

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2014**

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2014.

	Year ended 31.03.2014 (₹ Lakhs)	Year ended 31.03.2013 (₹ Lakhs)
Gross operating Profit / (Loss)	61.25	52.21
Less: Interest and finance charges	0.00	0.00
Profit / (Loss) before depreciation and taxation	61.25	52.21
Less: Depreciation & Impairment loss	0.60	0.65
Profit / (Loss) before Taxation	60.65	51.56
Less: Provision for Taxation	—	—
Profit / (Loss) after Taxation	60.65	51.56
Brought forward from previous year	(5,939.15)	(5,990.71)
Transfer from General Reserve	—	—
Balance carried to Balance Sheet	<u>(5,878.50)</u>	<u>(5939.15)</u>

The gross operating profit for the year ended March 31, 2014 was ₹ 61.25 lakhs, compared to a gross operating profit of ₹ 52.21 lakhs in the previous year and after providing depreciation, the net profit for the year was ₹ 60.65 lakhs as against a net profit of ₹ 51.56 lakhs in the previous year.

**Economic Scenario**

No recoveries of non-performing assets have been made during the year. Your Company continues to vigorously pursue various legal cases initiated against defaulting clients.

**Operations**

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

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

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

**Reserve Bank of India directions to NBFCs**

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

**Directors' Responsibility Statement**

Your Directors have:

- followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;
- selected such accounting policies and applied them consistently and

made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- 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;
- prepared the annual accounts on a going concern basis.

**Dividend**

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

**Particulars of Employees**

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

**MRR Trading & Investment Company Limited**

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

**Directors**

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

**Auditors**

The Company's Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment. The Board has recommended the re-appointment of Messrs. Lovelock & Lewes for a period of three years in accordance with Section 139 of the Companies Act, 2013. Appropriate resolution seeking your approval to the said re-appointment is appearing in the Notice convening the said Annual General Meeting.

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

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

**Deposits**

The Company has not accepted any deposits during the year under the Companies (Acceptance of Deposits) Rules, 1975. As at 31st March 2014, the Company does not hold any Fixed Deposits.

**Acknowledgements:**

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

On behalf of the Board

Hyderabad, April 22, 2014

Anil Seth                      P.K. Sen  
Director                      Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BFIL FINANCE LIMITED.**
**Report on the financial statements**

- We have audited the accompanying financial statements of BFIL Finance Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

**Management's Responsibility for the Financial Statements**

- The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

- Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

- An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

- In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

- (b) in the case of the Statement of Profit and Loss, profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants  
Sunit Kumar Basu  
Partner  
Membership No: 55000

Hyderabad, April 22, 2014

**ANNEXURE TO INDEPENDENT AUDITORS' REPORT**

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of BFIL Finance Limited on the financial statements as of and for the year ended March 31, 2014.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory other than stock on hire has been physically verified by the Management during the year. In respect of stock on hire lying with third parties, the Company has initiated legal proceedings for recovering its dues and no physical verification was carried out. In our opinion, the frequency of verification of stock in trade is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. There were no discrepancies noticed on physical verification of inventory as compared to book records.
- iii. The Company has not granted/taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- iv. According to the information and explanations given to us, there is neither a purchase of inventory and fixed assets nor there are any sale of goods and services during the year. Therefore, the provision of Clause 4(iv) of the said Order is not applicable to the Company.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including income tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax and sales tax as at March 31, 2014 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Net of amount paid under protest) (₹)	Period to which the amount relates	Forum where the dispute is pending
UP Trade Tax Act, 1948	Lease tax	3,701,037	1996-97 to 1999-2000	Joint Commissioner (A), Trade Tax, Kanpur
Rajasthan Sales Tax	Lease tax	488,211*	1996-97	Dep Commissioner (A), Commercial taxes, Jaipur
Income Tax Act, 1961	Penalty	7,656,074	A.Y 2002-03	Income Tax Appellate Tribunal, Mumbai
Income Tax	Income Tax	5,795,758	A.Y 2005-06	Commissioner of Income Tax (Appeals)

\*Net of amount paid under protest is Rs. 57,471.

- x. The accumulated losses of the Company exceeded fifty percent of its net worth as at March 31, 2014 and it has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company has not entered into any transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year. However, the company as at March 31, 2014 holds certain securities as stock-in-trade and such securities have been held by the Company in its own name.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company issued unsecured non-convertible debentures in earlier years, aggregating Rs. 150,000,000 which is outstanding at the year-end, in respect of which it is not required to create security or charge.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants  
Sunit Kumar Basu  
Partner  
Membership No: 55000

Hyderabad, April 22, 2014

**BALANCE SHEET**

(All amounts in ₹, unless otherwise stated)

	Note	As at 31st March, 2014	As at 31st March, 2013
<b>Equity and Liabilities</b>			
Shareholders' funds			
Share Capital	3	200,000,000	200,000,000
Reserves and Surplus	4	(587,849,742)	(593,915,232)
<b>Non-current liabilities</b>			
Long-term borrowings	5	475,411,077	475,411,077
<b>Current Liabilities</b>			
Trade Payables	6	132,472	142,585
Other current liabilities	7	21,558	2,841,179
Short-term provisions	8	8,066,425	8,066,425
<b>Total</b>		<b>95,781,790</b>	<b>92,546,034</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets			
Tangible Assets	9	990,710	1,050,777
Capital work-in-progress		28,172,250	28,172,250
Non-current investments	10	43,023,750	43,023,750
Long-term loans and advances	11	2,688,607	1,824,481
<b>Current Assets</b>			
Inventories	12	1,000	1,000
Trade Receivables	13	—	—
Cash and Bank balances	14	17,742,035	15,201,335
Short term loans and advances	15	1,500,000	—
Other current assets	16	1,663,438	3,272,441
<b>Total</b>		<b>95,781,790</b>	<b>92,546,034</b>

The notes are an integral part of these financial statements  
This is the Balance Sheet referred to in our report of even date

For Lovelock &amp; Lewes

Firm Registration No. 301056E

Chartered Accountants

Sunit Kumar Basu, Partner

Membership No. 55000

Hyderabad, April 24, 2013

For and on behalf of the Board of Directors

Anil Seth Director

P.K. Sen Director

V. Radhakrishnan Manager &amp;

Company Secretary

**STATEMENT OF PROFIT AND LOSS**

(All amounts in ₹, unless otherwise stated)

	Note	Year ended 31st March, 2014	Year ended 31st March, 2013
<b>REVENUE</b>			
Other Income	17	8,071,907	6,533,129
<b>TOTAL REVENUE</b>		<b>8,071,907</b>	<b>6,533,129</b>
<b>EXPENSES</b>			
Employee Benefit Expense	18	106,750	98,100
Depreciation and Amortization Expenses	19	60,067	64,507
Other Expense	20	1,839,601	1,214,290
<b>TOTAL EXPENSES</b>		<b>2,006,418</b>	<b>1,376,897</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>6,065,490</b>	<b>5,156,232</b>
Tax Expense		—	—
Current Tax		—	—
Deferred Tax		—	—
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>6,065,490</b>	<b>5,156,232</b>
<b>Earnings per equity share:</b>			
<b>[Nominal Value per share: ₹ 10 (2013: ₹ 10)]</b>			
Basic and Diluted	24	0.30	0.26

The notes are an integral part of these financial statements  
This is the Statement of Profit and Loss referred to in our report of even date.

For Lovelock &amp; Lewes

Firm Registration No. 301056E

Chartered Accountants

Sunit Kumar Basu,

Partner

Membership No. 55000

Hyderabad, April 22, 2014

For and On behalf of the Board of Directors

Anil Seth Director

P. K. Sen Director

V. Radhakrishnan Manager &amp;

Company Secretary

**CASH FLOW STATEMENT**

(All amounts in ₹, unless otherwise stated)

	Year ended 31st March, 2014	Year ended 31st March, 2013
<b>A. Cash flow from Operating Activities</b>		
Profit / (Loss) before taxation	6,065,490	5,156,232
Adjustments for:		
Depreciation / Amortization	60,067	64,507
Profit on sale of assets held for sale	(984,324)	—
Interest income	(1,060,575)	(533,129)
Operating Profit Before Working Capital Changes	4,080,658	4,687,610
Changes in Working Capital:		
Increase / (Decrease) in trade payables	(10,113)	35,238
Increase / (Decrease) in other current liabilities	(19,621)	2,797,250
(Increase) / Decrease in long-term loans and advances	(864,126)	(653,313)
(Increase) / Decrease in short-term loans and advances	(1,500,000)	—
Cash Generated from Operations	1,686,798	6,866,785
Taxes paid	—	—
<b>Net cash generated from operating activities</b>	<u>1,686,798</u>	<u>6,866,785</u>
<b>B. Cash flow from Investing Activities:</b>		
Interest received	853,902	452,925
Investments in bank deposits (Refer note 2 below)	(4,598,075)	(10,381,170)
Proceeds from sale of assets held for sale	—	—
Net cash used in investing activities	<u>(3,744,173)</u>	<u>(9,928,245)</u>
<b>C. Cash flow from Financing Activities</b>		
Net (decrease) / increase in cash and cash equivalents	(2,057,375)	(3,061,460)
"Cash and Cash equivalents at the beginning of the year"	4,236,305	7,297,765
Cash and Cash equivalents at the end of the year	<u>2,178,930</u>	<u>4,236,305</u>
Cash and cash equivalents comprise of:		
Cash on Hand	—	—
Balances with Banks	2,178,930	4,236,305
<b>Total</b>	<u>2,178,930</u>	<u>4,236,305</u>

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

For Lovelock & Lewes  
Firm Registration No. 301056E  
Chartered Accountants  
Sunit Kumar Basu  
Partner  
Membership No. 55000  
Hyderabad, April 22, 2014

For and on behalf of the Board of Directors  
Anil Seth Director  
P. K. Sen Director  
V. Radhakrishnan Manager &  
Company Secretary  
Hyderabad, April 22, 2014

**NOTES TO THE FINANCIAL STATEMENTS**

- General Information**  
BFIL Finance Limited (the 'Company') is registered as Non-Banking Finance Company and was engaged in the business of Leasing, Hire purchase and other allied finance activities. Currently, there are no operational activities and the Company continues to pursue recovery of its old dues in the normal course of business.
- Summary of significant accounting policies**
- Basis of preparation**  
"These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis based on the principle of going concern.  
All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities."
- Tangible Assets**  
"All tangible assets including assets given on lease are valued at cost inclusive of direct and incidental expenses related to acquisition.  
Depreciation on tangible assets is provided on written down value method on pro-rata basis in accordance with the rates prescribed under amended Schedule XIV of the Companies Act, 1956. Leasehold improvements (excluding electrical installations) are being depreciated @ 5% on written down value and Electrical Installations included in Lease hold improvements are being amortised @ 15%.  
All the tangible assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the excess of carrying value over the recoverable value of the asset) is charged to the statement of profit and loss in the respective financial year. The impairment loss recognized in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years."
- Investments**  
All investments are stated at cost i.e. cost of acquisition, inclusive of expense incidental to acquisition. Where applicable, provision is made to recognise a decline, other than temporary in valuation of long term investments. Income from investments is stated in revenue account in the year in which it is accrued and at gross value.
- Inventories**  
Stock in trade comprising stock of securities are stated at cost or market price whichever is lower. Stock on hire is valued at agreement value less amount receivable.
- Revenue Recognition**  
"As per the directives of the Reserve Bank of India, revenue is recognised upon realisation, on Non-Performing Assets.  
Revenue is not recognized on the grounds of prudence until realised in respect of liquidated damages, penalties and delayed payment charges, as recovery of the amounts is uncertain."
- Current and Deferred Tax**  
"Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.  
Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets 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. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date."
- Provisions and Contingent Liabilities**  
"Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.  
Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made."

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in ₹, unless otherwise stated)

	As at 31st March, 2014	As at 31st March, 2013
<b>3 Share Capital</b>		
<b>3.1 Break up of Share Capital</b>		
<b>Authorised:</b>		
30,000,000 (2013:30,000,000) equity shares of Rs. 10 each	300,000,000	300,000,000
1,000,000 (2013: 1,000,000) cumulative redeemable/convertible preference share of Rs. 100 each	100,000,000	100,000,000
<b>Issued:</b>		
20,000,000 (2013:20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000
<b>Subscribed and paid up:</b>		
20,000,000 (2013:20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000
<b>Total</b>	<u>200,000,000</u>	<u>200,000,000</u>
<b>3.2 Rights, preferences and restrictions attached to shares</b>		
Equity Shares: The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.		
	<b>Year Ended March 31, 2014</b>	<b>Year Ended March 31, 2013</b>
	<b>No of Shares</b>	<b>Amount</b>
	<b>No of Shares</b>	<b>Amount</b>
<b>3.3 Reconciliation of number of shares</b>		
Balance as at the beginning of the year	20,000,000	200,000,000
Movement	—	—
Balance as at the end of the year	<u>20,000,000</u>	<u>200,000,000</u>
	<b>As at 31st March, 2014</b>	<b>As at 31st March, 2013</b>
<b>3.4 Shares held by holding company and subsidiary of holding company</b>		
<b>Equity Shares:</b>		
19,999,994 shares (2013:19,999,994 shares) held by ITC Limited, the holding company	199,999,940	199,999,940
6 shares (2013: 6 shares) are held by nominees of the holding company jointly with the holding company	60	60
<b>3.5 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company</b>		
Equity Shares		
ITC Limited, the holding company	20,000,000	20,000,000
	(100%)	(100%)
<b>4 Reserves and Surplus</b>		
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as at the beginning of the year	(593,915,232)	(599,071,464)
Profit / (Loss) for the year	6,065,490	5,156,232
<b>Balance as at the end of the year</b>	<u>(587,849,742)</u>	<u>(593,915,232)</u>
<b>5 Long-term borrowings</b>		
<b>5.1 Break up of Long-term borrowings</b>		
<b>Unsecured: Debentures</b>		
1,500,000, 0% Non-convertible debentures of Rs. 100 each issued to holding company.	150,000,000	150,000,000
Loans from holding company (Interest free)	325,411,077	325,411,077
<b>Total</b>	<u>475,411,077</u>	<u>475,411,077</u>
<b>5.2 Above Long-term borrowings are repayable on April 01,2015.</b>		
<b>6 Trade Payables</b>		
Trade Payables (Refer note 26 below)	132,472	142,585
<b>Total</b>	<u>132,472</u>	<u>142,585</u>
<b>7 Other current liabilities</b>		
Advance from customer (Refer note 22 below)	—	2,800,000
Statutory dues including Tax deducted at Source	21,558	41,179
<b>Total</b>	<u>21,558</u>	<u>2,841,179</u>
<b>8 Short-term provisions</b>		
<b>8.1 Break up of Short-term provisions</b>		
Provision for litigation/disputes	8,066,425	8,066,425
<b>Total</b>	<u>8,066,425</u>	<u>8,066,425</u>
<b>8.2 Provision for litigation/disputes</b>		
Balance as at the beginning of the year	8,066,425	8,066,425
Additions during the year	—	—
Balance as at the end of the year	8,066,425	8,066,425
Classified as Current	8,066,425	8,066,425
<b>Total</b>	<u>8,066,425</u>	<u>8,066,425</u>
<b>8.3 Provision for litigation/disputes represents claims against the Company not acknowledged as debts that are expected to materialise in respect of matters under litigation.</b>		

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in ₹, unless otherwise stated)

9 Tangible Assets

9.1 Break up of Tangible Assets

Own Assets	Gross Block			Depreciation			Lease Terminal Adjustment		Net Block		
	1st April, 2013	Disposals/ Adjustments	31st March, 2014	1st April, 2013	For the period	Disposals/ Adjustments	31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013	
Office equipment	2,968,955	—	2,968,955	2,884,475	11,752	—	2,896,227	—	—	72,728	84,480
Furniture and fixtures	14,805,658	—	14,805,658	14,805,658	—	—	14,805,658	—	—	—	—
Leasehold improvement	6,609,094	—	6,609,094	5,642,797	48,315	—	5,691,112	—	—	917,982	966,297
<b>Total (A)</b>	<b>24,383,707</b>	<b>—</b>	<b>24,383,707</b>	<b>23,332,930</b>	<b>60,067</b>	<b>—</b>	<b>23,392,997</b>	<b>—</b>	<b>—</b>	<b>990,710</b>	<b>1,050,777</b>
<b>Assets given on Lease:</b>											
Plant and Machinery	184,969,407	—	184,969,407	92,940,382	—	—	92,940,382	35,345,463	35,345,463	56,683,562	56,683,562
Less: Provision for doubtful Leased Assets	—	—	—	—	—	—	—	—	—	(56,683,562)	(56,683,562)
<b>Total (B)</b>	<b>184,969,407</b>	<b>—</b>	<b>184,969,407</b>	<b>92,940,382</b>	<b>—</b>	<b>—</b>	<b>92,940,382</b>	<b>35,345,463</b>	<b>35,345,463</b>	<b>—</b>	<b>—</b>
<b>Total (A) + (B)</b>	<b>209,353,114</b>	<b>—</b>	<b>209,353,114</b>	<b>116,273,312</b>	<b>60,067</b>	<b>—</b>	<b>116,333,379</b>	<b>35,345,463</b>	<b>35,345,463</b>	<b>990,710</b>	<b>1,050,777</b>
March 31, 2013	209,353,114	—	209,353,114	116,208,805	64,507	—	116,273,312	35,345,463	35,345,463	1,050,777	1,115,284

Notes:

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

9.3 Capital work in progress amounting to Rs. 28,172,250 (2013: Rs. 28,172,250) represents the value of the property (i.e. situated at No. 110, Saligramam Village, Saidapet Taluk, Chingleput District) received towards settlement of dues, which is currently under litigation and pending registration.

9.4 Depreciation as at the year end on Furniture and fixtures includes impairment loss of Rs. 4,886,754 (2013: Rs. 4,886,754).

	As at 31st March, 2014	As at 31st March, 2013		As at 31st March, 2014	As at 31st March, 2013
<b>10. Non-current Investments</b>					
Trade Investments - Unquoted equity instruments (valued at cost unless stated otherwise)			Stock on hire		
Investment in subsidiaries: 50,000 (2013: 50,000) equity shares of Rs. 10 each held in MRR Trading & Investment Company Limited. (Net of provision aggregating to Rs. 7,620,770 [2013: Rs. 7,620,770] for other than temporary diminution)	43,023,750	43,023,750	(Net of provision for doubtful assets amounting to Rs.23,903,734 [2013: Rs. 23,903,734] and unmatured finance charges amounting to Rs. 6,762,982 [2013: Rs. 6,762,982])	—	—
<b>Other investments</b>			<b>Total</b>	<b>1,000</b>	<b>1,000</b>
Government and trust securities: National Saving Certificate (Net of provision aggregating to Rs. 5,000 [2013: Rs. 5,000])	—	—	<b>13. Trade receivables</b>		
Kisan Vikas Patra (Net of provision aggregating to Rs. 5,000 [2013: Rs. 5,000])	—	—	Unsecured, considered doubtful Outstanding for a period exceeding 6 months from the date they are due for payment		
<b>Total</b>	<b>43,023,750</b>	<b>43,023,750</b>	Lease and Hire purchase receivables	44,612,700	44,612,700
Aggregate amount of unquoted investments	43,023,750	43,023,750	Trade receivables	93,955,367	93,955,367
Aggregate provision for diminution in value of Investments	7,630,770	7,630,770	Less: Provision for doubtful receivables	(138,568,067)	(138,568,067)
<b>11. Long-term loans and advances</b>			<b>Total</b>	<b>—</b>	<b>—</b>
Advance Income Tax	2,688,607	1,824,481	<b>14. Cash and Bank balances</b>		
<b>Total</b>	<b>2,688,607</b>	<b>1,824,481</b>	Cash and Cash equivalents Bank balance		
<b>12. Inventories</b>			In current account	2,178,930	4,236,305
(valued at cost or market value whichever is less)			<b>2,178,930</b>		4,236,305
<b>Stock in Trade</b>			Other bank balances		
Quoted equity instruments: 3 (2013:3) equity shares of Rs. 10 each of Ultra Tech Cemco Limited	1,000	1,000	Deposits with maturity more than 3 months but less than 12 months	—	10,965,030
Unquoted investments: 540,000 (2013: 540,000) Optionally fully convertible debentures of G-Tech Stone Limited – Rs. 59,400,000 (2013 Rs. 59,400,000)	—	—	Deposits with maturity more than 12 months	15,563,105	—
(Net of provision for erosion in value Rs. 59,400,000 [2013: Rs. 59,400,000])	—	—	<b>Total</b>	<b>17,742,035</b>	<b>15,201,335</b>
<b>15. Short term loans and advances</b>			<b>15. Short term loans and advances</b>		
Unsecured, Considered good:			Unsecured, Considered good:		
Other advances	1,500,000	—	Other advances	1,500,000	—
<b>Total</b>	<b>1,500,000</b>	<b>—</b>	<b>Total</b>	<b>1,500,000</b>	<b>—</b>
<b>15. Other current assets</b>			<b>15. Other current assets</b>		
Unsecured, considered good:			Unsecured, considered good:		
Interest accrued on deposits	301,681	95,008	Interest accrued on deposits	301,681	95,008
Assets held for sale (at lower of net cost and net realisable value) (Refer Note 22)	1,361,757	3,177,433	Assets held for sale (at lower of net cost and net realisable value) (Refer Note 22)	1,361,757	3,177,433
<b>Total</b>	<b>1,663,438</b>	<b>3,272,441</b>	<b>Total</b>	<b>1,663,438</b>	<b>3,272,441</b>

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

(All amounts in ₹, unless otherwise stated)

	Year Ended 31st March, 2014	Year Ended 31st March, 2013
<b>17. Other Income</b>		
Interest Income	1,060,575	533,129
Service Income	6,000,000	6,000,000
Profit on sale of assets held for sale		
Refer Note 22)	984,324	—
Misc. Income	27,008	—
<b>Total</b>	<b>8,071,907</b>	<b>6,533,129</b>
<b>18. Employee Benefit Expense</b>		
Salaries, Wages and Bonus	106,750	98,100
<b>Total</b>	<b>106,750</b>	<b>98,100</b>
<b>19. Depreciation and Amortization Expenses</b>		
Depreciation	11,752	13,649
Amortization	48,315	50,858
<b>Total</b>	<b>60,067</b>	<b>64,507</b>
<b>20. Other Expenses</b>		
Professional and Legal fees	887,360	472,229
Travelling Expenses	51,489	115,518
Payment to Auditors		
Audit Fee	100,000	100,000
Tax Audit Fee	25,000	50,000
Reimbursement of expenses (including service tax)	22,192	23,807
Reimbursement of expenses incurred by	718,740	440,072
Subsidiary Company		
Miscellaneous Expenses	34,820	12,664
<b>Total</b>	<b>1,839,601</b>	<b>1,214,290</b>
<b>21. Contingent Liabilities</b>		
Claims against the Company not acknowledged as debts		
Lease tax on account of non-accrual of lease rental	3,778,897	3,778,897
Income Tax matter under dispute	5,795,758	—
<b>Total</b>	<b>9,574,655</b>	<b>3,778,897</b>
<b>22. Assets held for Sale</b>		
On February 14, 2012, the Board of Directors of the Company has approved the plan for disposing the buildings comprising of 7 bungalows, carrying amount of which as at March 31, 2014 is ₹ 1,361,757 (March 31, 2013: ₹ 3,177,433) which is shown as 'Assets held for sale' under 'Other current assets' in Note 16 above. During the current year, the company has sold 4 bungalows with carrying value of ₹ 1,815,676 for a consideration of ₹ 2,800,000 and recognised a gain on sale of ₹ 984,324 included under 'Other income' in Note 17.		

**23. Taxes on Income**

23.1 No provision has been made for Current tax during the year because of carry forward loss under the Income Tax Act, 1961.

23.2 The Company has not recognized the net deferred tax assets, in respect of accumulated losses and unabsorbed depreciation in view of the uncertainty of availing the benefit in near future.

**24. Earnings per share**

Profit / (Loss) after tax	6,065,490	5,156,232
Weighted average number of equity shares	20,000,000	20,000,000
Basic and Diluted earnings per share	0.30	0.26

(face value of Rs. 10 each)  
The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise net profit / (loss) after taxation. The number of shares considered in computing Basic and Diluted EPS is the weighted average number of shares outstanding during the year.

**25. Segment Reporting**

The Company operates in a single business segment and hence no further disclosure is being made.

**26. Micro, Small and Medium Enterprise Development Act, 2006**

There are no Micro and Small enterprises, to which the company owes dues, or with which the company had transactions during the year, based on the information available with the company.

**27. Related party disclosures**
**(a) Names of related parties and nature of relationship:**

Where control exists	
Holding Company:	ITC Limited
Subsidiary Company:	MRR Trading & Investment Company Limited Limited.

**(b) Transactions/Balances**

	Holding Company 31st March 2014	31st March 2013	Subsidiary Company 31st March 2014	31st March 2013
<b>Transactions:</b>				
Service Income	6,000,000	6,000,000	—	—
Reimbursement of expenses	—	—	718,740	440,072
<b>Balances at the year end</b>				
0% Non-Convertible debentures	150,000,000	150,000,000	—	—
Unsecured Loans (Interest free)	325,411,077	325,411,077	—	—

28. Previous year figures have also been reclassified wherever necessary to conform to current year's classification.

**STATEMENT REGARDING SUBSIDIARY COMPANIES:**

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

**MRR TRADING & INVESTMENT COMPANY LIMITED**
**(a) Holding Company's interest:**

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

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

(i) for the Subsidiary's financial year ended March 31, 2014

(ii) for the previous financial years

(Amount in Rs.)

Nil

(416,160)

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

(i) for the Subsidiary's financial year ended March 31, 2014

(ii) for the previous financial years

Nil

Nil

**Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company as at March 31, 2014**(as required in terms of Paragraph 13 of Non-Banking Financial [Non-Deposit Accepting or Holding] Prudential Norms [Reserve Bank] Directions, 2007)  
(All amount in Rupees' Lacs, unless otherwise stated)

<b>Liabilities side:</b>	Amount outstanding	Amount overdue	<b>(4) Break-up of Investments:</b>	Amount outstanding
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			<b>Current Investments:</b>	
(a) Debentures	—	—	<b>1. Quoted:</b>	
Secured			(i) Shares:	—
Unsecured (from Holding Company)			(a) Equity	—
(other than falling within the meaning of public deposits)	1,500.00	—	(b) Preference	—
(b) Deferred Credits	—	—	(ii) Debentures and Bonds	—
(c) Term Loans	—	—	(iii) Units of Mutual funds	—
(d) Inter-corporate loans and borrowing (from Holding Company)	3,254.11	—	(iv) Government Securities	—
(e) Commercial Paper	—	—	(v) Others	—
(f) Other Loans	—	—	<b>2. Unquoted:</b>	
			(i) Shares:	
			(a) Equity	—
			(b) Preference	—
			(ii) Debentures and Bonds	—
			(iii) Units of Mutual funds	—
			(iv) Government Securities	—
			(v) Others	—
<b>Assets side:</b>			<b>Long Term investments:</b>	
		Amount outstanding	<b>1. Quoted:</b>	
(2) Break-up of loans and advances including bills receivables [other than those included in (4) below]:			(i) Shares:	
(a) Secured		—	(a) Equity	—
(b) Unsecured		966.44	(b) Preference	—
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities			(ii) Debentures and Bonds	—
(i) Lease assets including lease rentals under sundry debtors			(iii) Units of Mutual funds	—
(a) Financial lease		961.09	(iv) Government Securities	—
(b) Operating lease		—	(v) Others	—
(ii) Stock on hire including hire charges under sundry debtors:			<b>2. Unquoted:</b>	
(a) Assets on hire		358.54	(i) Shares:	
(b) Repossessed Assets		—	(a) Equity	—
(iii) Other loans counting towards AFC activities			(b) Preference	—
(a) Loans where assets have been repossessed		—	(ii) Debentures and Bonds	—
(b) Loans other than (a) above		—	(iii) Units of Mutual funds	—
			(iv) Government Securities	—
			(v) Others	430.24

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

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

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

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

\*\* As per Accounting Standard of ICAI

**(7) Other Information**

	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties (refer note 1 below)	3,542.04
(ii) Net Non-Performing Assets	—
(a) Related parties	—
(b) Other than related parties	—
(iii) Assets acquired in satisfaction of debt	390.32

**Notes:**

1 Of the above, Rs. 1,849.69 lacs relates to the assets given on lease. The corresponding net block value of such assets are Rs. 566.83 lacs as at March 31, 2014.