

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

1. Your Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2014.

**2. COMPANY PERFORMANCE**

Your Company earned a total revenue of ₹ 436.69 lakhs during the year under review. The temporary surplus funds of the Company were deployed in bank fixed deposits. The Company remains committed to its growth strategy through its joint venture interest in ITC Essentra Limited (earlier known as ITC Filtrona Limited) and is exploring other business opportunities.

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

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
a. Profit Before Tax	4,22,03,150	4,05,87,406
Less : Tax Expense	<u>71,30,000</u>	<u>66,10,000</u>
b. Profit After Tax	3,50,73,150	3,39,77,406
c. Add : Profit brought forward from previous years	13,94,66,683	10,54,89,277
d. Balance carried forward to the following year	<u>17,45,39,833</u>	<u>13,94,66,683</u>

**3. DIRECTORS**

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

**4. RE-APPOINTMENT OF MANAGER**

The Board of Directors of your Company re-appointed Ms. Nidhi Bajaj as Manager of the Company for a period of two years with effect from 1st October, 2013, in terms of the provisions of Section 269 of the Companies Act, 1956, read with Schedule XIII thereto, subject to the approval of the Members of the Company at the next General Meeting. Appropriate resolution seeking your approval for re-appointment of Ms. Bajaj as Manager is appearing in the Notice convening the ensuing Annual General Meeting of the Company.

**5. DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your

Directors confirm having :-

- i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;
- ii) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) prepared the Annual Accounts on a going concern basis.

**6. PARTICULARS OF EMPLOYEES**

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

**7. AUDITORS**

The Company's Auditors, Messrs. L. B. Jha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment. Your Board, on the recommendation of the Audit Committee, has recommended the re-appointment of Messrs. L. B. Jha & Co. for a period of five years in accordance with Section 139 of the Companies Act, 2013.

**8. AUDIT COMMITTEE**

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

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

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

2nd May, 2014

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

On behalf of the Board  
R. Tandon Chairman  
S. Dutta Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED****Report on the Financial Statements**

1. We have audited the accompanying financial statements of GOLD FLAKE CORPORATION LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, signed by us under reference to this report, a summary of significant accounting policies and other explanatory information.

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

2. 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 referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). 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**

3. 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 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.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers 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 Company'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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the 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:

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

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 comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) on the basis of written representations received from the directors as on March 31, 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 L. B. Jha & Co.  
Chartered Accountants  
(Registration No. 301088E)

Kamal Kumar Bhanja  
Partner  
Membership No. 14722

Kolkata  
2nd May, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

(Refer to paragraph 7 of the Independent Auditors' Report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed of by the Company during the year.
2. The Company does not have any inventory.
3. The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. 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.
7. No internal audit was carried out for the year.
8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess 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, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
9. The Company has no accumulated losses as at March 31, 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has neither borrowed moneys from any financial institution or bank nor has issued any debentures during the year.
11. 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.
12. The Company has not obtained any term loans.
13. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
14. According to the records of the Company examined by us and the information and explanation given to us, 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.
15. In our opinion clauses viii, xii to xiv, xix and xx of the paragraph 4 of the Order are not applicable to the Company for the current year.
16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For L. B. Jha & Co.  
Chartered Accountants  
(Registration No. 301088E)  
Kamal Kumar Bhanja  
Partner  
Membership No. 14722

Kolkata  
2nd May, 2014

## BALANCE SHEET AS AT 31ST MARCH, 2014

	Note	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	1	15,99,83,850	15,99,83,850
Reserves and surplus	2	<u>18,32,66,056</u>	<u>14,81,92,906</u>
		<b>34,32,49,906</b>	<b>30,81,76,756</b>
<b>Non-current liabilities</b>			
Other long-term liabilities	3	4,64,204	4,64,204
Long-term provisions	4	<u>1,01,081</u>	<u>79,161</u>
		<b>5,65,285</b>	<b>5,43,365</b>
<b>Current liabilities</b>			
Other current liabilities	5	<u>66,577</u>	<u>73,225</u>
<b>Total</b>		<u><b>34,38,81,768</b></u>	<u><b>30,87,93,346</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Non-current investments	6	<b>6,00,63,750</b>	<b>6,00,63,750</b>
<b>Current assets</b>			
Cash and bank balances	7	27,89,67,294	24,29,44,250
Short-term loans and advances	8	4,70,596	1,45,714
Other current assets	9	<u>43,80,128</u>	<u>56,39,632</u>
<b>Total</b>		<u><b>34,38,81,768</b></u>	<u><b>30,87,93,346</b></u>

The accompanying notes 1 to 15 are an integral part of the Financial Statements.

In terms of our report of even date

For L. B. Jha & Co.  
Chartered Accountants  
Kamal Kumar Bhanja  
Partner  
Kolkata, 2nd May, 2014

On behalf of the Board  
R. Tandon Chairman  
S. Dutta Director  
N. Bajaj Manager & Company Secretary

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

	Note	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
<b>Revenue</b>			
Other income	10	4,36,68,731	4,18,39,044
<b>Total Revenue</b>		<u>4,36,68,731</u>	<u>4,18,39,044</u>
<b>Expenses</b>			
Employee benefits expense	11	13,82,764	11,58,863
Other expenses	12	82,817	92,775
<b>Total Expenses</b>		<u>14,65,581</u>	<u>12,51,638</u>
<b>Profit before tax</b>		<u>4,22,03,150</u>	<u>4,05,87,406</u>
Tax expense:			
Current tax	13	71,30,000	66,10,000
<b>Profit for the year</b>		<u>3,50,73,150</u>	<u>3,39,77,406</u>
Earnings per share (Face Value of ₹ 10/- each) (Basic & Diluted)	14(2)	2.19	2.12

The accompanying Notes 1 to 15 are an integral part of the Financial Statements.

In terms of our report of even date

For L. B. Jha & Co.  
Chartered Accountants

Kamal Kumar Bhanja  
Partner  
Kolkata, 2nd May, 2014

On behalf of the Board

R. Tandon  
S. Dutta  
N. Bajaj  
Chairman  
Director  
Manager & Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

		For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before Tax		4,22,03,150	4,05,87,406
ADJUSTMENTS FOR:			
Interest Income	(2,34,18,731)	(2,14,04,778)	(2,14,04,778)
Dividend Income from Long-term Investments	(2,02,50,000)	(2,02,50,000)	(2,02,50,000)
		<u>(4,36,68,731)</u>	<u>(4,16,54,778)</u>
Operating profit before working capital changes		(14,65,581)	(10,67,372)
Adjustments for:			
Loans and Advances and Other Assets	—	(5,45,671)	(5,45,671)
Other Liabilities and Provisions	15,273	15,273	(4,87,647)
Cash generated from Operations		(14,50,308)	(15,55,019)
Income Tax (Paid)/ Refund		(74,54,884)	(61,22,874)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u>(89,05,192)</u>	<u>(76,77,893)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Dividend Income from Long-term Investments Received	2,02,50,000	2,02,50,000	2,02,50,000
Interest Received	2,46,78,236	1,59,87,877	1,59,87,877
Investment in bank deposits (original maturity more than 3 months)	(3,68,63,514)	(24,24,74,583)	(24,24,74,583)
Redemption/Maturity of bank deposits (original maturity more than 3 months)	7,00,000	21,35,00,000	21,35,00,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>87,64,722</u>	<u>72,63,294</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>—</u>	<u>—</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(1,40,470)</u>	<u>(4,14,599)</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>		<u>4,69,667</u>	<u>8,84,266</u>
<b>Closing cash and cash equivalents</b>		<u>3,29,197</u>	<u>4,69,667</u>
Notes:			
1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 Cash Flow Statements			
2. CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents as above		3,29,197	4,69,667
Other bank balances		27,86,38,097	24,24,74,583
Cash and bank balances (Note 7)		<u>27,89,67,294</u>	<u>24,29,44,250</u>

The accompanying Notes 1 to 15 are an integral part of the Financial Statements.

In terms of our report of even date

For L. B. Jha & Co.  
Chartered Accountants

Kamal Kumar Bhanja  
Partner  
Kolkata, 2nd May, 2014

On behalf of the Board

R. Tandon  
S. Dutta  
N. Bajaj  
Chairman  
Director  
Manager & Company Secretary

## NOTES TO THE FINANCIAL STATEMENTS

1. Share capital	As at 31st March, 2014 (No. of Shares)	As at 31st March, 2014 (₹)	As at 31st March, 2013 (No. of Shares)	As at 31st March, 2013 (₹)
<b>Authorised</b>				
Equity Shares of ₹ 10/- each	<u>2,00,00,000</u>	<u>20,00,00,000</u>	<u>2,00,00,000</u>	<u>20,00,00,000</u>
<b>Issued and Subscribed</b>				
Equity Shares of ₹ 10/- each, fully paid	<u>1,59,98,385</u>	<u>15,99,83,850</u>	<u>1,59,98,385</u>	<u>15,99,83,850</u>
<b>A) Reconciliation of number of Equity Shares outstanding</b>				
At the beginning and at end of the year	<u>1,59,98,385</u>	<u>15,99,83,850</u>	<u>1,59,98,385</u>	<u>15,99,83,850</u>
<b>B) Shareholders holding more than 5% of the Equity Shares in the Company</b>	As at 31st March, 2014 (No. of Shares)	As at 31st March, 2014 (%)	As at 31st March, 2013 (No. of Shares)	As at 31st March, 2013 (%)
ITC Limited-Holding Company	<u>1,59,98,385</u>	<u>100</u>	<u>1,59,98,385</u>	<u>100</u>
<b>C) Rights, preferences and restrictions attached to the Equity Shares</b>				
The Equity Shares of the Company, having a par value of ₹ 10/- per share, rank pari passu in all respects including voting rights and entitlement to dividend.				
<b>2. Reserves and surplus</b>		As at 31st March, 2014 (₹)		As at 31st March, 2013 (₹)
<b>General Reserve</b>				
At the beginning and at the end of the year		<u>87,26,223</u>		<u>87,26,223</u>
<b>Surplus in the Statement of Profit and Loss</b>				
At the beginning of the year	<u>13,94,66,683</u>		<u>10,54,89,277</u>	
Add: Profit for the year	<u>3,50,73,150</u>		<u>3,39,77,406</u>	
At the end of the year		<u>17,45,39,833</u>		<u>13,94,66,683</u>
<b>Total</b>		<u>18,32,66,056</u>		<u>14,81,92,906</u>
<b>3. Other long-term liabilities</b>	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)		
Security deposits	<u>4,64,204</u>	<u>4,64,204</u>		
<b>Total</b>	<u>4,64,204</u>	<u>4,64,204</u>		
<b>4. Long-term provisions</b>	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)		
<b>Provision for employee benefits:</b>				
Retirement Benefits	<u>44,059</u>	<u>33,558</u>		
Other long-term benefits	<u>57,022</u>	<u>45,603</u>		
<b>Total</b>	<u>101,081</u>	<u>79,161</u>		
<b>5. Other current liabilities</b>			As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
<b>Other payables</b>				
Statutory liabilities			<u>36,916</u>	<u>45,023</u>
Liabilities for expenses			<u>29,661</u>	<u>28,202</u>
<b>Total</b>			<u>66,577</u>	<u>73,225</u>
<b>6. Non-current investments (at cost)</b>			As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
<b>Long term - trade (Unquoted)</b>				
<b>Investments in equity instruments</b>				
<b>In Associate</b>				
ATC Limited				
55,650 (2013 - 55,650) Equity Shares of ₹ 100/- each, fully paid			<u>83,47,500</u>	<u>83,47,500</u>
1,39,125 (2013 - 1,39,125) Equity Shares of ₹ 100/- each, ₹ 70/- paid			<u>2,92,16,250</u>	<u>3,75,63,750</u>
<b>In Joint Venture</b>				
ITC Essentra Limited (formerly known as ITC Filtrona Limited)				
22,50,000 (2013 - 22,50,000) Equity Shares of ₹ 10/- each, fully paid			<u>2,25,00,000</u>	<u>2,25,00,000</u>
<b>Total</b>			<u>6,00,63,750</u>	<u>6,00,63,750</u>
<b>Aggregate amount of unquoted Investments</b>			<u>6,00,63,750</u>	<u>6,00,63,750</u>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

## 7. Cash and bank balances

	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
<b>Cash and cash equivalents@</b>		
Balances with banks		
Current accounts	3,27,080	4,68,870
Cash on hand	2,117	797
Other bank balances		
In deposits accounts*	27,86,38,097	24,24,74,583
<b>Total</b>	<b>27,89,67,294</b>	<b>24,29,44,250</b>

@ Cash and cash equivalents include cash on hand and cash at bank.

\* Represents deposits with original maturity of more than 3 months and includes deposits with remaining maturity of more than 12 months from the balance sheet date ₹ 16,02,11,402 (2013- ₹ 24,17,74,583)

## 8. Short-term loans and advances

	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
<b>Unsecured, considered good</b>		
Advance Income Tax (net of provisions)	4,65,596	1,40,714
Sundry Deposits	5,000	5,000
<b>Total</b>	<b>4,70,596</b>	<b>1,45,714</b>

## 9. Other current assets

	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
Accrued Interest on Bank Fixed Deposits	43,80,128	56,39,632
<b>Total</b>	<b>43,80,128</b>	<b>56,39,632</b>

## 10. Other Income

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
Interest Income*	2,34,18,731	2,14,04,778
Dividend Income		
- Long-term investments	2,02,50,000	2,02,50,000
Other non-operating income		
- Others	—	1,84,266
<b>Total</b>	<b>4,36,68,731</b>	<b>4,18,39,044</b>

\*Interest Income comprises interest from:

Deposits with Banks	2,34,18,731	2,14,04,778
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## 11. Employee benefits expense

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
Salaries and wages	12,30,000	9,92,700
Provision for Retirement benefits	21,920	38,405
Staff welfare expense	1,30,844	1,27,758
<b>Total</b>	<b>13,82,764</b>	<b>11,58,863</b>

## 12. Other expenses

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
Rates and taxes	6,650	7,577
Insurance	674	674
Travelling and conveyance	1,050	1,506
Filing fees	2,270	1,020
Consultancy/Professional Fees	31,346	21,000
Auditors' remuneration		
As Auditors- statutory audit	20,225	20,225
For taxation matters	5,618	5,618
For other matters	14,045	21,911
Miscellaneous expenses	939	13,244
<b>Total</b>	<b>82,817</b>	<b>92,775</b>

## 13. Tax expense

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
Current tax		
- for the year	71,30,000	66,10,000
<b>Total</b>	<b>71,30,000</b>	<b>66,10,000</b>

## 14. Additional Notes to the Financial Statements

1. Uncalled liability in respect of partly paid-up 1,39,125 shares of ATC Limited @ ₹ 90.00 per share is ₹ 1,25,21,250/- (2013 - ₹ 1,25,21,250/-).

2. Earnings Per Share:

	2014	2013
Profit for the year (₹)	3,50,73,150	3,39,77,406
Weighted average number of Equity Shares outstanding	1,59,98,385	1,59,98,385

Earnings per share on profit for the year

Basic & Diluted (Face Value - ₹ 10/- per share) ₹ 2.19 ₹ 2.12

3. Segment Reporting

The Company operates in a single business and geographical segment in India.

4. The incidence of Deferred Tax being insignificant is not considered.

5. There are no Micro, Small and Medium Enterprises, to whom the Company owes any dues, which are outstanding for more than 45 days during the year and also as at 31st March 2014. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified based on information available with the Company.

6. Related Party Disclosures :

(a) Relationships :

<b>Holding Company</b>	ITC Limited
<b>Joint Venture</b>	ITC Essentra Limited (formerly known as ITC Filtrona Limited)

**Key Management Personnel**

Mr. R. Tandon	Non-Executive Chairman
Mr. B. B. Chatterjee	Non-Executive Director
Mr. S. Dutta	Non-Executive Director
Ms. N. Bajaj	Manager and Company Secretary

(b) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31.03.2014

(Amount in ₹)

Related Party Transaction Summary	ITC Limited		ITC Essentra Limited (formerly known as ITC Filtrona Limited)		Key Management Personnel	
	2014	2013	2014	2013	2014	2013
1. Sale of Services	—	1,84,266	—	—	—	—
2. Expenses Reimbursed	—	11,236	—	—	—	—
3. Dividend Received	—	—	2,02,50,000	2,02,50,000	—	—
4. Remuneration to Key Management Personnel	—	—	—	—	13,60,844	11,20,458

7. Interest in Joint Venture :

The Company's interests, as a venturer, in jointly controlled entity (incorporated Joint Venture) is :

Name	Country of Incorporation	% of Voting Power as at 31st March, 2014
ITC Essentra Limited (formerly known as ITC Filtrona Limited)	India	50

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial Statements of ITC Essentra Limited (formerly known as ITC Filtrona Limited) are drawn up according to the Financial Year ended as at 31st December.

The Company's interests in this Joint Venture is reported as Non-Current Investment (Note 6) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) related to its interests in the Joint Venture are:

	As at 31st December, 2013 (₹)	As at 31st December, 2012 (₹)
<b>Assets</b>		
<b>Non-current Assets</b>		
Fixed Assets (net)	19,89,51,433	18,35,75,294
Long Term Loans and Advances	1,33,10,810	63,01,277
<b>Current Assets, Loans and Advances</b>		
- Current Investments	10,57,99,492	5,08,08,736
- Inventories	31,86,36,429	27,57,95,746
- Trade Receivables	6,35,18,283	4,52,99,252
- Cash and Cash Equivalents	61,96,062	75,21,283
- Short Term Loans and Advances	30,06,591	31,74,707
- Other Current Assets	33,45,047	24,16,773
<b>Liabilities</b>		
<b>Non - Current Liabilities</b>		
- Deferred Tax Liability (net)	66,94,300	86,92,500
- Long Term Provisions	53,21,312	52,21,555
<b>Current Liabilities and Provisions</b>		
- Short-term Borrowings	2,89,05,746	—
- Trade Payables	30,34,27,630	23,97,18,145
- Other current liabilities	1,70,55,641	1,50,45,382
- Short Term Provisions	2,40,84,364	23,98,467

	For the Year Ended 31st December, 2013 (₹)	For the Year Ended 31st December, 2012 (₹)
<b>Income</b>		
- Net Revenue from sale of products	1,31,45,41,043	1,03,14,97,659
- Other Operating Revenue	64,40,749	28,92,126
- Other Income	21,46,560	45,30,047
<b>Expenses</b>		
- Cost of materials consumed	1,11,72,38,877	86,53,37,323
- Change in inventories of finished goods	(7,70,827)	(7,77,207)
- Employee benefit expense	2,61,87,738	2,36,24,029
- Finance Costs	21,24,353	2,00,146
- Depreciation and amortization expense	1,88,98,943	1,44,60,427
- Other expenses	5,68,51,414	3,91,15,252
- Provision for tax	3,37,51,800	3,16,99,091

8. Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2014 and recognised in the financial statements in respect of Employee Benefit Schemes:

	For the year ended 31st March, 2014 (₹)		For the year ended 31st March, 2013 (₹)	
	Gratuity Unfunded	Leave Encashment Unfunded	Gratuity Unfunded	Leave Encashment Unfunded
<b>I. Components of Employer Expenses</b>				
1. Current Service Cost	9,213	5,521	7,811	4,368
2. Interest Cost	3,020	4,104	1,473	1,787
3. Expected Return on Plan Assets	—	—	—	—
4. Curtailment Cost / (Credit)	—	—	—	—
5. Settlement Cost / (Credit)	—	—	—	—
6. Past Service Cost	—	—	—	—
7. Actuarial Losses / (Gains)	(1,732)	1,794	5,860	17,106
<b>8. Total expense recognised in the Statement of Profit &amp; Loss</b>	<b>10,501</b>	<b>11,419</b>	<b>15,144</b>	<b>23,261</b>
The Gratuity and Leave Encashment expenses have been recognized in "Provision for Retirement Benefits" in "Employee Benefits Expense" under Note No. 11.				
<b>II. Actual Returns</b>	—	—	—	—
<b>III. Net Asset / (Liability) recognised in Balance Sheet</b>				
1. Present Value of Defined Benefit Obligation	44,059	57,022	33,558	45,603
2. Fair Value on Plan Assets	—	—	—	—
3. Status [Surplus / (Deficit)]	(44,059)	(57,022)	(33,558)	(45,603)
4. Unrecognised Past Service Cost	—	—	—	—
<b>5. Net Asset / (Liability) recognised in Balance Sheet</b>	<b>(44,059)</b>	<b>57,022</b>	<b>(33,558)</b>	<b>45,603</b>
<b>IV. Change in Defined Benefit Obligation (DBO)</b>				
1. Present Value of DBO at the beginning of the year	33,558	45,603	18,414	22,342
2. Current Service Cost	9,213	5,521	7,811	4,368
3. Interest Cost	3,020	4,104	1,473	1,787
4. Curtailment Cost / (Credit)	—	—	—	—
5. Settlement Cost / (Credit)	—	—	—	—
6. Plan Amendments	—	—	—	—
7. Past Service Cost	—	—	—	—
8. Actuarial (Gains) / Losses	(1,732)	1,794	5,860	17,106
9. Benefits Paid	—	—	—	—
10. Present Value of DBO at the end of the year	44,059	57,022	33,558	45,603
<b>V. Change in Fair Value of Assets</b>				
1. Plan Assets at the beginning of the year	—	—	—	—
2. Acquisition Adjustment	—	—	—	—
3. Expected Return on Plan Assets	—	—	—	—
4. Actuarial Gains / (Losses)	—	—	—	—
5. Actual Company Contributions	—	—	—	—
6. Benefits Paid	—	—	—	—
7. Plan Assets at the end of the year	—	—	—	—
<b>VI. Actuarial Assumptions</b>				
1. Discount Rate (%)	9.00	9.00	8.00	8.00
2. Expected Return on Plan Assets (%)	—	—	—	—

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

VII. Major Category of Plan Assets as a % of the Total Plan Assets	As at 31st March, 2014	As at 31st March, 2013
1. Government Securities / Special Deposit with RBI	—	—
2. High Quality Corporate Bonds	—	—
3. Insurance Companies	—	—
4. Mutual Funds	—	—
5. Cash and Cash Equivalents	—	—
6. Term Deposits	—	—

VIII. Basis used to determine the Expected Rate of Return on Plan Assets  
Not Applicable

IX. Net Asset / (Liability) recognised in Balance Sheet (including experience adjustment)	For the year ended 31st March, 2014 (₹)		For the year ended 31st March, 2013 (₹)		For the year ended 31st March, 2012 (₹)		For the year ended 31st March, 2011 (₹)		For the year ended 31st March, 2010 (₹)	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Present Value of Defined Benefit Obligation	44,059	57,022	33,558	45,603	18,414	22,342	13,412	17,357	5,568	8,106
Fair Value on Plan Assets	—	—	—	—	—	—	—	—	—	—
Status [Surplus/ (Deficit)]	(44,059)	(57,022)	(33,558)	(45,603)	(18,414)	(22,342)	(13,412)	(17,357)	(5,568)	(8,106)
Experience Adjustment of Plan Assets [Gain / (Loss)]	—	—	—	—	—	—	—	—	—	—
Experience Adjustment of Obligation [(Gain) / Loss]	—	—	—	—	—	—	—	—	—	—

## 9. Fixed Assets

(Amount in ₹)

Particulars	GROSS BLOCK							DEPRECIATION							NET BOOK VALUE		
	As at 31st March, 2012	Additions	Withdrawals & adjustments	As at 31st March, 2013	Additions	Withdrawals & adjustments	As at 31st March, 2014	Upto 31st March, 2012	For the year	On Withdrawals & adjustments	Upto 31st March, 2013	For the year	On Withdrawals & adjustments	Upto 31st March, 2014	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2012
Tangible assets																	
Plant and Machinery	85,853	—	—	85,853	—	—	85,853	85,853	—	—	85,853	—	—	85,853	—	—	—
Furniture and Fixture	5,090	—	—	5,090	—	—	5,090	5,090	—	—	5,090	—	—	5,090	—	—	—
Total	90,943	—	—	90,943	—	—	90,943	90,943	—	—	90,943	—	—	90,943	—	—	—

10. Previous Year's figures have been regrouped / re-classified, where necessary to correspond with the current year's classification/disclosure.

## 15. Significant Accounting Policies

It is Corporate Policy

## Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

## Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in revised Schedule VI to the Companies Act, 1956 based on the nature of services.

## Fixed Assets

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. Expenses capitalized also include borrowing costs, if any.

## Depreciation

To calculate depreciation on Fixed Assets, on "Written Down Value" basis at the rates specified in Schedule XIV to the Companies Act, 1956.

## Investments

To state Current Investments at lower of cost and fair value and Long Term Investments, including in Joint Ventures and Associates, at cost. Where applicable, provision is made to recognise a decline, other than temporary, in valuation of Long Term Investments.

## Inventories

To state inventories at lower of cost and net realizable value. 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.

## Revenue Recognition

To recognize revenue at the time of rendering of services net of trade discounts to customers and taxes recovered from customers.

## Investment Income

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source. To account for Income from Dividends when the right to receive such dividends is established.

## Employee Benefits

To determine the liabilities towards gratuity and employee leave encashment by an independent actuarial valuation as per the requirements of Accounting Standard -15 on "Employee Benefits". To determine actuarial gains or losses and to recognise such gains or losses immediately in the Statement of Profit and Loss as income or expense.

## Taxes on Income

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

To provide Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date.

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

On behalf of the Board

R. Tandon Chairman  
S. Dutta Director  
N. Bajaj Manager & Company Secretary

Kolkata, 2nd May, 2014