

**REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019**

1. Your Directors submit their Report for the financial year ended 31st March, 2019.

**2. COMPANY PERFORMANCE**

Your Company earned total income of ₹ 401.26 lakhs during the year under review. The Company remains committed to its growth strategy through its joint venture interest in ITC Essentra Limited and continues to explore newer growth opportunities. The temporary surplus funds of the Company, in the meantime, have been deployed in bank fixed deposits and debt mutual funds.

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

	For the year ended 31st March, 2019	For the year ended 31st March, 2018
	(₹)	(₹)
<b>Profits</b>		
a. Profit Before Tax	2,93,88,167	2,54,05,437
b. Less : Tax Expense	8,07,635	17,01,402
c. Profit After Tax	2,85,80,532	2,37,04,035
d. Add : Other Comprehensive Income	-	-
e. Total Comprehensive Income	2,85,80,532	2,37,04,035
<b>Retained Earnings</b>		
a. At the beginning of the year	5,77,93,745	8,70,41,730
b. Add : Profit for the year	2,85,80,532	2,37,04,035
c. Add : Other Comprehensive Income	-	-
d. Less : Interim Dividend paid	-	4,39,95,559
e. Less : Income Tax on Interim Dividend	-	89,56,461
f. At the end of the year	8,63,74,277	5,77,93,745

**3. DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**(a) Changes in Directors and Key Managerial Personnel during the year**

During the year under review, the Board of Directors of your Company ('the Board') appointed Mr. Abhijit Roy (DIN: 07883789) as an Additional Director of the Company with effect from 1st December, 2018. In accordance with Section 161 of the Companies Act, 2013 ('the Act') and Article 97 of the Articles of Association of the Company, Mr. Roy will vacate office at the ensuing Annual General Meeting ('AGM') and is eligible for appointment as a Director of the Company.

Your Board at the meeting held on 23rd April, 2019 recommended for the approval of the Members, the appointment of Mr. Roy as a Non-Executive Director of your Company, liable to retire by rotation. Requisite Notice under Section 160 of the Act has been received by the Company for appointment of Mr. Roy, who has filed his consent to act as a Director of your Company, if appointed. Appropriate resolution seeking your approval to Mr. Roy's appointment is appearing in the Notice convening the ensuing AGM of the Company.

There was no change in the Key Managerial Personnel of the Company during the year.

**(b) Retirement by Rotation**

In accordance with the provisions of Section 152 of the Act read with Article 92 of the Articles of Association of the Company, Mr. Saradindu Dutta (DIN: 00058639), Director, will retire by rotation at the ensuing AGM of the Company, and being eligible, offers himself for re-election. Your Board has recommended his re-election.

**4. BOARD MEETINGS**

Four meetings of the Board were held during the year ended 31st March, 2019.

**5. DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 of the Act, your Directors confirm having:

- followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;
- selected such accounting policies and applied them consistently

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

- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act 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; and
- devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**6. ASSOCIATE AND JOINT VENTURE**

The statement in Form No. AOC-1 containing the salient features of the financial statements of ATC Limited, associate company, and ITC Essentra Limited, joint venture company, is attached to the Financial Statements of the Company.

The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements. However, brief details of the performance and financial position of the Company's associate and joint venture are given below:

Name of Associate / Joint Venture Company	Total Revenue / Income		Profit After Tax	
	FY 2018-19 (₹ in lakhs)	FY 2017-18 (₹ in lakhs)	FY 2018-19 (₹ in lakhs)	FY 2017-18 (₹ in lakhs)
ATC Limited (associate company)	2,366.77	2,312.96	30.88	66.47
ITC Essentra Limited (joint venture company)	36,098.90	24,914.00	3,279.44	1,645.21

**7. PARTICULARS OF EMPLOYEES**

The details of employees of the Company as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 1** to this Report.

The Company seeks to enhance equal opportunities for men and women and is committed to a gender-friendly workplace. During the year, no complaint for sexual harassment was received. However, the Company is not required to constitute Internal Complaints Committee in terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**8. RISK MANAGEMENT**

The risk management framework of the Company is commensurate with its size and nature of business. Management of risks vest with the executive management which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Audit Department of ITC Limited, the Internal Auditor of the Company, periodically carries out risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Board annually reviews the effectiveness of the Company's risk management systems and policies.

**9. INTERNAL FINANCIAL CONTROLS**

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations. The Internal Auditor of the Company periodically evaluates the adequacy and effectiveness of such internal financial controls. The Board which provides guidance on internal controls, also reviews internal audit findings and implementation of internal audit recommendations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed. Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

**10. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

During the year ended 31st March, 2019, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

**11. RELATED PARTY TRANSACTIONS**

During the year ended 31st March, 2019, the Company has neither entered into any contract or arrangement with its related parties which is not at arm's length nor has the Company entered into any material contract or arrangement with them, in terms of Section 188 of the Act.

**12. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS**

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

**13. EXTRACT OF ANNUAL RETURN**

The extract of Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 2** to this Report.

**14. COST RECORDS**

The Company is not required to maintain cost records in terms of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014.

**15. STATUTORY AUDITORS**

The Company's Auditors, Messrs. L. B. Jha & Co., Chartered Accountants, who were appointed with your approval at the 80th AGM for a period of five years, will complete their present term on conclusion of the ensuing 85th AGM of the Company.

The Board has recommended for the approval of the Members, the appointment of Messrs. S R B C & CO LLP, Chartered Accountants ('SRBC'), as the Auditors of the Company for a period of five years from the conclusion of the ensuing 85th AGM till the conclusion of the 90th AGM. SRBC have given their consent to act as the Auditors of the Company and have confirmed that the said appointment, if made, will be in accordance with the conditions prescribed under Sections 139 and 141 of the Act. The Board has also recommended for the approval of the Members, the remuneration of SRBC for the financial year 2019-20. Appropriate resolution seeking your approval to the appointment and remuneration of SRBC as the Auditors is appearing in the Notice convening the 85th AGM of the Company.

**16. COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118 of the Act.

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

Considering the nature of business of your Company, no comment is required on conservation of energy and technology absorption.

During the year under review, there has been no foreign exchange earnings or outflow.

On behalf of the Board

R. Tandon  
S. Dutta

Chairman  
Director

Dated : 23rd April, 2019

**Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2019**

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of commencement of employment / deputation	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
V. Luharuka	34	Chief Financial Officer	54,13,289/-	30,44,669/-	B. Com (Hons.), A.C.A.	11	01.01.2015	ITC Limited – Manager (Finance)
N. Bajaj	35	Manager & Company Secretary	42,14,150/-	28,87,532/-	B. Com (Hons.), M.B.L., A.C.S.	11	01.10.2007 (date of deputation – 01.10.2015)	–

**Notes:**

- Both the aforesaid employees are on deputation from ITC Limited, the Holding Company (ITC). The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.
- Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.
- The Chief Financial Officer has been granted Stock Options by ITC in previous year(s) under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. ITC has also granted Employee Stock Appreciation Linked Reward Units (ESAR Units) to the Chief Financial Officer and the Manager & Company Secretary under its Stock Appreciation Linked Reward Plan. Since these Stock Options and ESAR Units are not tradeable, no perquisite or benefit is conferred upon the employee by grant of such Options / Units, and accordingly the said grant has not been considered as remuneration.
- The aforesaid employees are neither relative of any Director / Manager of the Company nor hold any equity share in the Company.

On behalf of the Board

R. Tandon  
S. Dutta

Chairman  
Director

Dated : 23rd April, 2019

**Annexure 2 to the Report of the Board of Directors**

FORM NO. MGT-9

**EXTRACT OF ANNUAL RETURN****as on the financial year ended on 31st March, 2019***[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]***I. REGISTRATION AND OTHER DETAILS**

i) CIN	:	U16003WB1935PLC008314
ii) Registration Date	:	26th June, 1935
iii) Name of the Company	:	Gold Flake Corporation Limited
iv) Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
v) Address of the Registered office and contact details	:	Virginia House 37 J. L. Nehru Road Kolkata – 700 071 Phone: 033 2288 4086 / 6228 / 1946 Fax: 033 2288 9980 e-mail ID: <a href="mailto:GoldFlakeCorporation.Limited@itc.in">GoldFlakeCorporation.Limited@itc.in</a>
vi) Whether listed company	:	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: NOT APPLICABLE

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held in / by the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)
2.	ATC Limited 35 Rajaji Nagar Hosur – 635 126	U16000TZ1973PLC018100	Associate company	47.50%	2(6)
3.	ITC Essentra Limited Survey No. 139/140, Veerapura Village, Kasaba Hobli, Doddaballapur Taluk Bengaluru – 561 203	U85110KA1993PLC014278	Joint venture company	50.00%	2(6)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****(i) Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual / HUF	-	-	-	-	-	-	-	-	N.A.
b) Central Govt.	-	-	-	-	-	-	-	-	N.A.
c) State Govt.(s)	-	-	-	-	-	-	-	-	N.A.
d) Bodies Corp.	-	1,59,98,385	1,59,98,385	100.00	-	1,59,98,385	1,59,98,385	100.00	Nil
e) Banks / FI	-	-	-	-	-	-	-	-	N.A.
f) Any Other	-	-	-	-	-	-	-	-	N.A.
<b>Sub-total (A)(1)</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	<b>Nil</b>
(2) Foreign									
a) NRIs – Individuals	-	-	-	-	-	-	-	-	N.A.
b) Other – Individuals	-	-	-	-	-	-	-	-	N.A.
c) Bodies Corp.	-	-	-	-	-	-	-	-	N.A.
d) Banks / FI	-	-	-	-	-	-	-	-	N.A.
e) Any Other	-	-	-	-	-	-	-	-	N.A.
<b>Sub-total (A)(2)</b>	-	-	-	-	-	-	-	-	<b>N.A.</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	<b>Nil</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	N.A.
b) Banks / FI	-	-	-	-	-	-	-	-	N.A.
c) Central Govt.	-	-	-	-	-	-	-	-	N.A.
d) State Govt.(s)	-	-	-	-	-	-	-	-	N.A.
e) Venture Capital Funds	-	-	-	-	-	-	-	-	N.A.
f) Insurance Companies	-	-	-	-	-	-	-	-	N.A.
g) FIs	-	-	-	-	-	-	-	-	N.A.
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	N.A.
i) Others (specify)	-	-	-	-	-	-	-	-	N.A.
<b>Sub-total (B)(1)</b>	-	-	-	-	-	-	-	-	<b>N.A.</b>
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	N.A.
ii) Overseas	-	-	-	-	-	-	-	-	N.A.
b) Individuals	-	-	-	-	-	-	-	-	N.A.
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)	-	-	-	-	-	-	-	-	N.A.
<b>Sub-total (B)(2)</b>	-	-	-	-	-	-	-	-	<b>N.A.</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	-	-	-	-	-	-	-	-	<b>N.A.</b>
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	N.A.
<b>Grand Total (A+B+C)</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	-	<b>1,59,98,385</b>	<b>1,59,98,385</b>	<b>100.00</b>	<b>Nil</b>

## (ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	ITC Limited	1,59,98,385	100.00	Nil	1,59,98,385	100.00	Nil	Nil

## (iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Datewise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

## (v) Shareholding of Directors and Key Managerial Personnel: None of the Directors and Key Managerial Personnel hold any share in the Company in their individual capacity.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment : NIL

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

## A. Remuneration to Managing Director, Wholetime Directors and / or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	N. Bajaj (Manager & Company Secretary) (refer Note 1)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	39,36,388
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	1,86,328
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission - as % of profit - others, specify	-
5.	Others, please specify	-
<b>Total Amount (A)</b>		<b>41,22,716</b>
Ceiling as per the Companies Act, 2013		84,00,000 per annum (refer Note 2)

Note 1: Ms. N. Bajaj is on deputation from ITC Limited (ITC) and has been granted Employee Stock Appreciation Linked Reward Units (ESAR Units) by ITC under its Stock Appreciation Linked Reward Plan. Since these ESAR Units are not tradeable, no perquisite or benefit is conferred upon the employee by grant of such Units, and accordingly the said grant has not been considered as remuneration.

Note 2: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2019 are inadequate. The appointment of Ms. Bajaj is governed by the resolutions passed by the Board and the shareholders of the Company. The statutory provisions apply with respect to notice period and severance fee.

## B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Name of the Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board and Board Committee meetings	Commission	Others, please specify	
1.	<b>Independent Directors</b>				
	<b>Total Amount (B)(1)</b>				<b>Nil</b>
2.	<b>Other Non-Executive Directors</b>				
	R. Tandon	Nil	Nil	Nil	Nil
	S. Dutta				
	R. Poddar				
	<b>Total Amount (B)(2)</b>				<b>Nil</b>
<b>Total Amount (B) = (B)(1) + (B)(2)</b>					<b>Nil</b>
<b>Total Managerial Remuneration (A + B)</b>					<b>41,22,716</b>
Overall ceiling as per the Companies Act, 2013					84,00,000 per annum (refer Note)

Note: Ceiling as per Part II of Schedule V to the Companies Act, 2013 has been disclosed, considering that the profits of the Company for the financial year ended 31st March, 2019 are inadequate.

## C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	V. Luharuka (Chief Financial Officer) (refer Note)
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	44,80,556
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	8,16,531
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission - as % of profit - others, specify	-
5.	Others, please specify	-
<b>Total Amount</b>		<b>52,97,087</b>

Note: Mr. V. Luharuka is on deputation from ITC Limited (ITC) and has been granted Stock Options in previous year(s) and Employee Stock Appreciation Linked Reward Units (ESAR Units) in the current year by ITC under its Employee Stock Option Schemes and Stock Appreciation Linked Reward Plan, respectively. Since these Stock Options / ESAR Units are not tradeable, no perquisite or benefit is conferred upon the employee by grant of such Options / Units, and accordingly the said grant has not been considered as remuneration.

## VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013 : None

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

Dated : 23rd April, 2019

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

### Report on the Standalone Ind AS Financial Statements

#### Opinion

1. We have audited the accompanying standalone Ind AS financial statements of **GOLD FLAKE CORPORATION LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended on that date, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit, and its cash flows for the year ended on that date.

#### Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

3. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our auditor's report thereon.
4. Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
5. In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
6. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibility of Management for Standalone Ind AS Financial Statements

7. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
8. In preparing the Ind AS financial statements, management is responsible

for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibility for the Audit of the Ind AS Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

11. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

#### Report on Other Legal and Regulatory Requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.



14. As required by Section 143 (3) of the Act, we report that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
  - In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - With respect to the other matters to be included in the Auditor's

- Report in accordance with the requirements of Section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.
- With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - The Company does not have any pending litigations which would impact its financial positions.
    - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For L. B. Jha & Co.  
Chartered Accountants  
(Firm's Registration No. 301088E)  
Diptendra Narayan Roy  
Partner  
(Membership No. 300389)

Place : Kolkata  
Date : 23rd April, 2019

#### ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED

[Referred to in paragraph 13 of the Auditor's Report of even date]

- The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - The fixed assets of the Company 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.
  - According to the information and explanations given to us and the records of the Company examined by us, the company does not have any immovable properties.
- The Company does not have any inventory.
- The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnership or other parties covered in the register maintained under Section 189 of the Act.
- According to the information and explanations given to us and the records of the Company examined by us, the Company has not made any investment, advanced any loan, given any guarantee or provided any securities to others during the year. Investments made by the Company before the Act came into operation are disclosed in Note 4 of the accompanying financial statements.
- The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Rules framed there under.
- The Central Government of India has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- 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, employees' state insurance, income-tax, sales tax, duty of customs, duty of excise, value added tax, Goods and Services tax, cess and any other statutory dues, as applicable, with the appropriate authorities.
  - 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 or sales tax or service tax or duty of customs or duty of excise or value added tax or Goods and Services tax which have not been deposited on account of any dispute.
- The Company has neither taken any loan from financial institutions or banks or Government nor issued any debentures.

- The Company has neither raised any money by public issues of shares or debentures nor obtained any term loans during the year.
- 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.
- According to the information and explanations given to us and the records of the Company examined by us, total managerial remuneration paid as reflected in the financial statements for the year ended 31st March, 2019 are in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- The related statutes are not applicable as the Company is not a Nidhi Company.
- According to the information and explanations given to us and the records of the Company examined by us, the company has complied with the requirements of Sections 177 and 188 of the Act with respect to its transactions with the related parties. Pursuant to the requirement of the applicable Accounting Standard, details of the related party transactions have been disclosed in Note 17 (vi) of the financial statements for the year under audit.
- The Company has neither made any preferential allotment of shares nor fully or partly convertible debentures during the year under audit.
- According to the information and explanations given to us and the records of the Company examined by us, the Company has not entered into any non-cash transactions, with any director of the Company and the holding company or persons connected with them, involving acquisition of assets by or from them for consideration other than cash.
- In our opinion, and according to the information and explanations given to us, not being a non-banking financial company, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For L. B. Jha & Co.  
Chartered Accountants  
(Firm's Registration No. 301088E)  
Diptendra Narayan Roy  
Partner  
(Membership No. 300389)

Place : Kolkata  
Date : 23rd April, 2019

**ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF GOLD FLAKE CORPORATION LIMITED**

[Referred to in paragraph 14(f) of the Independent Auditor's Report of even date]

**Report on the Internal Financial Control under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. We have audited the internal financial controls over financial reporting of **Gold Flake Corporation Limited** ("the Company") as of 31st March, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Control**

2. The Company's management is responsible for establishing and maintaining internal financial control based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the "Guidance Note" and the Standard on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting includes obtaining an understanding of internal financial control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedure selected depends on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and

appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Control over Financial Reporting**

6. A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that
  - 1) pertain to the maintenance of the records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
  - 2) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the Company are being made only in accordance with authorization of management and directors of company; and
  - 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Control over Financial Reporting**

7. Because of inherent limitation of internal financial control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluations of the internal financial control over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, the Company has, in all material respect, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2019, based on the internal control over financial reporting criteria established by the Company considering, the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Control over Financial Reporting, issued by ICAI.

For L. B. Jha & Co.  
Chartered Accountants  
(Firm's Registration No. 301088E)  
Diptendra Narayan Roy  
Partner  
(Membership No. 300389)

Place : Kolkata  
Date : 23rd April, 2019



## BALANCE SHEET AS AT 31ST MARCH, 2019

	Note	As at 31st March, 2019 (₹)		As at 31st March, 2018 (₹)
<b>ASSETS</b>				
<b>Non-current assets</b>				
(a) Property, Plant and Equipment	3		2,087	10,921
(b) Financial Assets				
(i) Investments	4		6,00,63,750	6,00,63,750
(ii) Others	5		2,35,00,000	–
(c) Other non-current assets	6		7,36,711	7,13,971
<b>Current assets</b>				
(a) Financial Assets				
(i) Investments	7	61,72,049		25,27,649
(ii) Cash and cash equivalents	8	1,28,295		1,47,065
(iii) Other Bank Balances	9	15,25,31,504		15,12,94,939
(iv) Others	10	1,21,85,980	17,10,17,828	1,18,10,323
			<u>17,10,17,828</u>	<u>16,57,79,976</u>
<b>TOTAL ASSETS</b>			<u><b>25,53,20,376</b></u>	<u><b>22,65,68,618</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
(a) Equity Share capital	11	15,99,83,850		15,99,83,850
(b) Other Equity		<u>9,51,00,500</u>	25,50,84,350	<u>6,65,19,968</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial Liabilities				
(i) Other financial liabilities	12		1,71,226	–
<b>Current liabilities</b>				
(a) Financial Liabilities				
(i) Other financial liabilities	12		64,800	64,800
<b>TOTAL EQUITY AND LIABILITIES</b>			<u><b>25,53,20,376</b></u>	<u><b>22,65,68,618</b></u>

The accompanying notes 1 to 17 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.

Chartered Accountants

(Firm's Registration No. 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY

Partner

(Membership No. 300389)

Kolkata, 23rd April, 2019

R. TANDON

V. LUHARUKA

Chairman

Chief Financial Officer

S. DUTTA

N. BAJAJ

Director

Manager & Company Secretary

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

	Note	For the year ended 31st March, 2019 (₹)		For the year ended 31st March, 2018 (₹)
I Other Income	13		4,01,26,412	3,44,05,149
<b>Total Income (I)</b>			<u><b>4,01,26,412</b></u>	<u><b>3,44,05,149</b></u>
<b>II EXPENSES</b>				
Employee benefits expense	14		1,04,37,369	84,13,925
Depreciation expense			8,834	13,182
Other expenses	15		2,92,042	5,72,605
<b>Total expenses (II)</b>			<u><b>1,07,38,245</b></u>	<u><b>89,99,712</b></u>
III Profit before tax (I - II)			<u><b>2,93,88,167</b></u>	<u><b>2,54,05,437</b></u>
IV Tax expense:				
Current Tax	16		8,07,635	17,01,402
V Profit for the year (III - IV)			<u><b>2,85,80,532</b></u>	<u><b>2,37,04,035</b></u>
VI Other Comprehensive Income			–	–
VII Total Comprehensive Income for the year (V + VI)			<u><b>2,85,80,532</b></u>	<u><b>2,37,04,035</b></u>
VIII Earnings per equity share (Face Value of ₹ 10.00 each):				
– Basic and Diluted (in ₹)	17 (i)		1.79	1.48

The accompanying notes 1 to 17 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.

Chartered Accountants

(Firm's Registration No. 301088E)

On behalf of the Board

DIPTENDRA NARAYAN ROY

Partner

(Membership No. 300389)

Kolkata, 23rd April, 2019

R. TANDON

V. LUHARUKA

Chairman

Chief Financial Officer

S. DUTTA

N. BAJAJ

Director

Manager & Company Secretary

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019

## A. Equity Share Capital

(₹)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2018	15,99,83,850	–	15,99,83,850
<b>For the year ended 31st March, 2019</b>	<b>15,99,83,850</b>	<b>–</b>	<b>15,99,83,850</b>

## B. Other Equity

(₹)

	Reserves and Surplus		Total
	General Reserve	Retained Earnings	
<b>Balance as at 31st March, 2017</b>	<b>87,26,223</b>	<b>8,70,41,730</b>	<b>9,57,67,953</b>
Profit for the year	–	2,37,04,035	2,37,04,035
Other Comprehensive Income (net of tax)	–	–	–
<b>Total Comprehensive Income for the year</b>	<b>–</b>	<b>2,37,04,035</b>	<b>2,37,04,035</b>
Dividend paid	–	(4,39,95,559)	(4,39,95,559)
Income tax on dividend paid	–	(89,56,461)	(89,56,461)
<b>Balance as 31st March, 2018</b>	<b>87,26,223</b>	<b>5,77,93,745</b>	<b>6,65,19,968</b>
Profit for the year	–	2,85,80,532	2,85,80,532
Other Comprehensive Income (net of tax)	–	–	–
<b>Balance as at 31st March, 2019</b>	<b>87,26,223</b>	<b>8,63,74,277</b>	<b>9,51,00,500</b>

**General Reserve:** This Reserve is created by an appropriation from one component of Equity (generally Retained Earnings) to another, not being an item of Other Comprehensive Income. The same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.

**Retained Earnings:** This Reserve represents the cumulative profits of the Company and effects of remeasurement of defined benefit obligations. This Reserve can be utilised in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 17 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.

Chartered Accountants

(Firm's Registration No. 301088E)

DIPTENDRA NARAYAN ROY

Partner

(Membership No. 300389)

Kolkata, 23rd April, 2019

On behalf of the Board

R. TANDON *Chairman*  
V. LUHARUKA *Chief Financial Officer*

S. DUTTA *Director*  
N. BAJAJ *Manager & Company Secretary*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
<b>A. Cash Flow from Operating Activities</b>		
PROFIT BEFORE TAX	2,93,88,167	2,54,05,437
ADJUSTMENTS FOR:		
Depreciation expense	8,834	13,182
Interest Income	(1,19,12,974)	(1,15,86,377)
Dividend Income	(2,70,00,000)	(2,02,50,000)
Security deposit	(90,000)	-
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit or loss	(12,13,438)	(25,68,772)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>(1,08,19,411)</u>	<u>(89,86,530)</u>
ADJUSTMENTS FOR:		
Other financial liabilities	1,71,226	(5,09,410)
CASH USED IN OPERATIONS	(1,06,48,185)	(94,95,940)
Income tax paid	(7,40,375)	(22,78,335)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(1,13,88,560)</u>	<u>(1,17,74,275)</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of current investments	(31,47,80,000)	(44,67,51,000)
Sale / redemption of current investments	31,23,49,038	44,67,92,123
Dividend Income	2,70,00,000	2,02,50,000
Interest received	1,22,37,317	122,33,334
Investment in bank deposits (original maturity more than 3 months)	(49,45,34,438)	(18,49,84,541)
Redemption / maturity of bank deposits (original maturity more than 3 months)	47,97,97,873	20,96,62,401
Investment in deposit with housing finance company	(1,07,00,000)	(1,00,00,000)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>1,13,69,790</u>	<u>4,72,02,317</u>
<b>C. Cash Flow from Financing Activities</b>		
Dividend paid	-	(4,39,95,559)
Income tax on dividend paid	-	(89,56,461)
<b>NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES</b>	<u>-</u>	<u>(5,29,52,020)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(18,770)</b>	<b>(1,75,23,978)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>1,47,065</b>	<b>1,76,71,043</b>
<b>CLOSING CASH AND CASH EQUIVALENTS (Note 8)</b>	<u><b>1,28,295</b></u>	<u><b>1,47,065</b></u>

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Ind AS - 7 "Statement of Cash Flows".

The accompanying notes 1 to 17 are an integral part of the Financial Statements.

In terms of our report attached.

For L. B. Jha & Co.  
Chartered Accountants  
(Firm's Registration No. 301088E)

DIPTENDRA NARAYAN ROY  
Partner  
(Membership No. 300389)  
Kolkata, 23rd April, 2019

On behalf of the Board

R. TANDON *Chairman*                      S. DUTTA *Director*  
V. LUHARUKA *Chief Financial Officer*                      N. BAJAJ *Manager & Company Secretary*

## NOTES TO THE FINANCIAL STATEMENTS

**Company Information :**

Gold Flake Corporation Limited, a wholly owned subsidiary of ITC Limited, is a Company within the meaning of the Companies Act, 2013. It continues to explore newer growth opportunities. The temporary surplus funds of the Company, in the meantime, have been deployed in bank fixed deposits and debt mutual funds.

**1. Significant Accounting Policies****Statement of Compliance**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. The date of transition to Ind AS is 1st April, 2015.

**Basis of Preparation**

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

**Operating Cycle**

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 III to the Companies Act, 2013 and Ind AS 1 - Presentation of Financial Statements based on the nature of products or services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

**Property, Plant and Equipment – Tangible Assets**

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of property, plant and equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate. The estimated useful lives of property, plant and equipment of the Company are as follows:

Office Equipment - Desktop	3 years
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**Inventories**

Inventories are stated at lower of cost and net realisable 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 present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

**Investment in Subsidiaries, Associates and Joint Ventures**

Investment in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment, if any.

**Financial instruments, Financial assets, Financial liabilities and Equity instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

**Financial Assets**

**Recognition:** Financial assets include investments, trade receivables, advances, security deposits, cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

**Classification:** Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

The financial assets are classified as those measured at:

- amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and / or interest.
- fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.
- fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on their fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, advances, security deposits, cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

**Impairment:** The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

**Reclassification:** When and only when the business model is changed the Company shall reclassify all affected financial assets prospectively from the

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

**De-recognition:** Financial assets are de-recognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

- (a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;
- (b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

**Income Recognition:** Interest income is recognised in the Statement of Profit and Loss using the effective interest method. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

#### Financial Liabilities

Trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are de-recognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

#### Employee Share Based Compensation

The cost of stock options and stock appreciation units granted by ITC Limited, the Holding Company, to its eligible employees deputed to the Company is recognised at fair value. These Schemes are in the nature of equity settled / cash settled share based compensation and are assessed, managed / administered by the Holding Company.

In case of stock options, the fair value of stock options at the grant date is amortised on a straight line basis over the vesting period and cost recognized as an employee benefits expenses in the Statement of Profit and Loss with a corresponding credit in equity, net of reimbursements, if any.

In case of stock appreciation units, the fair value of stock appreciation units at the grant date is initially recognised and remeasured at each reporting date, until settled, and cost recognized as an employee benefits expenses in the Statement of Profit and Loss with a corresponding increase in other financial liabilities.

#### Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

#### Dividend Distribution

Dividends paid (including income tax thereon) is recognised in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

#### Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

#### Provisions

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount so recognised is a best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

## 2. Use of Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### i. Fair value measurements and valuation processes:

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses other methods, including third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share based payments are disclosed in the notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (contd.)

(₹)

Particulars	Gross Block							Depreciation and Amortization						Net Book Value		
	As at 31st March, 2017	Additions	Withdrawals and adjustments	As at 31st March, 2018	Additions	Withdrawals and adjustments	As at 31st March, 2019	Upto 31st March, 2017	For the year	On Withdrawals and adjustments	Upto 31st March, 2018	For the year	On Withdrawals and adjustments	Upto 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018
3. Property, plant and equipment Office Equipment	41,739	-	-	41,739	-	-	41,739	17,636	13,182	-	30,818	8,834	-	39,652	2,087	10,921
<b>TOTAL</b>	<b>41,739</b>	<b>-</b>	<b>-</b>	<b>41,739</b>	<b>-</b>	<b>-</b>	<b>41,739</b>	<b>17,636</b>	<b>13,182</b>	<b>-</b>	<b>30,818</b>	<b>8,834</b>	<b>-</b>	<b>39,652</b>	<b>2,087</b>	<b>10,921</b>

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
<b>4. Non-current investments</b>	<b>Unquoted</b>	<b>Unquoted</b>
<b>INVESTMENT IN EQUITY INSTRUMENTS</b>		
<b>In Associates (at cost unless stated otherwise)</b>		
ATC Limited		
55,650 (2018 - 55,650) Equity Shares of ₹ 100.00 each, fully paid	83,47,500	83,47,500
1,39,125 (2018 - 1,39,125) Equity Shares of ₹ 100.00 each, ₹ 70.00 paid	2,92,16,250	2,92,16,250
<b>In Joint Ventures (at cost unless stated otherwise)</b>		
ITC Essentra Limited		
22,50,000 (2018 - 22,50,000) Equity Shares of ₹ 10.00 each, fully paid	2,25,00,000	2,25,00,000
<b>TOTAL</b>	<b>6,00,63,750</b>	<b>6,00,63,750</b>
<b>5. Other Financial assets</b>	<b>Non-Current</b>	<b>Non-Current</b>
Bank deposits with more than 12 months maturity	2,35,00,000	-
<b>TOTAL</b>	<b>2,35,00,000</b>	<b>-</b>
<b>6. Other assets</b>	<b>Non-Current</b>	<b>Non-Current</b>
Advance Tax (net of provisions)	6,46,711	7,13,971
Deposits		
- Others	90,000	-
<b>TOTAL</b>	<b>7,36,711</b>	<b>7,13,971</b>
<b>7. Current investments</b>	<b>Unquoted</b>	<b>Unquoted</b>
(at fair value through profit or loss, unless stated otherwise)		
<b>INVESTMENT IN MUTUAL FUNDS</b>		
<b>Aditya Birla Sun Life Savings Fund</b>	16,66,058	25,27,649
4,481 (2018 - 7,349) units of ₹ 100.00 each		
<b>Aditya Birla Sun Life Liquid Fund</b>	15,01,928	-
5,023 (2018 - Nil) units of ₹ 100.00 each		
<b>ICICI Prudential Liquid Fund</b>	15,01,875	-
5,453 (2018 - Nil) units of ₹ 100.00 each		
<b>SBI Liquid Fund</b>	15,02,188	-
515 (2018 - Nil) units of ₹ 1000.00 each		
<b>TOTAL</b>	<b>61,72,049</b>	<b>25,27,649</b>
<b>Aggregate amount of quoted and unquoted investments</b>	<b>61,72,049</b>	<b>25,27,649</b>
<b>8. Cash and cash equivalents<sup>®</sup></b>		
Balances with Banks		
Current accounts	1,28,295	1,47,065
<b>TOTAL</b>	<b>1,28,295</b>	<b>1,47,065</b>
<sup>®</sup> Cash and cash equivalents include cash on hand, cheques, drafts on hand, cash at bank and deposits with banks with original maturity of 3 months or less.		
<b>9. Other bank balances</b>		
In deposit accounts *	15,25,31,504	15,12,94,939
<b>TOTAL</b>	<b>15,25,31,504</b>	<b>15,12,94,939</b>
* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Balance Sheet date.		
<b>10. Other Financial assets</b>	<b>Current</b>	<b>Current</b>
Deposits	1,07,00,000	1,00,00,000
Interest accrued on bank deposits	14,85,980	18,10,323
<b>TOTAL</b>	<b>1,21,85,980</b>	<b>1,18,10,323</b>



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2019 (No. of Shares)	As at 31st March, 2019 (₹)	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (₹)
<b>11. Equity Share capital</b>				
<b>Authorised</b>				
Equity Shares of ₹ 10.00 each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
<b>Issued and Subscribed</b>				
Equity Shares of ₹ 10.00 each, fully paid	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850

## A) Reconciliation of number of Equity Shares outstanding

As at beginning and at the end of the year	1,59,98,385	15,99,83,850	1,59,98,385	15,99,83,850
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## B) Shareholders holding more than 5% of the Equity Shares in the Company

	As at 31st March, 2019 (No. of Shares)	As at 31st March, 2019 (%)	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 (%)
ITC Limited - the Holding Company	1,59,98,385	100.00	1,59,98,385	100.00

## C) Rights, preferences and restrictions attached to the Equity Shares

The Equity Shares of the Company, having par value of ₹ 10.00 per share, rank *pari passu* in all respects including voting rights and entitlement to dividend.

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
<b>12. Other financial liabilities</b>		
<b>Non-current</b>		
Other payables [Refer Note 17(vii)]	1,71,226	—
<b>TOTAL</b>	<b>1,71,226</b>	<b>—</b>
<b>Current</b>		
Other (Liabilities for expenses)	64,800	64,800
<b>TOTAL</b>	<b>64,800</b>	<b>64,800</b>

	For the Year ended 31st March, 2019 (₹)	For the Year ended 31st March, 2018 (₹)
<b>13. Other income</b>		
Interest income	1,19,12,974	1,15,86,377
Dividend income	2,70,00,000	2,02,50,000
Other gains and losses	12,13,438	25,68,772
<b>TOTAL</b>	<b>4,01,26,412</b>	<b>3,44,05,149</b>
Interest income comprises interest from:		
a) Deposits with banks - carried at amortised cost	1,10,96,747	1,15,62,377
b) Deposits with Financial Institution - carried at amortised cost	7,65,377	24,000
c) Others (from statutory authorities)	50,850	—
<b>TOTAL</b>	<b>1,19,12,974</b>	<b>1,15,86,377</b>
Dividend income comprises dividend from:		
Other investments	2,70,00,000	2,02,50,000
<b>TOTAL</b>	<b>2,70,00,000</b>	<b>2,02,50,000</b>
Other gains and losses:		
Net gain arising on financial assets mandatorily measured at FVTPL*	12,13,438	25,68,772
<b>TOTAL</b>	<b>12,13,438</b>	<b>25,68,772</b>

\* Includes ₹ 10,82,710 (2018 - ₹ 24,76,511) being net gain on sale of investments.

## 14. Employee benefits expense

Remuneration of managers' salary on deputation *	1,04,37,369	84,13,925
<b>TOTAL</b>	<b>1,04,37,369</b>	<b>84,13,925</b>

\* Includes charge on account of share based payments as under :

- Employee Stock Option Scheme (ESOS) : ₹ 13,64,714 (2018 : ₹ 16,70,463)
- Employee Stock Appreciation Linked Reward (ESAR) Plan : ₹ 1,71,226 (2018 : Nil) [Refer Note 17(vii)]

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the Year ended 31st March, 2019 (₹)	For the Year ended 31st March, 2018 (₹)
<b>15. Other expenses</b>		
Directors' sitting fees	–	3,40,000
Rates and taxes	54,316	91,055
Insurance	500	1,550
Bank charges	726	645
Consultancy / Professional fees	1,34,500	43,345
Miscellaneous expenses	1,02,000	96,010
<b>TOTAL</b>	<b>2,92,042</b>	<b>5,72,605</b>
Miscellaneous expenses include:		
Auditors' remuneration and expenses*		
Audit fees	60,000	60,000
Tax audit fees	10,000	10,000
Fees for other services	26,000	26,000
* Excluding taxes.		
<b>16. Income tax expenses</b>		
<b>A. Amount recognised in profit or loss</b>		
<b>Current tax</b>		
Income tax for the year		
Current tax	11,50,000	19,00,000
Adjustments / (credits) related to previous years - Net	(3,42,365)	(1,98,598)
<b>TOTAL</b>	<b>8,07,635</b>	<b>17,01,402</b>
<b>B. Reconciliation of effective tax rate</b>		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
<b>Profit before tax</b>	<b>2,93,88,167</b>	<b>2,54,05,437</b>
Income tax expense calculated @ 26.00% (2018- 25.75%)	76,40,923	65,41,900
Effect of tax relating to uncertain tax positions	5,52,678	5,84,808
Effect of difference in taxable income / deductible expense	1,028	1,386
Effect of income not taxable	(70,44,629)	(52,28,094)
<b>Total</b>	<b>11,50,000</b>	<b>19,00,000</b>
Adjustments recognised in the current year in relation to the current tax of prior years	(3,42,365)	(1,98,598)
<b>Income tax recognised in profit or loss</b>	<b>8,07,635</b>	<b>17,01,402</b>
The tax rate used for the year 2018-19 and 2017-18 reconciliations above is the corporate tax rate of		
– 26.00% (25% + cess @ 4%) in 2018-19 and		
– 25.75% (25% + cess @ 3%) in 2017-18 payable on taxable profits under the Income Tax Act, 1961.		

**17. Additional Notes to the Financial Statements****(i) Earnings per share:**

Earnings per share has been computed as under:	2019	2018
(a) Profit for the year (₹)	2,85,80,532	2,37,04,035
(b) Weighted average number of Equity Shares outstanding for the purpose of basic earnings per share	1,59,98,385	1,59,98,385
(c) Earnings per share on profit for the year (Face Value ₹ 10.00 per share) - Basic & Diluted [(a)/(b)] (In ₹)	1.79	1.48

(ii) Uncalled liability in respect of partly paid-up 1,39,125 shares of ATC Limited @ ₹ 90.00 per share (includes ₹ 60.00 per share as premium) is ₹ 1,25,21,250 (2018 - ₹ 1,25,21,250).

**(iii) Micro, Small and Medium scale Enterprises:**

There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2019. 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 on the basis of information available with the Company.

**(iv) Segment Reporting:**

The Company operates in a single business and geographical segment in India. The entity-wide disclosures are as under:

	2019	2018
Non-current assets (In India)	2,42,38,798	7,24,892

The Operating Segments have been reported in a manner consistent with the internal reporting provided to the Board of Directors, which is the Chief Operating Decision Maker.

(v) The incidence of Deferred tax being insignificant is not considered.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

## (vi) Related Party Disclosures :

## (a) RELATIONSHIP :

## (i) Holding Company :

- ITC Limited

## (ii) Key Management Personnel

- Mr. R. Tandon Chairman & Non-Executive Director
- Mr. S. Dutta Non-Executive Director
- Mr. R. Poddar Non-Executive Director
- Mr. A. Roy Additional Non-Executive Director (w.e.f. 01.12.2018)
- Mr. V. Luharuka Chief Financial Officer
- Ms. N. Bajaj Manager & Company Secretary

## (iii) Other related parties with whom the Company had transactions:

- Joint Venture
- ITC Essentra Limited

## (b) DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2019

(₹)

	Related Party Transaction Summary	Holding Company		Joint Venture		Key Management Personnel		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
1.	Purchase of Internal audit services	23,600	28,320	-	-	-	-	23,600	28,320
2.	Dividend Income	-	-	2,70,00,000	2,02,50,000	-	-	2,70,00,000	2,02,50,000
3.	Directors' sitting fees - Other benefits								
	- Mr. S. Banerjee	-	-	-	-	-	1,70,000	-	1,70,000
	- Ms. A. Guhamallick	-	-	-	-	-	1,70,000	-	1,70,000
4.	Remuneration of managers on deputation reimbursed								
	- for Chief Financial Officer	47,51,697	37,98,975	-	-	-	-	47,51,697	37,98,975
	- for Manager & Company Secretary	41,49,732	29,44,487	-	-	-	-	41,49,732	29,44,487
5.	Dividend Paid	-	4,39,95,559	-	-	-	-	-	4,39,95,559
	<b>Balances as at 31st March</b>								
6.	Payables	1,71,226	-	-	-	-	-	1,71,226	-

- (vii) The Chief Financial Officer of the Company who is on deputation from ITC Limited (ITC), the Holding Company, has been granted Stock Options by ITC in previous year(s) under the ITC Employee Stock Option Schemes (ITC ESOS). ITC has also granted Employee Stock Appreciation Linked Reward Units (ESAR Units) to the Chief Financial Officer and the Manager & Company Secretary of the Company, under the ITC Employee Cash Settled Stock Appreciation Linked Reward Plan (ITC ESAR Plan).

The cost of equity settled options granted under ITC ESOS / cash settled units granted under ITC ESAR Plan have been recognized as equity settled / cash settled share based payments, respectively, in accordance with Ind AS 102 – Share Based Payment. In terms of the deputation arrangement, the Company has accounted for the cost of the fair value of Stock Options / ESAR Units granted to the deputed employees on-charge by ITC. Accordingly, an amount of ₹ 13,64,714/- (2018 – ₹ 16,70,463/-) towards Stock Options and ₹ 1,71,226/- (2018 - Nil) towards ESAR Units have been recognized as employee benefits expense (Refer Note 14) and the liability on account of ESAR Units is presented under Note 12 of the financial statements.

The summary of movement of the aforesaid Stock Options granted by ITC and status of the outstanding Options is as under:

Particulars	As at 31st March, 2019	As at 31st March, 2018
	No. of Options	No. of Options
Outstanding at the beginning of the year	7,320	3,660
Add: Granted during the year	-	3,660
Less: Lapsed during the year	-	-
Add / (Less): Movement due to transfer of employees within the group	-	-
Less: Exercised during the year	-	-
Outstanding at the end of the year	7,320	7,320
Options exercisable at the end of the year	3,294	1,098

Note: The weighted average exercise price of the options granted to all Optionees under the ITC ESOS is computed by ITC as a whole.

Since the above-mentioned Stock Options / ESAR Units are not tradeable, no perquisite or benefit is conferred upon the employee by grant of such Options / Units.

- (viii) The enclosed financial statement is the separate financial statement. The Company being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements in terms of the Companies (Accounts) Rules, 2014 and ITC Limited, the Holding Company, prepares Consolidated Financial Statements.

## (ix) List of significant Investments:

## a. Interest in Associate:

Name of the Investee	Principal Place of Business	Proportion of the ownership interest *		Method used to account for the investments in Separate Financial Statement
		As at 31st March, 2019	As at 31st March, 2018	
ATC Limited	Hosur, India	47.50%	47.50%	At cost unless stated otherwise

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

## b. Interest in Joint Venture:

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

Name of the Investee	Principal Place of Business	Percentage of ownership interests *		Method used to account for the investments in Separate Financial Statement
		As at 31st March, 2019	As at 31st March, 2018	
ITC Essentra Limited	Bengaluru, India	50.00%	50.00%	At cost unless stated otherwise

\* The Company's interests in Joint Venture and Associate are reported as Non-current investment (Note 4) and stated at cost.

(x) The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2019 on 30th March, 2019:

- notifying Ind AS 116, 'Leases' and
- amending Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits'.

The same are applicable for financial statements pertaining to annual periods beginning on or after 1st April, 2019. The Company expects that there will be no material impact on the financial statements resulting from the implementation of these standards.

(xi) **Financial Instruments and Related Disclosures**

## a. Capital Management

The Company funds its operations mainly through internal accruals and do not have any borrowings. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

## b. Categories of Financial Instruments

(₹)

Particulars	Note	As at 31st March, 2019		As at 31st March, 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial assets</b>					
<b>a) Measured at amortised cost</b>					
i) Cash and cash equivalents	8	1,28,295	1,28,295	1,47,065	1,47,065
ii) Other bank balances	9	15,25,31,504	15,25,31,504	15,12,94,939	15,12,94,939
iii) Other financial assets	10,5	3,56,85,980	3,56,85,980	1,18,10,323	1,18,10,323
<b>Sub Total</b>		<b>18,83,45,779</b>	<b>18,83,45,779</b>	16,32,52,327	16,32,52,327
<b>b) Measured at Fair Value through Profit or Loss</b>					
i) Investment in Mutual Funds	7	61,72,049	61,72,049	25,27,649	25,27,649
<b>Sub Total</b>		<b>61,72,049</b>	<b>61,72,049</b>	25,27,649	25,27,649
<b>Total financial assets</b>		<b>19,45,17,828</b>	<b>19,45,17,828</b>	16,57,79,976	16,57,79,976
<b>B. Financial liabilities</b>					
<b>a) Measured at amortised cost</b>					
i) Other financial liabilities	12	2,36,026	2,36,026	64,800	64,800
<b>Total financial liabilities</b>		<b>2,36,026</b>	<b>2,36,026</b>	64,800	64,800

## Financial risk management objectives

The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulations. It also seeks to drive accountability in this regard.

## Market Risk

As the Company is debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible. Investments are made in debt instruments, within approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters.

The Company's investments are predominantly held in debt mutual funds, fixed deposits etc. The Company invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

Fixed deposits are held with highly rated banks and companies, have a short tenure and are not subject to interest rate volatility.

## Liquidity Risk

The Company's Current assets aggregate to ₹ 17,10,17,828 (2018 – ₹ 16,57,79,976) including Current Investments, Cash and cash equivalents, and Other Bank Balances of ₹ 15,88,31,848 (2018 – ₹ 15,39,69,653) against an aggregate total liability of ₹ 2,36,026 (2018 – ₹ 64,800) on the reporting date.

In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

**Credit Risk**

The risk management framework of the Company is designed to bring robustness to the risk management processes within the Company. With respect to the Company's investing activities, counter parties are shortlisted and exposure limits determined on the basis of their credit rating (by independent agencies), financial statements and other relevant information. The counter party risk is considered insignificant. Based on the assessment of financial assets, no loss provision is considered necessary.

**Fair value measurement****Fair value hierarchy**

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using market approach and valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

The fair value of trade payables and other Current financial assets and liabilities, where applicable is considered to be equal to the carrying amounts of these items due to their short - term nature. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis.

The following table presents the fair value hierarchy of assets measured at fair value:

(₹)

Particulars	Fair Value		
	Hierarchy (Level)	As at 31st March, 2019	As at 31st March, 2018
<b>Financial assets</b>			
Measured at Fair value through Profit or Loss			
Investment in Mutual Funds	1	61,72,049	25,27,649

On behalf of the Board

Kolkata, 23rd April, 2019

R. TANDON *Chairman*  
V. LUHARUKA *Chief Financial Officer*

S. DUTTA *Director*  
N. BAJAJ *Manager & Company Secretary*

## Form AOC-1

[Pursuant to first proviso to sub-section(3) of Section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014]

Statement containing salient features of the financial statement of Subsidiaries / Associate Companies / Joint Ventures

## Part A: Subsidiaries

Not Applicable

## Part B: Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates / Joint Ventures	ATC Limited	ITC Essentra Limited
1. Latest audited Balance Sheet Date	31-March-2019	31-March-2019
2. Date on which the Associate or Joint Ventures was associated or acquired	06-April-1996	30-June-1994
3. Shares of Associate / Joint Ventures held by the Company on the year end		
Number	1,94,775 #	22,50,000
Amount of Investment in Associates / Joint Ventures	3,75,63,750	2,25,00,000
Extent of Holding %	47.50	50.00
4. Description of how there is significant influence	Associate	Joint Venture
5. Reason why the Associate / Joint Venture is not consolidated	Not Applicable *	Not Applicable *
6. Net worth attributable to Shareholding as per latest audited Balance Sheet (₹)	6,71,39,785	65,16,83,722
7. Profit/(Loss) for the year (₹)	30,87,634	32,79,43,097
i. Considered in Consolidation *	-	-
ii. Not Considered in Consolidation	30,87,634	32,79,43,097

\* The Company, being an intermediate wholly owned subsidiary, is not required to prepare Consolidated Financial Statements in terms of the Companies (Accounts) Rules, 2014 and ITC Limited, the Holding Company, prepares Consolidated Financial Statements.

# comprises,  
55,650 Equity Shares of ₹ 100.00 each, fully paid-up and  
1,39,125 Equity Shares of ₹ 100.00 each, ₹ 70.00 paid-up

1. Names of the Associates or Joint Ventures which are yet to commence operations : None  
2. Names of Associates or Joint Ventures which have been liquidated or sold during the year : None

On behalf of the Board

R. TANDON *Chairman*  
V. LUHARUKA *Chief Financial Officer*

S. DUTTA *Director*  
N. BAJAJ *Manager & Company Secretary*

Kolkata, 23rd April, 2019