2011, may lead to increased smuggling of cigarette packs with less stringent/no health warnings. Further, the absence of standards on declaration of nicotine and absence of definition and standards on declaration of "other harmful ingredients" for all tobacco products would encourage sale of tobacco products with inadequate/no declarations such as smuggled cigarettes and non-cigarette tobacco products like bidis, chewing tobacco, khaini etc. by creating the perception in the minds of consumers that these products are "safer". The non-cigarette tobacco products are manufactured mainly in the unorganised sectors and are therefore also prone to tax evasion. Therefore, such discriminatory tobacco control policies, as enunciated above, lead to a skewed pattern of Tobacco consumption thereby not supporting the objectives of Tobacco control and sub-optimising tax revenue collections of the Government. As a responsible member of the industry, your Company is committed to a pragmatic and purposeful policy for the country's tobacco industry and continues to represent to the Government for reconsideration of

certain provisions of the Tobacco Control legislation that may not be consistent with the approach of creating a pragmatic and purposeful policy framework.

COMPANY PERFORMANCE

Amidst the challenging operating environment, the company maintained its growth trajectory during the year under review. For the year ended 32nd Asadh 2068 (July 16, 2011), the company recorded a 19% growth in sales with Gross Turnover (net of VAT) increasing to NRs. 1,328 (₹ 830) Crores from NRs.1,116 (₹ 697.5) Crores in the previous year. The Profits after Tax at NRs. 254 (₹ 158.8) Crores increased by 29% and return on net worth increased to 110% from 90% in the previous year. Cash generated from operations at NRs 198 (₹ 123.8) Crores was however lower by NRs. 43 (₹ 26.9) Crores as compared to previous year due to higher Trade Advances and increased Inventory.

CONTRIBUTION TO THE EXCHEQUER

Your Company retained its status as the single largest private sector contributor to the Government Exchequer, accounting for about 3.5% of the total revenues of the Government of Nepal. Your Company paid NRs. 710 (₹ 443.7) Crores by way of Excise Duty, VAT, Income Tax and other taxes during the year (Previous Year: NRs. 622 (Rs. 389) Crores).

Your Company's Excise Duty contribution to the exchequer constitutes nearly 16% of Government's total Excise revenue while the VAT and Income Tax contribution constitutes nearly 3% of Government's total VAT & Income Tax revenue. The corporate income tax policy of the Government for multi business corporations like your Company, provides limited scope for setting of losses arising out of other businesses with profits of the cigarette business. This acts as a disincentive to the business diversification plans of your Company. Your Company continues to represent to the government to widen the scope of business loss set off to create an investment friendly environment which will also support your Company's business diversification.

EMPLOYMENT GENERATION

Your Company, through its multiple businesses, continues to provide directly/indirectly livelihood to est. 130000 people in the country which includes 12000 farmers and est. 30000 farm labourers. As a responsible corporate citizen of the country, your Company will continue to create enablers for generating employment and economic surpluses for the nation.

BUSINESS SEGMENTS

CIGARETTE BUSINESS

Brand Portfolio

The Company continues to invest in providing consumers a wide range of choices at laddered price points and in upgrading product quality.

Keeping in mind the wide income dispersion of Nepal, operating at several price points is imperative to satisfy consumer needs for the modern form of tobacco consumption and also to counter the menace of illegal smuggling, both at the premium end of the market as well as the lower end of the price table.

The current specific duty structure is optimal for meeting the objectives of fulfilling consumer needs at different price points, quality upgradation and revenue collection for the Government in a transparent and litigation free manner.

Distribution and Supply Chain Management

Amidst challenging circumstances, the company's proactive supply chain and inventory management system ensured uninterrupted supplies to the trade and consumers.

Manufacturing, Quality and Projects

On the manufacturing front, your company continued to invest in new technology cigarette making and packing lines, additional infrastructure, and development of human talent to reinforce superior and consistent product quality and to augment capacity. The construction of a second cigarette factory near Pokhara has commenced and will position the company well for servicing consumer demand for its products over the longer term.

Your Company has entered into Project Coordination Agreements for the Pokhara Cigarette Factory Project and Kathmandu Housing, Corporate Office and Warehousing Project with the Central Projects office of the Holding Company, ITC Limited (ITC), India, to leverage ITC's vast experience and expertise in setting up Cigarette factories and world class energy saving Green Buildings. The approval from the Department of Industries, Nepal has also been received for implementation of above Project Co-ordination agreements.

Energy

Energy conservation and efficiency continue to engage your Company's attention as areas of critical priority. Accordingly, several energy saving initiatives were implemented during the year to reduce the energy consumption per unit.

Environment Health and Safety

Institutionalising systems relating to Environment, Health and Safety has enabled benchmarked work environment for all employees.

Leaf Tobacco

Despite the agro-climatic challenges of growing tobacco in Nepal, your Company's continuous engagement with tobacco farmers from the stage of seed development to crop harvesting have assisted in enhancing productivity and quality at the farm level thereby improving returns for the farmers. Encouraged by the interventions of the company, farmers have stepped up the acreage under tobacco cultivation. Inputs provided by your Company, facilitated improvements in quality of domestic grades over a period of time.

GARMENT BUSINESS - EXPORT

A disturbed labour and IR situation prevailing in Biratnagar Industrial belt, led to frequent disruption of operations at the Garments Manufacturing Unit. Consequently, your Company could not execute export orders on schedule, leading to cancellation of orders by customers, who have also ceased to place further orders. This has rendered continuity of export operations unviable. Given the above circumstances, your Company decided to close down the Garments Manufacturing Unit at Biratnagar and to that effect has signed a final settlement agreement with the non-management staff at Biratnagar.

GARMENT BUSINESS - DOMESTIC

In the domestic garments market, "John Players" continued to retain its leadership status in the branded apparel segment while the company's mass market brand, "Springwood", positioned as an alternative to low price imports from China and South East Asia, has further consolidated its position in the 'value for money' segment.

MATCHES BUSINESS

In the Safety Matches business, the Company's brand "Tir", has established a strong consumer franchise within a few years of its launch and has grown nearly 20% during the year.

BUSINESS ADVISORY SERVICES

Your Company has entered into the Business Advisory Services Agreement with ITC, for sourcing of business advisory services in various areas like identification of world-class technology, sharing of best practices, quality protocols and systems, identification and evaluation of overseas vendors and Audits in the area of Process and systems, construction projects and environment, health and safety. The approval of the Department of Industries, Nepal has also been received for this purpose.

DIVIDEND

Your Directors have declared an Interim Dividend of NRs. 15.50 (₹ 9.69) per Ordinary Share for the year ended 32nd Asadh 2068 (July 16, 2011). The consequent outflow on this account, including Dividend Tax, amounts to NRs. 31.25 (₹ 19.53) Crores. Your Board has also recommended a Final Dividend of NRs. 96 (₹ 60) per Ordinary Share.

All dividends during the year have been paid within the prescribed period and there were no unclaimed dividends lying with the Company.

FINANCE

In the context of growth initiatives taken by your Company, agreement has been entered into with ITC for a loan facility of NRs.195 (₹ 121.87) Crores. The approvals for the agreement have been received from the Department of Industries, Nepal and Nepal Rashtra Bank.

TAX MATTERS

As reported last year the Hon'ble Supreme Court of Nepal, during the year 2009-10, had passed judgements in favour of your Company, with regard to certain Excise and Income Tax demands on the issue of theoretical production. The Inland Revenue Department, citing the judgements passed in favour of your Company by the Hon'ble Supreme Court of Nepal, on 11th February, 2011 decided the following administrative review petitions in favor of the Company:

1. VAT demand - NRs. 7.55 (₹ 4.7) Crores for the financial year 2058-59 (2001-02).
2. Income Tax demand (received during the year) — NRs. 4.91 (₹ 3.07) Crores for the financial year 2062-63 (2005-06).

All other pending Show Cause Notices (SCNs) and demands related to excise, income tax and VAT received from time to time on the issue of theoretical production, are similarly based on an untenable contention by the Revenue authorities that the Company could have produced more cigarettes than it has actually produced in a given year, based on an input-output ratio allegedly submitted by the Company in the year 2047-48 and, that the Company is liable to pay taxes on such cigarettes that could have been theoretically produced. This, despite the fact that the Company's cigarette factory is under 'physical control' of the Revenue authorities and the cigarettes produced are duly accounted for and certified as such by the Revenue authorities. The cumulative demands on the Company on account of theoretical production that remains pending stand at NRs. 80.44 (₹ 50.27) Crores and comprise:

- (a) Excise Demands - NRs. 27.80 (₹ 17.37) Crores. No fresh demand has been received during the year.
- (b) VAT Demands - NRs. 28.96 (₹ 18.10) Crores. No fresh demand has been received during the year.
- (c) Income Tax Demands - NRs. 23.68 (₹ 14.80) Crores. No fresh demand, except for NRs 4.91 (₹ 3.07) Crores for the financial year 2062-63 (2005-06) as mentioned above, has been received during the year.

Out of the above NRs. 80.44 (₹ 50.27) Crores, demands aggregating NRs. 66.81 (₹ 41.76) Crores are under appeal before Supreme Court and demands aggregating NRs. 13.63 (₹ 8.52) Crores are under appeal before Revenue Tribunal / DG-Inland Revenue Department.

Your Company has been advised by its eminent counsel that the cases made out by the Department have no legal or factual basis and that the demand notices being raised against your Company are not sustainable, particularly in the light of the decision passed on 29th October 2009 in favour of the Company by the Full Bench of the Hon'ble Supreme Court on similar matters. The subsequent decisions of the Supreme Court of Nepal and the Inland Revenue Department have further reinforced this position.

RISK MANAGEMENT

Your Company's Corporate Governance Policy lays down the structure, roles and responsibilities of the key entities in the governance process and also mandates periodic reviews of the key areas of operations. In addition, your Company has amongst others, robust policies, procedures and internal control systems covering areas such as Finance & Accounting and Information Technology. During the year, your Company has initiated a Company-wide implementation of a robust Enterprise Resource Planning (ERP) system which is expected to significantly augment the quality of business processes and systems.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company continued with its commitment towards social development and welfare and initiated construction of a school building for the local community around its second cigarette factory site near Pokhara. At Simra, your company continued to support the local community and administration by inter alia providing aid towards school construction, repair of police counters, irrigation development for farmers, health camps etc.

PROMOTION OF TOURISM AND SPORTS

Your Company continued to remain committed to its role as a responsible corporate citizen and promoted Tourism and Sports in the country under Surya Nepal Khelpanyatan. In association with Nepal Tourism Board and Nepal Golf Association, your Company sponsored the country's most premier professional Golf tournament — the 'Surya Nepal Masters' and initiated the Surya Nepal Junior Golf program for identifying and encouraging young and upcoming talent.

EMPLOYEES

The Directors of your Company place on record their sincere appreciation for the contribution made by the employees during the year.

Your Company continues to provide best of employment conditions, including facilities like housing, medical etc.

DIRECTORS

There were no changes in the composition of the Board of Directors during the year.

The numbers of shares held by your Directors in the Company as on 32nd Asadh 2068 are annexed to this Report (**Annexure I**). The Directors have confirmed that none of them or their close relatives has any direct involvement or any personal interest in any transaction of sale or purchase or any kind of contract or arrangement connected with the business of the Company. No amounts are due to the Company from any of the Directors, Managing Director or their close relatives.

The details of payments made during the year to the Directors, Managing Director and other Officials, by way of Board meeting fees etc., are also annexed to this Report (**Annexure II**).

Details of Management expenses for the year 2067 / 68 are also annexed to this Report (**Annexure III**).

AUDITORS

M/s. N Amatya & Company, Chartered Accountants, Kathmandu, Nepal and M/s. Lovelock & Lewes, Chartered Accountants, Kolkata, India retire at the ensuing Annual General Meeting.

M/s. N Amatya & Company being eligible, have offered themselves for reappointment. M/s. Lovelock & Lewes, Chartered Accountants, Kolkata, India have not offered themselves for reappointment. The Board of Directors have recommended for approval of Shareholders the appointment of M/s. N Amatya & Company, Chartered Accountants, Kathmandu, Nepal and M/s. T. R. Upadhya & Co, Chartered Accountants, Kathmandu, Nepal as Joint Statutory Auditors of the Company to hold such office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

FUTURE OUTLOOK

Your Company will continue to explore and pursue opportunities for profitable growth and looks forward to the future with optimism and confidence.

On behalf of the Board

3rd Aswin 2068
(20th September 2011)

Y. C. Deveshwar
Chairman

K. N. Grant
Director

Sanjiv Keshava
Managing Director

Annexure I

Sl. No.	Name of Director	Number of Ordinary Shares of NRs. 100/- each held singly and / or jointly as on 32nd Asadh 2068 (16th July-2011)
1.	Y. C. Deveshwar	Nil
2.	A. K. Mukerji	Nil
3.	B. B. Chatterjee	Nil
4.	K. N. Grant	Nil
5.	S. R. Pandey	67,212
6.	S. SJB Rana	600
7.	Sanjiv Keshava	Nil

Annexure II

THE AMOUNT OF REMUNERATION, ALLOWANCE AND FACILITIES PAID TO DIRECTOR, MANAGING DIRECTOR, CHIEF EXECUTIVE AND OFFICIALS

During the financial year 2067/68 (2010-11), the following amounts were paid to the Directors.

- Board Meeting Fee paid NRs. 41,176 (₹. 25,735)
- Incidental expenses paid NRs. 7,500 (₹. 4,687)

Payment to/on behalf of the Managing Director for the financial year 2067/68:

Salary - NRs. 51,00,000 (₹. 31,87,500)
 Allowances - NRs. 70,29,830 (₹. 43,93,644)

In addition to the above, the Company also provided the following to the Managing Director:

- Fully furnished accommodation with gas, electricity, water, three domestic helpers, furnishings and necessary security at his residence.
- Airfares incurred for the Managing Director and his family for the purpose of Leave Travel & Reporting Trips.
- Entrance fees and annual subscription charges for two clubs.
- Personal accident insurance.
- Company car with driver and telephone at residence.

Payment to/on behalf of officials for the financial year 2067/68:

Salary - NRs. 1,47,10,172 (₹ 91,93,857)
 Allowances - NRs. 1,27,06,855 (₹ 79,41,784)

In addition to the above, some of the officials have been provided the following as per their terms of appointment:

- Accommodation with gas, electricity, water, security guard, domestic help, gardener and furnishings.
- Airfares incurred for the Managers and their families for the purpose of Leave Travel & Reporting Trips.
- Entrance fees and annual subscription charges for clubs as applicable.
- Personal accident insurance.
- Company car with driver and telephone at residence.

Annexure III

MANAGEMENT EXPENSES

The expenses incurred by the Company for its management and administration for the financial year 2067/68 (2010-11) comprising postage, telephone, telex, fax, legal and service fees, bank charges, rates & taxes, printing & stationery, business entertainment, rent, electricity, fuel & water, repair & improvement, travel & conveyance, insurance premium, board meeting fees, donations, books & periodicals, miscellaneous expenses etc. amounted to NRs. 57,59,30,351 (₹35,99,56,469).

AUDITORS' REPORT TO THE SHAREHOLDERS OF SURYA NEPAL PRIVATE LIMITED

We have audited the accompanying Balance Sheet of Surya Nepal Private Limited as at Asadh 32, 2068 (July 16, 2011), the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Nepal Standards on Auditing or relevant practices. Those Standards or relevant practices 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were considered necessary for the purpose of our audit;
- b) The enclosed Balance Sheet, Profit and Loss Account and the Statement of Cash Flow have been prepared as per the provisions of Company Act, 2063 of Nepal and the same are in conformity with the books of account maintained by the Company;
- c) The books and records of the Company have been maintained accurately as required by law;
- d) In our opinion and to the best of our information and according to the explanations given to us the enclosed financial statements read with the

notes attached thereto, in accordance with Nepal Accounting Standards or relevant practices, give a true and fair view of:

- i) in the case of Balance Sheet, the state of affairs of the Company as at Asadh 32, 2068 (July 16, 2011);
 - ii) in the case of Profit & Loss Account, the profit of the Company for the year ended on Asadh 32, 2068 (July 16, 2011);
 - iii) in the case of the Statement of Cash Flow, the cash flows of the Company for the year ended on Asadh 32, 2068 (July 16, 2011).
- e) In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in Nepal, we have neither come across cases where the Board of Directors or any member thereof or any employee of the Company has acted contrary to the provisions of Law relating to the accounts or committed any misappropriation or caused loss or damage to the Company nor any fraud relating to the accounts committed in the Company.

Nem Lal Amatya Partner N Amatya & Co. Chartered Accountants	Partha Mitra Partner Lovelock & Lewes Chartered Accountants
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Date : 3rd Aswin 2068
 (20th September 2011)
 Place : Kolkata

BALANCE SHEET AS AT 32ND ASADH 2068 (16TH JULY, 2011)

		Figures in NRs. As at 32nd Asadh 2068 (16th July, 2011)	Figures in Rs. As at 32nd Asadh 2068 (16th July, 2011)	Figures in NRs. As at 32nd Asadh 2067 (16th July, 2010)	Figures in Rs. As at 32nd Asadh 2067 (16th July, 2010)
CAPITAL & LIABILITIES					
SHARE CAPITAL AND RESERVES					
(a) Share Capital	1	2,01,60,00,000	1,26,00,00,000	2,01,60,00,000	1,26,00,00,000
(b) Reserves & Surplus	2	69,29,87,549	43,31,17,214	39,68,03,659	24,80,02,287
Total		<u>2,70,89,87,549</u>	<u>1,69,31,17,214</u>	<u>2,41,28,03,659</u>	<u>1,50,80,02,287</u>
ASSETS					
(1) Fixed Assets	3				
(a) Gross Block		3,84,86,37,474	2,40,53,98,421	2,99,08,67,216	1,86,92,92,010
(b) Less: Accumulated Depreciation		<u>1,62,70,82,817</u>	<u>1,01,69,26,761</u>	<u>1,38,36,10,520</u>	<u>86,47,56,575</u>
(c) Net Block		2,22,15,54,657	1,38,84,71,660	1,60,72,56,696	1,00,45,35,435
(d) Capital Work-in-Progress and In-transit		14,41,22,586	9,00,76,616	36,06,01,827	22,53,76,142
(2) Investments	4	10,98,82,338	6,86,76,461	10,98,82,338	6,86,76,461
(3) Deferred Tax Asset (Net) (Refer 2F of Schedule 18)		1,09,15,022	68,21,889	2,89,86,715	1,81,16,697
(4) Current Assets					
(a) Inventories	5	2,16,88,04,144	1,35,55,02,590	1,36,57,74,940	85,36,09,337
(b) Sundry Debtors	6	9,22,76,414	5,76,72,759	10,15,85,334	6,34,90,834
(c) Cash and Bank Balances	7	1,43,24,218	89,52,636	91,66,48,884	57,29,05,553
(d) Loans and Advances	8	1,89,82,87,023	1,18,64,29,388	60,98,42,066	38,11,51,291
Total		<u>4,17,36,91,799</u>	<u>2,60,85,57,373</u>	<u>2,99,38,51,224</u>	<u>1,87,11,57,015</u>
Less: Current Liabilities and Provisions					
(a) Short Term Borrowings	9	73,32,47,775	45,82,79,859	—	—
(b) Liabilities	10	85,19,70,328	53,24,81,457	78,13,71,014	48,83,56,884
(c) Provisions	11	<u>2,36,59,60,750</u>	<u>1,47,87,25,469</u>	<u>1,90,64,04,127</u>	<u>1,19,15,02,579</u>
Total		<u>3,95,11,78,853</u>	<u>2,46,94,86,785</u>	<u>2,68,77,75,141</u>	<u>1,67,98,59,463</u>
Net Current Assets		22,25,12,946	13,90,70,588	30,60,76,083	19,12,97,552
Total		<u>2,70,89,87,549</u>	<u>1,69,31,17,214</u>	<u>2,41,28,03,659</u>	<u>1,50,80,02,287</u>
Notes to the Accounts and Contingent Liabilities	18	—	—	—	—

The schedules referred to above form an integral part of the Balance Sheet.

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

Subhraketan Mitra
Head of Finance

Sanjiv Keshava
Managing Director

Saurya SJB Rana
Alternate Director

K N Grant
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner

Partha Mitra
Partner

Date: 3rd Aswin 2068 (20th September 2011)

N. Amatya & Co.
Chartered Accountants

Lovelock & Lewes
Chartered Accountants

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 32ND ASADH 2068 (16TH JULY, 2011)

	Schedule	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
		For the year ended 32nd Asadh 2068 (16th July, 2011)	For the year ended 32nd Asadh 2068 (16th July, 2011)	For the year ended 32nd Asadh 2067 (16th July, 2010)	For the year ended 32nd Asadh 2067 (16th July, 2010)
Gross Revenue	12	13,27,66,46,095	8,29,79,03,809	11,15,51,95,592	6,97,19,97,245
Less: Duties	13	4,24,33,49,162	2,65,20,93,226	3,87,87,93,937	2,42,42,46,211
Net Sales		<u>9,03,32,96,933</u>	<u>5,64,58,10,583</u>	<u>7,27,64,01,655</u>	<u>4,54,77,51,034</u>
Raw Materials Consumed, etc.	14	3,41,16,08,705	2,13,22,55,441	2,92,35,79,313	1,82,72,37,071
Cost of Sales		<u>3,41,16,08,705</u>	<u>2,13,22,55,441</u>	<u>2,92,35,79,313</u>	<u>1,82,72,37,071</u>
Gross Profit		5,62,16,88,228	3,51,35,55,142	4,35,28,22,342	2,72,05,13,963
Other Income	15	6,06,11,071	3,78,81,920	10,12,62,733	6,32,89,208
Total		<u>5,68,22,99,299</u>	<u>3,55,14,37,062</u>	<u>4,45,40,85,075</u>	<u>2,78,38,03,171</u>
Manufacturing, Admin, Selling Expenses etc.	16	1,29,55,93,597	80,97,46,001	1,06,37,93,136	66,48,70,709
Provision for Employees' Bonus		35,26,02,982	22,03,76,864	27,24,88,766	17,03,05,479
Operating Profit		<u>4,03,41,02,720</u>	<u>2,52,13,14,197</u>	<u>3,11,78,03,173</u>	<u>1,94,86,26,983</u>
Interest		3,25,26,939	2,03,29,337	—	—
Depreciation		26,97,01,443	16,85,63,403	22,44,55,190	14,02,84,494
Loss on Fixed Assets sold / discarded (Net)		17,05,951	10,66,219	1,07,03,671	66,89,794
Profit before Taxation		3,73,01,68,387	2,33,13,55,238	2,88,26,44,312	1,80,16,52,695
Provision for Taxation	17	1,18,61,44,497	74,13,40,311	90,82,98,132	56,76,86,332
Profit after Taxation		2,54,40,23,890	1,59,00,14,927	1,97,43,46,180	1,23,39,66,363
Available for Appropriation		<u>2,54,40,23,890</u>	<u>1,59,00,14,927</u>	<u>1,97,43,46,180</u>	<u>1,23,39,66,363</u>
Appropriation					
Provision for Employees' Housing		20,41,38,568	12,75,86,605	15,77,56,654	9,85,97,909
Interim Dividend		31,24,80,000	19,53,00,000	25,20,00,000	15,75,00,000
Proposed Final Dividend		1,93,53,60,000	1,20,96,00,000	1,56,24,00,000	97,65,00,000
Balance Carried Over to Balance Sheet		9,20,45,322	5,75,28,322	21,89,526	13,68,454
		<u>2,54,40,23,890</u>	<u>1,59,00,14,927</u>	<u>1,97,43,46,180</u>	<u>1,23,39,66,363</u>

Notes to the Accounts and Contingent Liabilities 18

The Schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

Subhrocketan Mitra
Head of Finance

Sanjiv Keshava
Managing Director

Saurya SJB Rana
Alternate Director

K N Grant
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner

Partha Mitra
Partner

Date: 3rd Aswin 2068 (20th September 2011)

N. Amatya & Co.
Chartered Accountants

Lovelock & Lewes
Chartered Accountants

CASH FLOW STATEMENT FOR THE YEAR ENDED 32ND ASADH 2068 (16TH JULY, 2011)

	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
	For the year ended 32nd Asadh 2068 (16th July, 2011)	For the year ended 32nd Asadh 2068 (16th July, 2011)	For the year ended 32nd Asadh 2067 (16th July, 2010)	For the year ended 32nd Asadh 2067 (16th July, 2010)
A Cash Flow From Operating Activities				
Net Profit Before Tax	3,73,01,68,387	2,33,13,55,242	2,88,26,44,312	1,80,16,52,695
Adjustments for :				
Depreciation	26,97,01,443	16,85,63,402	22,44,55,190	14,02,84,494
Interest	3,25,26,939	2,03,29,337	—	—
Interest from Investments	(56,83,125)	(35,51,953)	(56,83,125)	(35,51,953)
Interest on Short-Term/Call Deposits	(3,39,86,968)	(2,12,41,855)	(8,14,64,792)	(5,09,15,495)
Unrealised Loss/(Gain) on Foreign Exchange (Net)	4,71,157	2,94,473	8,93,315	5,58,322
Loss on Fixed Assets sold/discarded (Net)	17,05,951	10,66,219	1,07,03,671	66,89,794
Provision for Doubtful Debts and Advance	2,20,118	1,37,574	17,41,531	10,88,457
Provision for Sales Return	95,23,511	59,52,194	26,57,100	16,60,688
Provision for Doubtful Advance/Debts written back	(25,82,676)	(16,14,173)	(68,987)	(43,117)
Operating Profit Before Working Capital Changes	4,00,20,64,737	2,50,12,90,460	3,03,58,78,215	1,89,74,23,885
Adjustments for :				
Trade and Other Receivables	(1,26,66,75,623)	(79,16,72,264)	(40,25,09,616)	(25,15,68,509)
Inventories	(80,30,29,204)	(50,18,93,253)	(26,11,89,671)	(16,32,43,544)
Trade Payables	4,73,62,619	2,96,01,637	4,00,27,379	2,50,17,111
Cash Generated From Operation	1,97,97,22,529	1,23,73,26,580	2,41,22,06,307	1,50,76,28,943
Income Tax Paid	(1,14,42,15,434)	(71,51,34,646)	(92,51,49,911)	(57,82,18,694)
Net Cash From Operating Activities (A)	83,55,07,095	52,21,91,934	1,48,70,56,396	92,94,10,249
B Cash Flow From Investing Activities				
Purchase of Fixed Assets	(66,50,42,172)	(41,56,51,358)	(50,28,30,267)	(31,42,68,917)
Proceeds from Disposal of Fixed Assets	38,899	24,312	27,210	17,006
Interest Received	3,98,38,715	2,48,99,197	8,89,22,631	5,55,76,644
Net Cash Used in Investing Activities (B)	(62,51,64,558)	(39,07,27,849)	(41,38,80,426)	(25,86,75,267)
C Cash Flow From Financing Activities				
Net Increase/(Decrease) in Cash Credit/Overdraft Facilities	73,32,47,775	45,82,79,859	—	—
Interest Paid	(3,10,43,821)	(1,94,02,388)	—	—
Dividends Paid	(1,81,44,00,000)	(1,13,40,00,000)	(1,97,56,80,000)	(1,23,48,00,000)
Net Cash Used in Financing Activities (C)	(1,11,21,96,046)	(69,51,22,529)	(1,97,56,80,000)	(1,23,48,00,000)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(90,18,53,509)	(56,36,58,444)	(90,25,04,030)	(56,40,65,018)
Cash and Cash Equivalents (Opening balance)	91,66,48,884	57,29,05,553	1,82,00,46,229	1,13,75,28,893
Cash and Cash Equivalents (Closing balance)	1,47,95,375	92,47,109	91,75,42,199	57,34,63,875
Cash and Cash Equivalents Comprises:				
Cash and Bank Balances	1,43,24,218	89,52,636	91,66,48,884	57,29,05,553
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	4,71,157	2,94,473	8,93,315	5,58,322
Total	1,47,95,375	92,47,109	91,75,42,199	57,34,63,875

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

Subhraketan Mitra <i>Head of Finance</i>	Sanjiv Keshava <i>Managing Director</i>	Saurya SJB Rana <i>Alternate Director</i>	K N Grant <i>Director</i>	Y C Deveshwar <i>Chairman</i>
S R Pandey <i>Director</i>	A K Mukerji <i>Director</i>	B B Chatterjee <i>Director</i>	Nem Lal Amatya <i>Partner</i>	Partha Mitra <i>Partner</i>
			N. Amatya & Co. <i>Chartered Accountants</i>	Lovelock & Lewes <i>Chartered Accountants</i>

Date: 3rd Aswin 2068 (20th September 2011)

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 32ND ASADH 2068 (16TH JULY, 2011)

	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
	Share Capital	Share Capital	Revaluation Reserve	Revaluation Reserve	General Reserve	General Reserve	Employees' Housing Reserve	Employees' Housing Reserve	Surplus	Surplus	Total	Total
Balance as at 31st Asadh 2066 (15th July, 2009)	2,01,60,00,000	1,26,00,00,000	1,21,81,280	76,13,300	1,12,96,459	70,60,286	21,33,79,740	13,33,62,338	—	—	2,25,28,57,479	1,40,80,35,924
Net Profit for the year	—	—	—	—	—	—	—	—	1,97,43,46,180	1,23,39,66,363	1,97,43,46,180	1,23,39,66,363
Transferred to Employees' Housing Reserve	—	—	—	—	—	—	15,77,56,654	9,85,97,909	(15,77,56,654)	(9,85,97,909)	—	—
Issue of Bonus Shares	—	—	—	—	—	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	—	—	—	(1,81,44,00,000)	(1,13,40,00,000)	(1,81,44,00,000)	(1,13,40,00,000)
Transferred to Reserve	—	—	—	—	21,89,526	13,68,454	—	—	(21,89,526)	(13,68,454)	—	—
Total	—	—	—	—	21,89,526	13,68,454	15,77,56,654	9,85,97,909	—	—	15,99,46,180	9,99,66,363
Balance as at 32nd Asadh 2067 (16th July, 2010)	2,01,60,00,000	1,26,00,00,000	1,21,81,280	76,13,300	1,34,85,985	84,28,740	37,11,36,394	23,19,60,247	—	—	2,41,28,03,659	1,50,80,02,287
Net Profit for the year	—	—	—	—	—	—	—	—	2,54,40,23,890	1,59,00,14,927	2,54,40,23,890	1,59,00,14,927
Transferred to Employees' Housing Reserve	—	—	—	—	—	—	20,41,38,568	12,75,86,605	(20,41,38,568)	(12,75,86,605)	—	—
Dividend	—	—	—	—	—	—	—	—	(2,24,78,40,000)	(1,40,49,00,000)	(2,24,78,40,000)	(1,40,49,00,000)
Transferred to Reserve	—	—	—	—	9,20,45,322	5,75,28,322	—	—	(9,20,45,322)	(5,75,28,322)	—	—
Total	—	—	—	—	9,20,45,322	5,75,28,322	20,41,38,568	12,75,86,605	—	—	29,61,83,890	18,51,14,927
Balance as at 32nd Asadh 2068 (16th July, 2011)	2,01,60,00,000	1,26,00,00,000	1,21,81,280	76,13,300	10,55,31,307	6,59,57,062	57,52,74,962	35,95,46,852	—	—	2,70,89,87,549	1,69,31,17,214

SCHEDULES TO THE ACCOUNTS

	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
	As at 32nd Asadh 2068 (16th July, 2011)	As at 32nd Asadh 2068 (16th July, 2011)	As at 32nd Asadh 2067 (16th July, 2010)	As at 32nd Asadh 2067 (16th July, 2010)

SCHEDULE 1: SHARE CAPITAL

Authorised

65,000,000 Ordinary Shares of NRs. 100/-each

	6,50,00,00,000	4,06,25,00,000	6,50,00,00,000	4,06,25,00,000
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Issued, Subscribed & Paid up

20,160,000 Ordinary Shares of NRs.100/- each, fully paid

	2,01,60,00,000	1,26,00,00,000	2,01,60,00,000	1,26,00,00,000
	2,01,60,00,000	1,26,00,00,000	2,01,60,00,000	1,26,00,00,000

Out of the above:

- 16,800,000 Ordinary Shares were issued as fully paid up bonus shares in 2065/66 (2008/09).
- 2,800,000 Ordinary Shares were issued as fully paid up bonus shares in 2060/61 (2003/04).
- 280,000 Ordinary Shares were issued as fully paid up bonus shares in 2052/53 (1995/96).
- 11,894,400 Ordinary Shares are held by the Holding Company, ITC Limited.

Reconciliation of number of Shares outstanding:

	Number of Shares
At the beginning of the year	2,01,60,000
At the end of the year	2,01,60,000

	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹	Figures in NRs.	Figures in ₹
	As at 32nd Asadh 2067 (16th July, 2010)	As at 32nd Asadh 2067 (16th July, 2010)	Addition	Addition	Withdrawal	Withdrawal	As at 32nd Asadh 2068 (16th July, 2011)	As at 32nd Asadh 2068 (16th July, 2011)

SCHEDULE 2 : RESERVES & SURPLUS

Capital Reserve

Revaluation of Land	1,21,81,280	76,13,300	—	—	—	—	1,21,81,280	76,13,300
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Revenue Reserve

General Reserve	1,34,85,985	84,28,741	9,20,45,322	5,75,28,322	—	—	10,55,31,307	6,59,57,063
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Housing Fund

Provision for Employee Housing	37,11,36,394	23,19,60,246	20,41,38,568	12,75,86,605	—	—	57,52,74,962	35,95,46,851
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Surplus

Profit & Loss Account	—	—	9,20,45,322	5,75,28,322	9,20,45,322	5,75,28,322	—	—
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	39,68,03,659	24,80,02,287	38,82,29,212	24,26,43,249	9,20,45,322	5,75,28,322	69,29,87,549	43,31,17,214
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SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 3 - FIXED ASSETS

Description	Basic Depreciation Rates (%)	GROSS BLOCK						DEPRECIATION						NET BLOCK					
		NRs. As at 32.03.2067 (16.07.2010)	NRs. As at 32.03.2068 (16.07.2011)	NRs. Additions	NRs. Withdrawals/ Adjustments	NRs. As at 32.03.2067 (16.07.2010)	NRs. As at 32.03.2068 (16.07.2011)	NRs. For the year	NRs. Withdrawals/ Adjustments	NRs. As at 32.03.2068 (16.07.2011)	NRs. As at 32.03.2068 (16.07.2011)	NRs. As at 32.03.2068 (16.07.2011)	NRs. As at 32.03.2068 (16.07.2011)	NRs. As at 32.03.2067 (16.07.2010)	NRs. As at 32.03.2068 (16.07.2011)	NRs. As at 32.03.2067 (16.07.2010)	NRs. As at 32.03.2068 (16.07.2011)		
Land & Land Development		13,82,42,495	15,36,18,745	2,46,02,000	—	—	—	—	—	—	—	—	—	—	22,11,87,991	13,82,42,495			
Buildings	1.65	48,01,40,449	31,60,72,219	2,69,73,891	13,98,788	10,18,64,348	1,44,29,132	7,98,572	7,21,84,318	11,54,94,908	90,18,208	7,98,572	4,99,108	7,21,84,318	37,82,76,101	23,64,22,562			
Plant & Machinery	5.30	2,09,53,76,681	1,79,09,19,205	78,95,67,813	1,94,73,766	1,21,38,31,628	24,03,75,146*	1,94,61,896	89,67,15,549	1,43,07,25,850	15,02,34,466	1,94,61,896	1,21,63,685	89,67,15,549	88,15,45,053	55,09,65,638			
Furniture & Fixtures	3.40 & 5.30	2,64,73,908	1,73,44,927	31,15,330	18,37,353	1,26,88,920	17,82,241	16,51,924	80,12,022	1,28,19,237	11,13,901	16,51,924	10,32,453	80,12,022	93,32,905	86,15,618			
Vehicles	5.30	6,60,12,749	5,00,81,877	1,47,58,106	6,39,852	1,25,18,939	49,69,576	3,55,089	1,07,08,391	1,71,33,426	31,05,985	3,55,089	2,21,931	1,07,08,391	3,93,73,486	3,34,33,632			
Computers	7.30	4,90,97,420	3,42,09,091	87,46,902	31,09,777	2,69,61,988	43,43,794	29,58,591	1,77,16,995	2,83,47,191	27,14,871	29,58,591	18,49,119	1,77,16,995	1,64,92,096	1,38,34,645			
Office Equipments	5.30	5,25,78,018	4,31,52,357	1,79,80,212	15,14,460	1,57,44,697	38,01,554	10,03,074	1,15,89,486	1,85,48,177	23,75,972	10,03,074	6,26,921	1,15,89,486	3,15,62,871	2,30,20,825			
Total		2,99,08,67,216	2,40,53,98,421	88,57,44,254	2,79,73,996	1,38,36,10,220	26,97,01,443	2,62,29,146	1,68,63,403	1,62,70,82,817	16,85,63,403	2,62,29,146	1,63,93,217	1,62,70,82,817	1,38,84,71,660	1,00,45,35,435			
Capital Work-in-Progress and in Transit		36,06,01,827	9,00,76,616	62,84,22,353	84,49,01,594	—	—	—	—	—	—	—	—	—	9,00,76,616	22,53,76,142			
Grand Total		3,35,14,69,043	2,49,54,75,037	1,51,41,66,607	87,28,75,590	1,38,36,10,220	26,97,01,443	2,62,29,146	1,68,63,403	1,62,70,82,817	16,85,63,403	2,62,29,146	1,63,93,217	1,62,70,82,817	1,47,85,48,276	1,22,99,11,577			
Previous Year		2,93,53,63,403	2,09,46,68,152	64,60,77,772	22,99,72,132	1,23,51,49,076	22,44,55,190	7,59,93,746	14,02,84,494	1,38,36,10,220	86,47,56,575	7,59,93,746	4,74,96,091	86,47,56,575	1,22,99,11,577	—			

* Includes additional depreciation amounting to NRs. 3,41,81,855 (₹ 2,13,63,659) (2006-67- (2009-10) NRs. 4,05,53,995 (₹ 2,52,83,747) arising from change in estimated useful life of certain plant and machinery.)

SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. As at 32nd Asadh 2068 (16th July, 2011)	Figures in ₹ As at 32nd Asadh 2068 (16th July, 2011)	Figures in NRs. As at 32nd Asadh 2067 (16th July, 2010)	Figures in ₹ As at 32nd Asadh 2067 (16th July, 2010)
SCHEDULE 4 : INVESTMENTS – LONG TERM				
Investment in Stocks issued by Nepal Government 5% Bikash Rinpatra, 2071*	8,42,50,000	5,26,56,250	8,42,50,000	5,26,56,250
Investment in Promissory Note issued by Nepal Government 6.5% Bikash Rinpatra, 2075*	2,56,32,338	1,60,20,211	2,56,32,338	1,60,20,211
	<u>10,98,82,338</u>	<u>6,86,76,461</u>	<u>10,98,82,338</u>	<u>6,86,76,461</u>
* Pledged with a bank for obtaining letter of credit, guarantee facilities.				
SCHEDULE 5 : INVENTORIES				
Stores & Supplies (including in-transit)	6,70,00,391	4,18,75,244	6,94,63,908	4,34,14,943
Raw Materials (including in-transit)	94,15,55,595	58,84,72,247	78,11,22,138	48,82,01,335
Stock-In-Process	4,88,97,470	3,05,60,919	2,48,30,840	1,55,19,275
Finished Goods				
At Cost	1,10,59,49,490	69,12,18,431	47,09,44,945	29,43,40,591
At Net Realisable Value	54,01,198	33,75,749	1,94,13,109	1,21,33,193
	<u>2,16,88,04,144</u>	<u>1,35,55,02,590</u>	<u>1,36,57,74,940</u>	<u>85,36,09,337</u>
SCHEDULE 6 : SUNDRY DEBTORS (Receivable within twelve months, unless otherwise stated)				
Due for more than six months				
Good and Secured	2,22,269	1,38,918	2,66,137	1,66,336
Good and Unsecured				
From Holding Company	21,60,000	13,50,000	21,60,000	13,50,000
From Others	32,06,036	20,03,773	24,23,264	15,14,540
Doubtful and Unsecured - From Others	—	—	10,26,983	6,41,864
Due for less than six months - Considered good				
Secured	15,27,117	9,54,448	15,63,247	9,77,029
Unsecured				
From Holding Company	2,07,51,909	1,29,69,943	3,60,69,509	2,25,43,443
From Others	6,44,09,083	4,02,55,677	5,91,03,177	3,69,39,486
	<u>9,22,76,414</u>	<u>5,76,72,759</u>	<u>10,26,12,317</u>	<u>6,41,32,698</u>
Less : Provision for Doubtful Debts	—	—	10,26,983	6,41,864
	<u>9,22,76,414</u>	<u>5,76,72,759</u>	<u>10,15,85,334</u>	<u>6,34,90,834</u>
SCHEDULE 7 : CASH AND BANK BALANCES				
Cash on Hand	74,092	46,308	1,20,394	75,246
Cheques on Hand	—	—	1,99,00,000	1,24,37,500
Cash At Bank				
Current Account	70,93,018	44,33,135	1,82,92,668	1,14,32,918
Savings Account (Provident Fund)	54,417	34,011	54,026	33,766
Short-Term Call Deposits	71,02,691	44,39,182	87,82,81,796	54,89,26,123
	<u>1,43,24,218</u>	<u>89,52,636</u>	<u>91,66,48,884</u>	<u>57,29,05,553</u>
SCHEDULE 8 : LOANS & ADVANCES (Recoverable within twelve months, unless otherwise stated)				
Receivables from Holding Company (Net)	1,68,47,71,406	1,05,29,82,129	36,84,74,089	23,02,96,306
Loan/Advance to Employees [Includes NRs. 8,85,60,703 (₹ 5,53,50,439) {(2066-67(2009-10) - NRs. 9,59,90,118 (₹ 5,99,93,824)) recoverable after twelve months]	10,16,24,407	6,35,15,254	11,05,75,415	6,91,09,634
Margin Money Deposit	1,60,198	1,00,124	1,10,355	68,972
Advance to Others	3,66,07,793	2,28,79,870	4,83,94,692	3,02,46,682
Prepaid Expenses	41,52,510	25,95,318	43,52,841	27,20,526
Accrued Interest Receivable	8,32,749	5,20,468	10,01,371	6,25,857
Deposits : With Government Authorities	6,42,86,000	4,01,78,750	6,80,01,045	4,25,00,653
With Others	1,22,89,993	76,81,246	1,67,05,865	1,04,41,165
	<u>1,90,47,25,056</u>	<u>1,19,04,53,159</u>	<u>61,76,15,673</u>	<u>38,60,09,795</u>
Less : Provision for Doubtful Advance	64,38,033	40,23,771	77,73,607	48,58,504
	<u>1,89,82,87,023</u>	<u>1,18,64,29,388</u>	<u>60,98,42,066</u>	<u>38,11,51,291</u>
SCHEDULE 9 : SHORT TERM BORROWINGS				
Secured				
Cash Credit/Overdraft Facilities from Banks *	73,32,47,775	45,82,79,859	—	—
	<u>73,32,47,775</u>	<u>45,82,79,859</u>	<u>—</u>	<u>—</u>
*Secured by charge over certain land and building of the Company.				
SCHEDULE 10 : CURRENT LIABILITIES (Payable within twelve months, unless otherwise stated)				
Interest Accrued but not due - Short Term Borrowings	14,83,118	9,26,949	—	—
Retention Money	77,01,794	48,13,621	78,11,885	48,82,428
Sundry Creditors	62,57,55,214	39,10,97,009	50,55,30,502	31,59,56,564
Advances From Wholesale Dealers	19,07,97,357	11,92,48,348	24,85,24,613	15,53,27,883
Deposits From Wholesale Dealers	59,00,000	36,87,500	59,50,000	37,18,750
Other Liabilities	2,03,32,845	1,27,08,030	1,35,54,014	84,71,259
	<u>85,19,70,328</u>	<u>53,24,81,457</u>	<u>78,13,71,014</u>	<u>48,83,56,884</u>
SCHEDULE 11: PROVISIONS				
Provision for Income Tax [Net of payment of Income Tax Advance/Deposits amounting to NRs. 1,17,90,32,927 (₹ 73,68,95,579) 2066-67 (2009-10) NRs. 95,17,97,108 (₹ 59,48,73,193)]	7,73,04,106	4,83,15,066	5,34,46,736	3,34,04,210
Provision for Retirement and Other Employee Benefits	4,08,16,644	2,55,10,403	3,85,57,391	2,40,98,369
Provision for Interim Dividend	31,24,80,000	19,53,00,000	25,20,00,000	15,75,00,000
Provision for Proposed Final Dividend				
	<u>1,93,53,60,000</u>	<u>1,20,96,00,000</u>	<u>1,56,24,00,000</u>	<u>97,65,00,000</u>
	<u>2,36,59,60,750</u>	<u>1,47,87,25,469</u>	<u>1,90,64,04,127</u>	<u>1,19,15,02,579</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. For the year ended 32nd Asadh 2068 (16th July, 2011)	Figures in ₹ For the year ended 32nd Asadh 2068 (16th July, 2011)	Figures in NRs. For the year ended 32nd Asadh 2067 (16th July, 2010)	Figures in ₹ For the year ended 32nd Asadh 2067 (16th July, 2010)
SCHEDULE 12 : GROSS REVENUE				
Domestic :				
Cigarette	12,79,09,40,843	7,99,43,38,027	10,78,63,71,147	6,74,14,81,967
Garments	8,68,42,480	5,42,76,550	7,47,59,603	4,67,24,752
Matches	9,51,45,565	5,94,65,978	7,97,26,289	4,98,28,931
Export :				
Garments	30,37,17,207	18,98,23,254	21,43,38,553	13,39,61,595
	<u>13,27,66,46,095</u>	<u>8,29,79,03,809</u>	<u>11,15,51,95,592</u>	<u>6,97,19,97,245</u>
SCHEDULE 13 : DUTIES				
Excise Duty	4,17,66,29,284	2,61,03,93,303	3,81,42,13,414	2,38,38,83,384
Sticker Charges	6,67,19,878	4,16,99,923	6,45,80,523	4,03,62,827
	<u>4,24,33,49,162</u>	<u>2,65,20,93,226</u>	<u>3,87,87,93,937</u>	<u>2,42,42,46,211</u>
SCHEDULE 14 : RAW MATERIALS CONSUMED ETC.				
Leaf	1,88,13,51,475	1,17,58,44,672	1,63,54,05,858	1,02,21,28,661
Casing Materials	2,15,25,431	1,34,53,394	1,90,27,953	1,18,92,471
Wrapping Materials	1,09,78,30,138	68,61,43,836	94,39,19,217	58,99,49,511
Fabrics, Trims etc. *	31,17,06,854	19,48,16,784	20,38,49,632	12,74,06,020
Purchase and Contract Manufacturing Charges	12,68,40,185	7,92,75,116	10,19,73,039	6,37,33,149
	<u>3,43,92,54,083</u>	<u>2,14,95,33,802</u>	<u>2,90,41,75,699</u>	<u>1,81,51,09,812</u>
Allocation of overheads etc. on Finished Goods				
Opening	4,46,25,318	2,78,90,824	6,40,28,932	4,00,18,083
Closing	(7,22,70,696)	(4,51,69,185)	(4,46,25,318)	(2,78,90,824)
	<u>3,41,16,08,705</u>	<u>2,13,22,55,441</u>	<u>2,92,35,79,313</u>	<u>1,82,72,37,071</u>

Note:

* Includes write down of Inventories amounting to NRs. 5,69,71,291 (₹ 3,56,07,057) {2066-67 (2009-10) - NRs 1,28,18,439 (₹ 80,11,524)}

SCHEDULE 15 : OTHER INCOME

Interest Received	1,03,99,820	64,99,888	67,68,502	42,30,314
Less: Interest paid on Trading Debts	17,16,584	10,72,865	20,00,883	12,50,552
	<u>86,83,236</u>	<u>54,27,023</u>	<u>47,67,619</u>	<u>29,79,762</u>
Interest on Short Term/Call Deposit with Bank	3,39,86,968	2,12,41,855	8,14,64,792	5,09,15,495
Interest from Investments	56,83,125	35,51,953	56,83,125	35,51,953
Provision for doubtful advance/debts written back	25,82,676	16,14,173	68,987	43,117
Miscellaneous Income	96,75,066	60,46,916	92,78,210	57,98,881
	<u>6,06,11,071</u>	<u>3,78,81,920</u>	<u>10,12,62,733</u>	<u>6,32,89,208</u>

SCHEDULE 16 : MANUFACTURING, ADMIN, SELLING EXPENSES ETC.

Salaries, Wages & Allowances	30,54,02,776	19,08,76,735	25,92,90,147	16,20,56,341
Contribution to Provident Fund	97,93,702	61,21,064	84,74,071	52,96,294
Labour & Staff Welfare	2,30,62,861	1,44,14,288	2,16,11,239	1,35,07,024
Rent	5,54,74,912	3,46,71,820	4,43,93,855	2,77,46,159
Electricity, Fuel & Water	10,37,85,608	6,48,66,005	8,10,81,841	5,06,76,151
Rates & Taxes	52,16,431	32,60,269	11,03,162	6,89,476
Insurance Premium	4,13,42,734	2,58,39,209	3,97,57,392	2,48,48,370
Repairs & Improvement - Depreciable Assets	13,01,98,565	8,13,74,103	9,80,67,962	6,12,92,476
Maintenance - Other Properties	2,75,12,667	1,71,95,417	1,93,23,349	1,20,77,093
Safety & Pollution Control Cost	74,83,639	46,77,274	50,62,937	31,64,336
Consumable Stores & Spares *	6,06,18,465	3,78,86,541	1,43,45,842	89,66,151
Freight	4,59,23,670	2,87,02,294	3,99,72,863	2,49,83,039
Product Development	79,03,015	49,39,384	1,13,12,113	70,70,071
Advertising	1,73,65,559	1,08,53,474	1,27,60,233	79,75,146
Market Research	82,26,057	51,41,286	59,05,501	36,90,938
Retail Accessories	8,61,88,601	5,38,67,876	7,02,58,297	4,39,11,436
Trade Marketing Expenses	11,45,86,315	7,16,16,447	10,42,11,218	6,51,32,010
Travel & Conveyance	7,27,99,377	4,54,99,611	7,19,48,263	4,49,67,664
Training & Recruitment Expenses	1,12,12,593	70,07,871	1,14,50,044	71,56,278
Postage, Telephone, Telex, Fax etc.	89,25,505	55,78,441	92,68,988	57,93,118
Bank Charges and Commission	37,44,539	23,40,337	33,01,067	20,63,167
Audit Fees	8,00,000	5,00,000	8,00,000	5,00,000
Legal Fees	11,41,700	7,13,563	7,95,800	4,97,375
Printing & Stationery	1,69,33,624	1,05,83,515	1,62,92,910	1,01,83,069
Consultancy / Professional Service Charges & Other Fees	7,25,02,379	4,53,13,987	6,74,01,607	4,21,26,004
Licence Fee	20,12,329	12,57,706	14,07,498	8,79,686
Business Entertainment Expenses	59,88,919	37,43,074	45,50,713	28,44,196
Promotion & Sponsorship	1,65,35,426	1,03,34,641	1,36,66,913	85,41,821
Board Meeting Fees	41,176	25,735	58,824	36,765
Donations	6,41,000	4,00,625	6,76,250	4,22,656
Books & Periodicals	3,72,053	2,32,533	3,78,212	2,36,383
Membership Fee	11,69,665	7,31,041	4,27,457	2,67,160
Provision for Doubtful Debts and Advances	2,20,118	1,37,574	17,41,531	10,88,457
Provision for Retirement and Other Employee Benefits	80,51,568	50,32,230	49,98,812	31,24,258
Loss on Foreign Exchange (Net)	5,90,526	3,69,079	3,20,862	2,00,539
Miscellaneous Expenses {Refer 2E of Schedule 18}**	2,18,25,523	1,36,40,952	1,73,75,363	1,08,59,602
	<u>1,29,55,93,597</u>	<u>80,97,46,001</u>	<u>1,06,37,93,136</u>	<u>66,48,70,709</u>

* Includes provision for obsolescence of spares, relating to plant & machinery with no residual useful life, for NRs. 3,90,35,987 (₹ 2,43,97,492) {2066-67 (2009-10) NRs. 17,54,507 (₹ 10,96,567)}.

** Includes provision for sales return, relating to Garments domestic business, for NRs. 95,23,511 (₹ 59,52,194) {2066-67 (2009-10) - NRs. 26,57,100 (₹ 16,60,688)}

SCHEDULES TO THE ACCOUNTS (Contd.)

	Figures in NRs. For the year ended 32nd Asadh 2068 (16th July, 2011)	Figures in ₹ For the year ended 32nd Asadh 2068 (16th July, 2011)	Figures in NRs. For the year ended 32nd Asadh 2067 (16th July, 2010)	Figures in ₹ For the year ended 32nd Asadh 2067 (16th July, 2010)
SCHEDULE 17 : PROVISION FOR TAXATION				
Current Tax	1,16,80,72,804	73,00,45,503	92,08,35,261	57,55,22,038
Deferred Tax	1,80,71,693	1,12,94,808	(1,25,37,129)	(78,35,706)
	<u>1,18,61,44,497</u>	<u>74,13,40,311</u>	<u>90,82,98,132</u>	<u>56,76,86,332</u>

SCHEDULE 18 - NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

i) Convention

These financial statements have been prepared in accordance with applicable Accounting Standards and generally accepted accounting principles in Nepal. A summary of significant accounting policies, which have been applied consistently, is set out below. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Company Act, 2063 of Nepal.

ii) Basis of Accounting

These financial statements have been prepared in accordance with the historical cost convention modified by revaluation of certain freehold land as detailed in (iii) below.

The preparation of the accounts requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- The estimation of and accounting for retirement benefit costs. The determination of the carrying value of assets and liabilities, as well as the charge for the year, involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events including life expectancy of members, attrition rate, salary increases as well as discount rates.
- The estimation of provisions for taxation, which are subject to uncertain future events, may extend over several years and so the amount and/or timing may differ from current assumptions. The accounting policy for taxation is disclosed below in point no. (xiv) including the recognised deferred tax assets and liabilities.

iii) Fixed Assets

Freehold land acquired up to 17.12.2043 (31.03.1987) was revalued and the resultant increase in the value of such land was credited to Capital Reserve. Subsequent acquisition of the above asset and the other assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.

Depreciation on fixed assets has been provided on straight-line basis at the rates prescribed by the erstwhile Income Tax (First Amendment) Rules, 2039. The said rates have further been increased by 33 1/3 % as allowed by the Industrial Enterprises Act, 2049. Additional depreciation arising from a change in estimated useful life of assets is charged against revenue.

Impairment loss, if any, ascertained as per Nepal Accounting Standard -18 'Impairment of Assets' issued by Institute of Chartered Accountants of Nepal, is recognised.

iv) Inventories

Inventories are valued at cost or net realisable value whichever is lower. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

Obsolete, slow moving and defective inventories are identified at the time of physical verification and where necessary provision is made for such inventories.

v) Investments

Long Term Investments are valued at cost. Provision is made where there is a permanent fall in the valuation of such Investments.

vi) Sales

Net sales are stated after deducting taxes, duties and sticker charges from invoiced value of goods sold.

vii) Investment Income

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

viii) Foreign Exchange Transaction

Foreign Exchange transactions are recorded at the exchange rate prevailing on the date of transactions or where applicable at the exchange rate covered by forward contracts. Gains/Losses arising out of fluctuations in the exchange rates are recognised in the Profit and Loss Account in the period in which they arise. Differences between the forward exchange rates and the exchange rates at the date of transactions are recognised as income or expense over the life of the contracts. Profit/loss arising on cancellation or renewal of forward exchange contracts is recognised as income/expense for the period. Gains/losses on account of foreign exchange rate fluctuations relating to monetary items are accounted for in the Profit and Loss Account at the year end.

ix) Lease Rentals

Operating lease rental are charged to the profit and loss account as incurred.

x) Retirement Benefits

(a) Gratuity

Liability for gratuity benefits payable to the employees is actuarially determined at the year end and provided for.

(b) Provident Fund

Regular monthly contributions are made to Provident Funds, which are charged against revenue.

(c) Leave Encashment and Other Retirement Benefits

Leave encashment and other retirement benefits, wherever applicable, are determined on the basis of actuarial valuation at the year end and provided for.

xi) Bonus

Bonus is provided as per the provisions of the Bonus Act, 2030.

xii) Employees' Housing

Employees' Housing is provided as per the provisions of Labour Act, 2048.

xiii) Cash and Cash Equivalents

Cash and cash equivalents represent cash and cheques on hand and balance in bank accounts.

xiv) Tax on Income

Provision for current tax is made with reference to profit for the period covered by the financial statements as per the provisions of Income Tax Act, 2058.

Deferred Tax is recognised and provided for on timing differences between taxable income and accounting income subject to consideration of prudence.

Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the temporary difference, unused tax losses and unused tax credit can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

xv) Dividend

Final Dividend is provided for as proposed by the Directors, pending approval at the Annual General Meeting. Interim dividend is provided for as declared by the Board of Directors and confirmed at the Annual General Meeting.

2. Notes to the Accounts

A. For the year ended 32nd Asadh 2068, the Board of Directors of the Company at its meeting held on 3rd Aswin 2068 (20th September 2011) have:

- declared interim dividend of NRs. 15.50 (₹ 9.69) per share and
- recommended final dividend of NRs. 96 (₹ 60) per share.

B. Claims against the Company not acknowledged as debts:

- Demands raised by Revenue Authorities on theoretical production of cigarettes: Excise, Income Tax and VAT authorities issued Show Cause Notices (SCNs) and raised demands to recover taxes for different years on theoretical production of cigarettes. The basis for all these SCNs and demands is an untenable contention by the Revenue Authorities that the Company could have produced more cigarettes than it has actually produced in a given year, by applying an input-output ratio allegedly submitted by the Company in the year 2047-48 (1990-91) and, that, the Company is liable to pay taxes on such cigarettes that could have been theoretically produced and sold. This, despite the fact that the Company's cigarette factory is under 'physical control' of the Revenue authorities and cigarettes produced are duly accounted for and certified as such by the Revenue authorities.

As reported last year, the above basis of theoretical production has been rejected by the Supreme Court of Nepal vide its orders dated 29th October 2009 and 1st April 2010. In the said order of the Supreme Court of Nepal dated 1st April, 2010, the Excise demands (for the financial years 2055-56 to 2059-60 (1998-99 to 2002-03)) and Income Tax demands (for the financial year 2058-59(2001-02)) were set aside. During the year, citing the aforesaid decisions of the Supreme Court of Nepal, the Inland Revenue Department has, on 11th February 2011 decided the following administrative review petitions in favour of the Company relating to theoretical production:

- Value Added Tax-NRs. 7,54,51,113 (₹ 4,71,56,946) for the financial year 2058-59 (2001-02).
- Income Tax - NRs. 4,90,70,474 (₹ 3,06,69,046) for the financial year 2062-63 (2005-06).

The Company's counsel appearing in the matter has opined that the verdict of the Supreme Court of Nepal dated 29th October 2009, which was delivered by a Full Bench of the Court, will add substantial strength to Company's case in all the other matters relating to the issue of theoretical production.

Following is the status of pending demands and Show Cause Notices received from the Revenue Authorities based on similar untenable contention:

Excise Demands and Show Cause Notice

- Excise demand letter dated 22nd February 2008 for NRs. 14,95,15,509 (₹ 9,34,47,193) relating to the financial years 2060-61 to 2062-63 (2003-04 to 2005-06). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 2nd April 2008 and it has issued Show Cause Notices to the respondents.
- Excise demand letter dated 30th November 2008 for NRs. 12,85,10,757 (₹ 8,03,19,223) relating to the financial year 2063-64 (2006-07). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 6th January 2009 and it has issued Show Cause Notices to the respondents.
- Show Cause Notice dated 19th January 2010 seeking to demand NRs. 19,65,37,807 (₹ 12,28,36,129) by way of Excise Duty for the financial year 2064-65 (2007-08). Company's writ petition challenging the Notice was admitted by the Supreme Court of Nepal. On 7th March 2010, Supreme Court of Nepal issued interim order directing Inland Revenue Department not to raise demand, pending final disposal of the writ petition.

SCHEDULES TO THE ACCOUNTS (Contd.)

VAT Demands

4. VAT demand letter dated 8th August 2007 for NRs. 5,72,38,860 (₹ 3,57,74,288) relating to the financial year 2059-60 (2002-03). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September 2007 and it has issued Show Cause Notices to the respondents.
5. VAT demand letter dated 5th August 2008 for NRs. 1,07,18,107 (₹ 66,98,817) relating to the financial year 2060-61 (2003-04). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 5th September 2008 and it has issued Show Cause Notices to the respondents.
6. VAT demand letter dated 10th July 2009, for NRs. 10,69,66,056 (₹ 6,68,53,785) relating to the financial years 2061-62 to 2063-64 (2004-05 to 2006-07). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 9th August 2009 and it has issued Show Cause Notices to the respondents.
7. VAT demand letter dated 14th May 2010, for NRs. 11,46,91,649 (₹ 7,16,82,281) relating to the financial year 2064-65 (2007-08). The Company has filed an administrative review petition before the Director General on 11th July 2010, and the matter is pending.

Income Tax Demands

8. Income Tax demand letter dated 12th August 2007 for NRs. 19,60,92,971 (₹ 12,25,58,107) relating to the financial year 2059-60 (2002-03). The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September 2007 and it has issued Show Cause Notices to the respondents.

9. Income Tax demand letter dated 15th September 2008 for the financial year 2060-61 (2003-04). Out of total demand of NRs. 2,25,36,944 (₹ 1,40,85,590), the basis of the demand for NRs. 1,91,39,653 (₹ 1,19,62,283) is on theoretical production. The Company's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 8th December 2008 and it has issued Show Cause Notices to the respondents.

10. Income Tax demand letter dated 16th October 2009 for the financial year 2061-62 (2004-05). Out of a total demand of NRs. 2,26,26,609 (₹ 1,41,41,631), the basis of the demand for NRs. 2,15,65,409 (₹ 1,34,78,381) is on theoretical production. The Company has filed an administrative review petition before the Director General, Inland Revenue Department on 18th December 2009. However, the Director General without dealing with the issues raised by the Company, summarily dismissed the petition by an order dated 2nd March 2010. The Company thereafter filed an appeal before the Revenue Tribunal, on 17th June 2010, and the matter is pending.

The Management considers that all the demands and show cause notice listed above have no legal or factual basis. Accordingly, the Management is of the view that there is no liability that is likely to arise, particularly in the light of the decisions in favour of the Company by the Supreme Court of Nepal and the Inland Revenue Department.

b) Other demands raised on account of:

1. Income Taxes for various assessment years amounting to NRs. 10,32,83,725 (₹ 6,45,52,328) (Previous year - NRs. 10,32,83,725 (₹ 6,45,52,328)) (net of provision made for the above assessment years) against which the Company has filed appeals with the appropriate authorities/Courts.
 2. Value Added Tax matters under dispute, pertaining to financial years 2055-56 to 2057-58, amounting to NRs. 31,00,750 (₹ 19,37,969) (Previous year - NRs. 31,00,750 (₹ 19,37,969)), which are under appeal /reassessment.
- C. Estimated amount of contracts remaining to be executed on capital account NRs. 50,11,25,637 (₹ 31,32,03,523) (2066-67 NRs. 38,94,00,452 (₹ 24,33,75,283)).

D. Remuneration to Managing Director:

Particulars	For the year ended 32nd Asadh 2068 (16th July 2011)		For the year ended 32nd Asadh 2067 (16th July 2010)	
	In NRs.	In ₹	In NRs.	In ₹
Salary, Bonus etc. (Short Term)	1,48,93,852	93,08,658	1,31,55,061	82,21,913
Post Employment Benefits	*	*	*	*
Total	1,48,93,852	93,08,658	1,31,55,061	82,21,913

*Post employment benefits are actuarially determined on overall basis for all employees.

- E. Miscellaneous Expenses include reimbursement of expenses to statutory auditors amounting to NRs. 99,633 (₹ 62,271) (2066-67 - NRs. 68,410 (₹ 42,756)).

- F. The major components of the Deferred Tax Assets/Liabilities, based on the tax effect of the timing difference are as under:

	As at 32nd Asadh 2068 (16th July 2011)		As at 32nd Asadh 2067 (16th July 2010)	
	In NRs.	In ₹	In NRs.	In ₹
Deferred Tax Asset				
On employees' separation and retirement	1,05,98,101	66,23,813	1,08,20,523	67,62,827
On fiscal allowance on fixed assets	14,30,310	8,93,944	2,22,01,471	1,38,75,919
On doubtful advance	9,60,155	6,00,097	12,66,614	7,91,634
On provision for inventories	98,36,065	61,47,541	—	—
	2,28,24,631	1,42,65,395	3,42,88,608	2,14,30,380
Deferred Tax Liability				
On finished goods	1,19,09,609	74,43,506	53,01,893	33,13,683
Deferred Tax - Net	1,09,15,022	68,21,889	2,89,86,715	1,81,16,697

G. Reconciliation between tax expenses and accounting profit:

	For the year ended 32nd Asadh 2068 (16th July 2011)		For the year ended 32nd Asadh 2067 (16th July 2010)	
	In NRs.	In ₹	In NRs.	In ₹
Accounting Profit	3,73,01,68,387	2,33,13,55,238	2,88,26,44,312	1,80,16,52,695
Tax at the applicable tax rate (Cigarette manufacturing @ 30%, Garments Manufacturing @ 20% and Trading @ 25%)	1,14,10,55,678	71,31,59,799	88,00,80,163	55,00,50,102
Factors affecting tax charge for the year				
Effect of :				
Unused Tax Losses not recognised	4,48,30,483	2,80,19,052	2,72,77,870	1,70,48,668
Expenses not deductible for tax purposes	2,58,336	1,61,460	9,40,099	5,87,562
Total Tax Expense	1,18,61,44,497	74,13,40,311	90,82,98,132	56,76,86,332

H. Capital

The Company is not subject to any capital adequacy norms under regulations presently in force. Employees Housing Reserve is set aside as required by law. It is the Company's policy to maintain a sound capital base that is supportive of the Company's business plans. Return on Capital employed is monitored based on Asset Turnover & Profitability ratio.

SCHEDULES TO THE ACCOUNTS (Contd.)

I. Related party Disclosures

Nature of relationship and name of the related parties:

1. Holding Company
ITC Limited, India
2. Fellow Subsidiaries
 - a) Srinivasa Resorts Limited, India
 - b) Fortune Park Hotels Limited, India
 - c) Bay Islands Hotels Limited, India
 - d) Russell Credit Limited, India and its subsidiaries
 - i. Greenacre Holdings Limited, India
 - ii. Wimco Limited, India and its subsidiaries
Pavan Poplar Limited, India
Prag Agro Farm Limited, India
 - iii. Technico Pty Limited, Australia and its subsidiaries
Technico ISC Pty. Limited, Australia (deregistered on 03.11.2010)
Technico Agri Sciences Limited, India
Technico Technologies Inc., Canada
Technico Asia Holdings Pty Limited, Australia and its subsidiary
Technico Horticultural (Kunming) Co. Limited, China
- e) ITC Infotech India Limited, India and its subsidiaries
 - i. ITC Infotech Limited, United Kingdom
 - ii. ITC Infotech (USA), Inc., United States of America and its subsidiary
Pyxis Solutions, LLC, United States of America

- f) Wills Corporation Limited, India
 - g) Gold Flake Corporation Limited, India
 - h) Landbase India Limited, India
 - i) BFIL Finance Limited, India and its subsidiary
MRR Trading & Investment Company Limited, India
 - j) King Maker Marketing, Inc., United States of America
- The above list does not include:
- a) ITC Global Holdings Pte. Limited, Singapore (under liquidation) and its subsidiaries
 - i. Hup Hoon Traders Pte. Limited, Singapore (struck off w.e.f. 31.03.2011 by the Registrar of Companies, Singapore)
 - ii. AOZT "Hup Hoon", Moscow
 - iii. Hup Hoon Impex SRL, Romania
 - b) BFIL Securities Limited (a subsidiary of BFIL Finance Ltd.) which is under voluntary winding up proceedings.
3. Key Management Personnel:
- | | |
|------------------|--|
| Y. C. Deveshwar | Chairman & Non-Executive Director |
| S. Puri | Alternate Director to Mr Y C Deveshwar |
| A. K. Mukerji | Non-Executive Director |
| B. B. Chatterjee | Non-Executive Director |
| K. N. Grant | Non-Executive Director |
| S. R. Pandey | Non-Executive Director |
| S. SJB Rana | Non-Executive Director |
| Saurya SJB Rana | Alternate Director to Mr. S. SJB Rana |
| S. Keshava | Managing Director |

Disclosure of transactions between the Company and related parties during the year and outstanding balances as on 16th July 2011:

	For the year ended 32nd Asadh 2068 (16th July 2011)						For the year ended 32nd Asadh 2067 (16th July 2010)					
	Holding Company		Fellow Subsidiaries		Key Management Personnel		Holding Company		Fellow Subsidiaries		Key Management Personnel	
	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹	In NRs.	In ₹
Sale of Goods/Services	15,62,97,542	9,76,85,964	2,23,496	139,685			9,63,46,535	6,02,16,584	59,820	37,388		
Purchase of Goods/ Services	2,37,43,65,594	1,48,39,78,496	58,86,072	36,78,795			1,98,87,64,823	1,24,29,78,014	23,03,064	14,39,415		
Payment to Managing Director					1,48,93,852	93,08,658					1,31,55,061	82,21,913
Sitting Fees/ Incidental Expenses to Other Directors					48,676	30,423					98,824	61,765
Machine Hire Charges	1,32,14,370	82,58,981					69,19,105	43,24,441				
Rent Received							12,24,946	7,65,591				
Dividend Payments	1,07,04,96,000	66,90,60,000					1,16,56,51,200	72,85,32,000				
Expenses recovered	78,12,677	48,82,923	35,280	22,050			91,83,785	57,39,866	12,073	7,546		
Expenses reimbursed	82,49,302	51,55,814					58,02,919	36,26,824				
Advances Given	2,92,33,70,637	1,82,71,06,648					50,22,62,979	31,39,14,362				
Issue of Bonus Share												
Balances as on 16th July												
— Debtors	2,29,11,909	1,43,19,943					3,82,29,509	2,38,93,443				
— Advances/Other Receivables	1,84,54,29,165	1,15,33,93,228					50,46,56,336	31,54,10,210				
— Creditors / Payables	16,06,57,760	10,04,11,100					13,61,82,247	8,51,13,904				

J. Figures have been rounded off to the nearest rupee.

K. Previous Year's figures have been regrouped and/or rearranged wherever necessary.

Subhraketan Mitra
Head of Finance

Sanjiv Keshava
Managing Director

Saurya SJB Rana
Alternate Director

K N Grant
Director

Y C Deveshwar
Chairman

S R Pandey
Director

A K Mukerji
Director

B B Chatterjee
Director

Nem Lal Amatya
Partner

Partha Mitra
Partner

Date: 3rd Aswin 2068 (20th September 2011)

N. Amatya & Co.
Chartered Accountants

Lovelock & Lewes
Chartered Accountants