
DUNCANS INDUSTRIES LIMITED

ANNUAL REPORT AND ACCOUNTS 2010 - 2011

DIRECTORS

Mr. G. P. Goenka – Chairman
Mr. Shrivardhan Goenka (w.e.f. 14.11.2011)
Mr. T. S. Broca
Mr. R. K. Bhargava
Mr. D. Sengupta
Mr. M. H. Chinoy
Dr. A. L. Ananthanarayanan (w.e.f. 14.11.2011)
Mr. S. K. Kinra – Special Director, BIFR (w.e.f. 03.01.2011)
Mr. A. K. Goel – Wholetime Director
Mr. S. P. Gupta – Executive Director

COMPANY SECRETARY

Mr. K. Mukhopadhyay

AUDITORS

Messrs Lodha & Co.
Chartered Accountants
Kolkata

BANKERS

State Bank of India
Central Bank of India
State Bank of Patiala
State Bank of Travancore

REGISTERED OFFICE

Duncan House,
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Kolkata-700 001
Telephone : (033) 2230 0962/2185
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E-mail : dil_secretarial@duncans-tea.com

REGISTRARS AND SHARE TRANSFER AGENTS

C B Management Services (P) Ltd.
P-22, Bondel Road
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Telephone : 033- 4011-6700
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E-mail : rta@cbmsl.com

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DUNCANS INDUSTRIES LIMITED

DIRECTORS REPORT

To the Members of the Company

The Board of Directors presents the Seventeenth Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs. in Lacs)

| | Current Year | Previous Year |
|---|--------------|---------------|
| Profit/(Loss) before Interest, Depreciation & Tax | 2126 | 3120 |
| Interest | (1427) | (753) |
| Depreciation | (1335) | (1366) |
| Prior Period expenses | (2) | (11) |
| Exceptional Items | (3107) | — |
| Provision for Taxation | — | — |
| Profit/(Loss) after Tax | (3745) | 990 |
| Loss Brought forward from Previous Year | (143173) | (144163) |
| Balance carried to Balance Sheet | (146918) | (143173) |

DIVIDEND

The Company is a sick industrial company within the provisions of Sick Industrial Companies (Special Provision) Act, 1985 (SICA) and the accumulated losses having exceeded the net worth of the Company, the Board of Directors regrets their inability to recommend dividend on Preference and Equity Share Capital of the Company.

REHABILITATION SCHEME UNDER THE AEGIS OF BIFR

The Board for Industrial and Financial Reconstruction (BIFR) has formulated a Draft Rehabilitation Scheme (DRS) for revival and rehabilitation of the Company which was circulated vide its order dated 1st June, 2011. After hearing the objections and suggestions of the concerned parties in various hearing, Hon'ble BIFR has directed to carry out certain modifications in the circulated DRS and in hearing dated on 29th September, 2011, BIFR has sanctioned the Rehabilitation Scheme, the order is awaited.

The Scheme, inter alia, provides de-merger of fertilizer unit and transfer and vesting of the same into Kanpur Fertilizers & Cement Ltd.(KFCL), a company promoted by a Joint Venture Company (JV Co.) of a wholly owned subsidiary of Jaiprakash Associates Ltd. (the strategic investor) and ISG Traders Ltd. (a group company of the existing promoters of the Company) effective from 1st October, 2010, leaving the tea business in residual Company. The scheme also provides settlement of restructured amount of secured and unsecured liabilities of the Company on the terms as consented by the majority of the stakeholders, reduction of existing equity and preference share capital of the Company by 60%, write back of the CRPS being part of the OTS settlement which were issued in earlier years on conversion of interest payable to secured creditors, infusion of fresh funds in the form of equity and unsecured loans by the promoters and conversion of existing unsecured loans of the promoters into equity at par post reduction and consolidation of the existing share capital.

DIRECTORS REPORT (Contd.)

On giving effect of the measures provided in the Scheme, it is expected that the net worth of the Company will become positive by the end of the current financial year and accumulated losses will also wipe out thereafter.

PERFORMANCE OF TEA DIVISION

After a prolonged initial dry spell followed by widespread pests infestation, the tea estates of the company are showing some signs of rejuvenation. The gross turnover of the Company was Rs. 175.58 crores for the current year ended 31st March, 2011 as against Rs. 156.29 crores in the previous year. Own crop during the year was 140.07 lacs kgs of tea against 143.86 lacs kgs in the previous year and 141.35 lacs kgs of tea was sold at an average price of Rs. 124.22 per kg during the current year compared to selling of 131.99 lac kgs of tea at an average price of Rs.118.40 per kg in the corresponding period of the previous year. Resultant growth in the production and selling price have contributed to an increase in the revenue by Rs. 19.29 crores to the Company during the year but the benefit of increase could not be ploughed back due to absorption of unabated increase in the cost of fertilizers, agro chemicals, coal etc.

Memorandum of Settlement (MOS) on charter of demands of the Tea Plantation workmen entered between the Tea Associations, Tea Plantation Worker Unions and the West Bengal Government on 4th November, 2011. In terms of the said MOS daily wage for the tea plantation workers has been enhanced from Rs. 67 per day to Rs. 85 per day w.e.f. 1.04.2011 and thereafter further Rs. 5 per day every year. As a result of the said increase cost of production of tea has increased abnormally.

All India crop for the calendar year 2010 was 13 million kgs lower than the previous season. North India crop was down by 12 million kgs and South India crop was lower by 2 million Kgs. World crop during the year was up by 118 million kgs largely due to increase in Kenyan and Sri Lankan crop. With pipeline stocks very low and a cumulative shortage internally, rising awareness for consumption in domestic market continues to be demand oriented for quality teas and the Company foresees reasonably good opportunity for growth. However, to combat with the prevailing inflationary conditions coupled with all round escalation in the cost of production, increase in the production, productivity of the tea estates and controls on the production cost by adopting the mechanization of tea production are essential.

The management has given extensive thrust to increase infrastructure for irrigation since last year including up-gradation, modernization of the machinery and other assets, mechanization of plucking, and pruning activities. In addition priority has also been given for uprooting and replanting to replace ageing tea bushes in the estates, which was lagging behind the schedule since last couple of years due to severe financial crunch faced after suspension of operation of the fertiliser plant, which has now been undertaken covering about 200 hectares of land every year and envisage to be an ongoing development with a long term prospective.

With the efforts undertaken as mentioned herein before, barring unforeseen circumstances, it is expected that the company will be able to overcome the negatives and resultant inflationary pressures and tea business of the Company will sustain on stand alone basis in coming years.

FIXED DEPOSITS

The Company was not able to repay the dues of the fixed deposits holders. In terms of the scheme sanctioned by the Hon'ble BIFR, the dues of the fixed deposit holders shall be settled at 85% of the principal amount of the fixed deposits within 180 days from the date of sanction of the scheme in full and final settlement.

DUNCANS INDUSTRIES LIMITED

DIRECTORS REPORT (Contd.)

BOARD DIRECTORS

In terms of the provisions of the Articles of Association of the Company, Mr. D. Sengupta and Mr. S. P. Gupta will retire by rotation and being eligible, offer themselves for re-appointment as Directors.

Mr. Shrivardhan Goenka and Dr. A. L. Ananthanarayanan have been appointed as additional directors of the Company with effect from 14th November, 2011. The Board has received notices under section 257 of the Companies Act, 1956 from the shareholders of the Company seeking appointment of Mr. Goenka and Dr. Ananthanarayanan as members of the Board. Mr. S. K. Kinra has been appointed by Hon'ble BIFR as special director with effect from 3rd January, 2011. The Board welcomes their appointment.

SUBSIDIARY AND CONSOLIDATED FINANCIAL STATEMENTS

In terms of the exemption granted by the Ministry of Corporate Affairs, a statement containing brief financial details of the subsidiary companies for the financial year ended 31st March, 2011 are attached in the Annual Report of the Company.

As required, under the Listing Agreement with the Stock Exchange, the Consolidated Financial Statements of the Company together with its subsidiary companies prepared in accordance with Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, are attached.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management Discussion and Analysis Report, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, for the year under review is presented in a separate section forming part of this Report.

CORPORATE GOVERNANCE

A Report on Corporate Governance as stipulated under Clause - 49 of the Listing Agreement with the Stock Exchange, is annexed forming part of this Report. Certificate from the Statutory Auditors, M/s Lodha & Co. confirming compliance of conditions of Corporate Governance as stipulated under Clause-49, is annexed forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, has been provided in Annexure forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- (i) in the preparation of the accounts in respect of the year under report, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) such accounting policies as were reasonable and prudent were selected in preparing the accounts and these were applied consistently. Further judgments and estimates that were

DIRECTORS REPORT (Contd.)

reasonable and prudent were also made in the course of preparing the accounts so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for the year ended 31st March, 2011;

(iii) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis.

EMPLOYEES

The Company continues to have a cordial and harmonious relation with its employees at all levels.

None of the employees of the Company was in receipt of Rs. 60 lacs per annum or Rs. 5 lacs per month and hence information pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended in 2011, is not annexed to the Director's Report.

MAINTENANCE OF A WEBSITE

The Company is in the process of implementation of its Website pursuant to the requirement of clause 54 of the Listing Agreement.

LISTING OF EQUITY SHARES

The Company's equity shares are listed with National Stock Exchange of India Ltd (NSE) as well as traded in Bombay Stock Exchange Ltd (BSE). The Company has paid the requisite annual listing fee to the listed Stock Exchange for the financial year 2011-2012.

AUDITORS

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company, will retire at the ensuing Annual General Meeting. They have expressed their willingness to continue in office, if re-appointed and have furnished the requisite certificate of their eligibility pursuant to section 224(1B) of the Companies Act, 1956.

The observations in the Auditors' Report have already been explained in the Schedule of Notes and further explanations of the Management are as under :

para 1(I) - the fertilizer division of the company was maintaining full records of the its fixed assets in hard copy as well as in its computer system. However due to non operation of the said division and disconnection of power at the plant, the computer system was not operated. The Computer System (SAP) has since been made operational during the year and the data of fixed assets as maintained in the SAP Module is being accessed. Reopening of the plant will commence on de-merger of fertilizer undertaking as per rehabilitation scheme sanctioned by BIFR as explained in note 9(a) of Schedule -12. para I (III) (a) & (b) - interest free loan was given to Andhra Cements Ltd in terms of the scheme of rehabilitation sanctioned by BIFR in earlier years. It has been stipulated to be repaid in terms of the term loans sanctioned by financial institutions to the said company as explained in note 19(b) of Schedule 12; para 1 (VI) – as explained hereinbefore and also in note 10 of Schedule 12, the dues of the fixed deposit holders shall be settled in terms of

DUNCANS INDUSTRIES LIMITED

DIRECTORS REPORT (Contd.)

the scheme sanctioned by BIFR. para 2 & 3 - the Rehabilitation Scheme of the Company has been sanctioned by BIFR in hearing held on 29th September 2011, when the representatives of the Company were also present and pending implementation of the said scheme, the accounts have been prepared on a going concern basis as explained in note 7.1 of Schedule 12. para 4 - outstanding loans and advances have been explained in note 20 of Schedule- 12. para 5 - status of the fertilizer division has been explained in note 9 (a) and (b) of Schedule 12. The computer system (SAP) of the fertilizer division has been made operational during the year and the various balances compiled after 2006 outside the said system are being incorporated on de-merger of the fertilizer undertaking as per the scheme, as explained in note 9 of Schedule 12. para 6(a) & (b) - pending de-merger of fertilizer undertaking effective from 1st October 2010, no further provision for the employees related cost amounting to Rs. 179.62 lacs and liability for employee benefit pertaining to fertilizer division including contribution to pension fund after the date of de-merger as envisaged in the scheme sanctioned by BIFR i.e. for the period 1st October, 2010 to 31st March, 2011 have been considered necessary in the accounts as explained in note 12(b) and 21(c) of Schedule 12. para 7(a) - the matter pertaining to surcharge on electricity is sub-judice before the Hon'ble Allahabad High Court and in the scheme sanctioned for revival of the company, BIFR has recommended to consider waiver of such claim, as explained in note 3.2 of Schedule 12. para 7(b) - the Company is in the process of identifying suppliers covering under "The Micro Small and Medium Enterprises Development Act, 2006" but due to non availability of data especially relating to Fertiliser Division, the details could not be compiled/furnished as explained in note 6.2 of Schedule 12. para 7(c) - pursuant to the decision of Hon'ble High Court at Calcutta in similar other matter with regard to levy of Salami under certain circumstances, the Company has filed appeal against the imposition of levy of Salami before the Appropriate Authority, as explained in note 18.4 of Schedule 12. para 7(d) - as regards managerial remuneration, necessary applications are pending for approval before MCA/Central Government.

ACKNOWLEDGEMENTS

The Directors wish to place on record their gratitude to the Department of Fertilizers - Ministry of Chemicals & Fertilizers and various departments of the Central Government, Governments of West Bengal and Uttar Pradesh, banks, financial institutions, shareholders, employees, fixed deposit holders and other stakeholders for their support to the Company.

For and on behalf of the Board

Place : Kolkata
Dated : 14th November, 2011

G. P. Goenka
Chairman

DUNCANS INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTORS REPORT (Contd.)

FORM – A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
|---|--------------------------------|--------------------------------|
| Power and Fuel Consumption | | |
| Electricity | | |
| a) Purchased Units ('000 kwh) | 14676.56 | 14391.02 |
| Total Amount (Rs./Lakhs) | 1062.29 | 869.39 |
| Rate/Unit (Rs./kwh) | 7.24 | 6.04 |
| b) Own Generation | | |
| Unit ('000 kwh) | 2912.65 | 3312.16 |
| Units per Litre of Diesel | 2.67 | 2.65 |
| Cost/Unit (Rs.) | 15.13 | 13.17 |
| Coal | | |
| Quantity (In Tonnes) | 14003.43 | 13625.53 |
| Total Cost (Rs./Lakhs) | 646.86 | 623.59 |
| Average Rate (Rs./Tonne) | 4619.32 | 4576.63 |
| Fuel Oil | | |
| Quantity (K.Ltr.) | 1091.41 | 1248.12 |
| Total Amount (Rs./Lakhs) | 440.71 | 436.37 |
| Average Rate (Rs./Ltr.) | 40.38 | 34.96 |
| Consumption per Unit of Production | | |
| Product - Tea | | |
| Electricity (Kwh/Qtl) | 125.57 | 123.22 |
| Coal (Qtl/Qtl) | 1.00 | 0.95 |

Above figures excludes figures of Fertiliser Plant since the Plant is not in operation since October 2005.

DUNCANS INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTORS REPORT (Contd.)

FORM – B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D) :

- | | |
|---|------|
| 1. Specific areas in which R&D carried out by the Company | NONE |
| 2. Benefits derived as a result of the above R&D | — |
| 3. Future Plan of Action | NONE |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|---|------|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation | NONE |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. | — |
| 3. Imported Technology | NONE |

FOREIGN EXCHANGE EARNINGS AND OUTGO

| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
|---|--|--|
| Total Foreign Exchange Used and Earned : | | |
| Expenditure in Foreign Currency (Rs. in lacs) | 0.52 | 3.40 |
| Earnings in Foreign Exchange | — | — |

ANNEXURE TO THE DIRECTORS REPORT

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

- (a) The Company has taken the following measures for conservation of Energy :

Fertiliser Division : Plant is not in operation since 18th October, 2005.

Tea Division : Installation of Power Capacitors at the factories in Tea Gardens.

- (b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy :

Fertiliser Division : as stated above, being de-merged into a new company.

Tea Division : (i) To install more Power Capacitors at factories in the gardens.
(ii) To replace new dryers and heaters.
(iii) To replace phase-wise electrical old motors of CTC machines and dyers.
(iv) Part replacement of coal with biomass

- (c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Fertiliser Division : N.A.

Tea Division : Lower energy and fuel consumption.

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

The Directors present the Company's Corporate Governance Report for the year ended March 31, 2011:

1. Company's Corporate Governance Philosophy

The Company places a strong emphasis on transparency, empowerment, accountability and integrity with the objective to continuously enhance the stakeholders' value.

The Company is in compliance with the requirements of the Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.

2. Board of Directors (Board)

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibilities of supervision, control, and direction of the Company as trustees of the Shareholders. The Board of Directors, as part and parcel of its functioning, also periodically reviews its role.

Composition

The composition of the Board of Directors of the Company is in conformity with Clause 49 of the Listing Agreement with the Stock Exchange. The Board consists of a Non-Executive Chairman, a Special Director/BIFR and the number of Independent and Non-Executive Directors which is more than half of the total number of Directors of the Company.

None of the Directors is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all companies in which he is a Director.

The names of director, their category, number of directorships and Committee Chairmanship /Memberships held in other companies are as follows -

| Name of the Directors | Category of Directors | No. of other Directorship(s) | Total No. of Membership(s)/ Chairmanship(s) of Board Committees of other companies |
|--------------------------------|------------------------|------------------------------|--|
| Non-Executive Directors | | | |
| Mr. G. P. Goenka | Chairman | 7 | — |
| Mr. T. S. Broca | Independent Director | — | — |
| Mr. R. K. Bhargava | Independent Director | 6 | 8 |
| Mr. D. Sengupta | Independent Director | 3 | 2 |
| Mr. M. H. Chinoy | Independent Director | 1 | — |
| Mr. S. K. Kinra* | Special Director/ BIFR | 2 | 2 |
| Executive Directors | | | |
| Mr. A. K. Goel | Wholtime Director | 2 | — |
| Mr. S. P. Gupta | Executive Director | 1 | 2 |

* Appointed by BIFR w.e.f. 3rd January, 2011

Other directorships do not include alternate directorships, directorships of private limited companies and of companies incorporated outside India. Chairmanship/Membership of Board Committees include only Audit and Shareholders'/Investors' Grievance Committee.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of the Board Meetings during the financial year

During the financial year ended 31st March, 2011 six meetings of the Board were held, as follows :

| Sl. | Date | Board strength | No. of Directors present |
|------------|-----------------------|-----------------------|---------------------------------|
| 1 | 29th April, 2010 | 7 | 6 |
| 2 | 17th June, 2010 | 7 | 5 |
| 3 | 28th July, 2010 | 7 | 5 |
| 4 | 21st, September, 2010 | 7 | 7 |
| 5 | 29th October, 2010 | 7 | 4 |
| 6 | 28th January, 2011 | 8 | 7 |

Attendance at Board Meetings and at Annual General Meeting (AGM) during the financial year ended 31st March, 2011 -

| Name of the Directors | No. of Board Meetings Attended | Attendance at last Annual General Meeting (Yes/No) |
|------------------------------|---------------------------------------|---|
| Mr. G. P. Goenka (Chairman) | 6 | Yes |
| Mr. T. S. Broca | 3 | Yes |
| Mr. R. K. Bhargava | 5 | Yes |
| Mr. D. Sengupta | 3 | Yes |
| Mr. M. H. Chinoy | 5 | Yes |
| Mr. S. K. Kinra* | 1 | NA |
| Mr. A. K. Goel | 6 | Yes |
| Mr. S. P. Gupta | 4 | Yes |

- Appointed as Special Director, BIFR w.e.f. 03rd January, 2011.

3. Committees of the Board

(i) Audit Committee :

The constitution of the Audit Committee of the Board is in conformity with Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956. The Statutory Auditors and the Internal Auditors of the Company, inter alia, are the invitees of each and every meeting of the Audit Committee. The Secretary of the Company acts as the Secretary to the Committee.

The terms of reference of the Audit Committee broadly covers the areas specified in Clause 49 of the Listing Agreement and Sec. 292A of the Companies Act, 1956 and briefly described below :

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and payment for any other services.

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

- c. Reviewing with management the quarterly, half yearly and annual financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large;
- d. Reviewing with the management, external and internal auditors on the adequacy of the internal control systems;
- e. Reviewing the adequacy of internal audit function, including the nature and scope of internal audit;
- f. Discussion with internal auditors any significant findings and follow up thereon;
- g. Reviewing the findings of any internal investigations by internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- i. Reviewing the company's financial and risk management policies;
- j. Considering such other matters as may be required by the Board.

Composition

The Audit Committee comprises of four (4) Non-Executive Independent Directors including a Special Director/BIFR, the details are as follows -

| Name of the Director | Designation | No. of Meetings attended |
|----------------------|-------------|--------------------------|
| Mr. T. S. Broca | Chairman | 2 |
| Mr. R. K. Bhargava | Member | 4 |
| Mr. M. H. Chinoy | Member | 3 |
| Mr. S. K. Kinra* | Member | 1 |

* Appointed as Special Director, BIFR w.e.f. 03rd January, 2011

REPORT ON CORPORATE GOVERNANCE (Contd.)

Meetings

During the financial year ended 31st March, 2011, 4 (four) meetings of the Audit Committee were held. The attendance of the Directors during the financial year is as follows :

| Sl. | Date | Committee strength | No. of Members present |
|------------|--------------------|---------------------------|-------------------------------|
| 1 | 29th April, 2010 | 3 | 3 |
| 2 | 28th July, 2010 | 3 | 2 |
| 3 | 29th October, 2010 | 3 | 2 |
| 4 | 28th January, 2011 | 4 | 3 |

The Secretary of the Company acts as the Secretary to the Committee.

(ii) Remuneration Committee :

The Remuneration Committee of the Board functions in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The terms of reference of the Committee are as under :

- (a) To determine, on behalf of the Board, the Company's policies on the remuneration of the Whole time/Executive Directors.
- (b) To approve remuneration package of all the Whole time/Executive Directors i.e. salary, benefits, bonus, commission, stock options, performance linked incentive etc. in accordance with the requirements of the relevant provisions of the Companies Act, 1956.
- (c) To determine the service contracts, notice period, severance fees, etc.

Composition

The Remuneration Committee presently comprises of four Non-Executive Independent Directors including a Special Director, BIFR. The composition of the Committee is as follows :

| Name of the Directors | Designation |
|------------------------------|--------------------|
| Mr. M. H. Chinoy | Chairman |
| Mr. T. S. Broca | Member |
| Mr. R. K. Bhargava | Member |
| Mr. S. K. Kinra* | Member |

- Appointed as Special Director, BIFR w.e.f. 03rd January, 2011

Meetings

During the financial year ended 31st March, 2011, one meeting of the Remuneration Committee was held. The attendance of the Directors at that Remuneration Committee Meeting was as follow -

| Sl. | Date of the Meeting | Committee Strength | No. of members present |
|------------|----------------------------|---------------------------|-------------------------------|
| 1 | 29th April, 2010 | 3 | 3 |

The Secretary of the Company acts as the Secretary to the Committee.

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

Remuneration of Directors

The terms of appointment of Whole time/Executive Directors of the Company are governed by the resolutions passed by the Remuneration Committee, the Board of Directors and the Shareholders of the Company. The appointment of the Directors is terminable by three months' notice from either side. Severance fees are not applicable.

Details of Remuneration paid to the Directors during the financial year ended 31st March, 2011 are as follows :

| Name of the Directors | Salary including performance pay* | Perquisites and other benefits ** | Total (Rs. in lacs) |
|-----------------------|-----------------------------------|-----------------------------------|------------------------|
| Mr. A. K. Goel | 36.51 | 11.92 | 48.43 |
| Mr. S. P. Gupta | 43.50 | 6.77 | 50.27 |

* The Company does not have pension benefit scheme and Stock Option Scheme.

** Perquisites and other benefits include Company's contribution to Provident Fund but excludes contribution to Gratuity Fund.

The remuneration to Non-Executive Directors is restricted only to Sitting Fees for attending the meetings of the Board, Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee. Sitting fees to the Non-Executive Directors were paid Rs. 5,000/- per Board meeting, Rs. 3,000/- per Audit Committee Meeting, Rs. 2,000/- per Remuneration Committee Meeting and Rs. 500/- per meeting of the Shareholders'/Investors' Grievance Committee. Further, payments towards reimbursement of travelling and out-of-pocket expenses incurred by the Directors for attending those meetings, were also made.

The details of sitting fees paid to the Non-Executive Directors during the financial year ended 31st March, 2011 are as follows :

| Name of the Directors | Board Meeting (Rs.) | Audit Committee Meeting (Rs.) | Remuneration Committee Meeting (Rs.) | Shareholders'/Investors' Grievance Committee Meeting (Rs.) | Total (Rs.) |
|-----------------------|------------------------|----------------------------------|---|---|----------------|
| Mr. G. P. Goenka | 30,000/- | N.A. | N.A. | N.A. | 30,000/- |
| Mr. R. K. Bhargava | 25,000/- | 12,000/- | 2,000/- | 2,000/- | 41,000/- |
| Mr. T. S. Broca | 15,000/- | 6,000/- | 2,000/- | N.A. | 23,000/- |
| Mr. D. Sengupta | 15,000/- | N.A. | N.A. | N.A. | 15,000/- |
| Mr. M. H. Chinoy | 25,000/- | 9,000/- | 2,000 | 1,500/- | 37,500/- |
| Mr. S. K. Kinra | 5,000/- | 3,000/- | Nil | 500/- | 8,500/- |

Details of shares of the Company held by Non-Executive Directors as on 31st March, 2011 are as follows :

| Name of the Directors | No. of Shares |
|-----------------------|---------------|
| Mr. G. P. Goenka | 3,54,870 |
| Mr. M. H. Chinoy | 25 |
| Mr. T. S. Broca | 2,200 |

No convertible instrument was issued during this financial year.

REPORT ON CORPORATE GOVERNANCE (Contd.)

(iii) Shareholders'/Investors' Grievance Committee:

Shareholders'/Investors' Grievance Committee of the Company functions in compliance with the requirements of Clause 49 of the Listing Agreement. This Committee approves share transfer requests received for share transfers; oversees the redressal of shareholders' and investors' grievances, non-receipt of the annual report, etc. including granting approval for sub-division, transmission, duplicate shares etc.

Composition

The Shareholders'/Investors' Committee comprises of four directors including a Special Director, BIFR, the details are as follows -

| Name of the Directors | Designation | No. of Meetings attended |
|------------------------------|--------------------|---------------------------------|
| Mr. M. H. Chinoy | Chairman | 3 |
| Mr. R. K. Bhargava | Member | 4 |
| Mr. S. K. Kinra* | Member | 1 |
| Mr. A. K. Goel | Member | 4 |

• Appointed as Special Director, BIFR w.e.f. 03rd January, 2011

Meetings and Attendance

During the financial year ended 31st March, 2011, attendance in the Shareholders'/Investors' Grievance Committee was as follows:

| Sl. No. | Date | Committee strength | No. of Members present |
|----------------|--------------------|---------------------------|-------------------------------|
| 1 | 29th April, 2010 | 3 | 3 |
| 2 | 28th July, 2010 | 3 | 3 |
| 3 | 29th October, 2010 | 3 | 3 |
| 4 | 28th January, 2011 | 4 | 3 |

The Secretary of the Company acts as the Compliance Officer of the Committee.

Shareholders'/Investors' Grievances

| | |
|---|-----|
| No. of complaints pending at the beginning of the year | NIL |
| No. of Complaints received during the year | — |
| No. of complaints resolved to the satisfaction of Shareholders as on 31st March, 2011 | — |
| No. of pending complaints as on 31st March, 2011 | NIL |

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

4. Particulars of past three AGMs

| AGM | Financial Year | Venue | Date & Time | Special Resolutions passed |
|------|----------------|---|--------------------------|--|
| 14th | 2007-08 | "Gyan Manch", 11, Pretoria Street, Kolkata-700071 | 19.09.2008 10.00 a.m. | NIL |
| 15th | 2008-09 | "Gyan Manch", 11, Pretoria Street, Kolkata-700071 | 23.09.2009 10.00 a.m. | <ul style="list-style-type: none"> approval of re-appointment and remuneration of Mr. S. P. Gupta as an Executive Director |
| 16th | 2009-10 | "Kala Kunj", (Kalamandir Basement Hall) 48, Shakespeare Sarani, Kolkata -700 017 | 21.09.2010 10.00 a.m. | <ul style="list-style-type: none"> approval of re-appointment and remuneration of Mr. A. K. Goel as wholetime Director approval of Revision in remuneration of Mr. S. P. Gupta, Executive Director |

No Extra-Ordinary General Meeting (EGM) was held during the financial year 2010 -11.

Postal Ballot

No special resolution requiring a postal ballot was proposed in the last year. No special resolution requiring a postal ballot is being proposed in the ensuring AGM.

5. Disclosures

(i) Materially significant related party transactions which may have potential conflict with the interest of the Company at large :

None; Confirmations have been placed before the Audit Committee and the Board that all related party transactions during the financial year ended 31st March, 2011 were in the ordinary course of business and on arm's length basis and the same have been disclosed in the notes to the Accounts of this Annual Report. There was no non-compliance during the last three years.

(ii) Details of non-compliances, penalties, strictures by Stock Exchanges/SEBI/ Statutory Authorities on any matter related to capital markets during the last three years :

None

(iii) As Regards adoption of non-mandatory requirements of Clause 49

The Board of Directors has decided to defer the implementation of Whistle Blower Policy since the same is non-mandatory under Clause 49 of the Listing Agreement. However, no employee is denied access to the Audit Committee which is already in existence. Besides, the Board has approved the maintenance of Chairman's office at the Company's cost.

(iv) Secretarial Audit :

Secretarial Audit is carried out by a Qualified Practising Company Secretary.

REPORT ON CORPORATE GOVERNANCE (Contd.)

(v) Compliance Certificate of the Auditors :

Statutory Auditors' Certificate, as certified under clause 49 of the Listing Agreement with Stock Exchange stating compliance with conditions of Corporate Governance, has been annexed to the Report. The Certificate will be forwarded to the Stock Exchange/s along with the Annual Report of the Company.

6. Means of Communication

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good corporate governance. Towards this end —

- The quarterly un-audited financial results of the Company have been published within a month of completion of each quarter and Limited Review Reports have been submitted to the Stock Exchange/s within forty-five days of completion of the quarter. Such financial results have also been published in the Financial Express (English daily) and Kalantar (Bengali daily).
- Information relating to shareholding pattern has been submitted to the Stock Exchanges within the statutory time frame under listing agreement.
- The Report of Directors, forming part of the Accounts, includes all aspects of the Management Discussion and Analysis Report.

7. Shareholders' General Information

AGM Details :

| | | |
|--------------|---|--|
| Date | : | Tuesday, the 20th December, 2011 |
| Venue | : | "Kalakunj" Kalamandir Basement Hall 48, Shakespeare Sarani, Kolkata-700 017 |
| Time | : | 10.00 A.M. |
| Book closure | : | 14th December, 2011 to 20th December, 2011 (both days inclusive) |
| Dividend | : | The Directors regret their inability to recommend any dividend for the year ended 31st March, 2011 |

Listing on Stock Exchange :

The Company's Equity Shares are listed/traded at :

| Name of Stock Exchanges | Stock Code |
|---|-------------|
| 1. The National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai-400 057 | DUNCANS IND |
| 2. Bombay Stock Exchange Ltd. 25th Floor, P.J. Towers, Dalal Street Mumbai-400 023 | 590063 |

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

The annual listing fee for the financial year 2011-12 has been paid to the Stock Exchange where the shares of the Company are listed.

Market Price Data:

Monthly high and low quotes and volumes of shares traded on NSE and BSE

| Month | NSE | | | BSE | | | BSE Sensex | |
|-------------|-------|-------|----------------------------|-------|-------|----------------------------|------------|----------|
| | High | Low | Total No. of shares traded | High | Low | Total No. of shares traded | High | Low |
| 2010 | | | | | | | | |
| APRIL | 16.55 | 12.10 | 3714575 | 16.15 | 12.10 | 2726253 | 18047.86 | 17276.80 |
| MAY | 15.75 | 12.25 | 1377855 | 15.75 | 12.10 | 1102159 | 17536.86 | 15960.15 |
| JUNE | 21.60 | 13.85 | 16413951 | 21.15 | 13.75 | 18221088 | 17919.62 | 16318.39 |
| JULY | 20.75 | 16.00 | 3856239 | 20.75 | 15.95 | 4717557 | 18237.56 | 17395.58 |
| AUGUST | 18.30 | 14.85 | 2079264 | 18.50 | 14.85 | 1931305 | 18475.27 | 17819.99 |
| SEPTEMBER | 19.45 | 15.15 | 3678235 | 19.40 | 15.50 | 3586543 | 20267.98 | 18027.12 |
| OCTOBER | 17.65 | 16.10 | 1366707 | 17.80 | 16.05 | 1449803 | 20854.55 | 19768.96 |
| NOVEMBER | 24.35 | 16.65 | 5739392 | 24.30 | 16.00 | 5998197 | 21108.64 | 18954.82 |
| DECEMBER | 21.50 | 16.10 | 1744507 | 21.55 | 16.25 | 1452167 | 20552.03 | 19074.57 |
| 2011 | | | | | | | | |
| JANUARY | 22.65 | 17.10 | 1594924 | 22.65 | 17.00 | 1950489 | 20664.80 | 18038.48 |
| FEBRUARY | 20.15 | 16.00 | 1091905 | 20.15 | 16.40 | 1494803 | 18690.97 | 17295.62 |
| MARCH | 18.25 | 14.80 | 817576 | 18.25 | 14.75 | 1096080 | 19575.16 | 17792.17 |

Registrars and Share Transfer Agents

Name and Address : C B Management Services (P) Ltd.
P-22, Bondel Road, Kolkata-700 019

Phone : (033) 4011-6700

Fax : (033) 2287-0263

E-mail : rta@cbmsl.com

Shareholders holding shares in the electronic form should address their correspondence to their respective Depository Participants.

Share Transfer System

As on 31st March, 2011 about 92.06% of the Equity Share Capital of the Company is held in dematerialized form. Transfer of these shares is done through the Depositories without any involvement of the Company. Regarding transfer of shares in physical form, the transfer documents are processed by the Company's Registrar and Share Transfer Agents (RTA) at the above mentioned address normally within the statutory time frame and the Share Certificates are returned duly transferred in favour of transferees. Share Transfers under objections are returned

REPORT ON CORPORATE GOVERNANCE (Contd.)

immediately. The Shareholders'/Investors' Grievance Committee of the Board considers the transfer proposals in physical form in excess of 1000 shares. Requests for transfer up to 1000 shares are processed by the Company's Share Transfer Registrar.

Shareholding Pattern as on 31st March, 2011

Distribution of Shareholding :

| No. of Shares | Shareholders | | Shares | |
|-----------------|--------------|---------------|-----------------|---------------|
| | Number | % | Number | % |
| Upto 500 | 22434 | 82.40 | 2513827 | 4.72 |
| 501 to 1000 | 2259 | 8.29 | 1976713 | 3.71 |
| 1001 to 2000 | 1198 | 4.40 | 1939775 | 3.65 |
| 2001 to 3000 | 415 | 1.52 | 1088587 | 2.05 |
| 3001 to 4000 | 182 | 0.67 | 666223 | 1.25 |
| 4001 to 5000 | 233 | 0.86 | 1122318 | 2.11 |
| 5001 to 10000 | 266 | 0.98 | 2002502 | 3.76 |
| 10001 and above | 239 | 0.88 | 41913081 | 78.75 |
| Total | 27226 | 100.00 | 53223026 | 100.00 |

Category of Shareholders :

| Category | No. of Shares | % of Shareholding |
|--|-----------------|-------------------|
| Promoters | 30995348 | 58.24 |
| Mutual Fund & Unit Trust of India | 1461255 | 2.75 |
| Banks, Financial Institutions & Insurance Companies | 1403971 | 2.64 |
| Foreign Institutional Investors | — | — |
| Others | 19362452 | 36.37 |
| Total | 53223026 | 100.00 |

Dematerialisation of Equity Shares and Liquidity

The shares of the Company are traded in dematerialised form with both the depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL).

As on 31st March, 2011, 48998755 Equity shares of the company, comprising 92.06 % of the Equity share Capital have been dematerialized.

The Company's shares are regularly traded on the National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company is INE 508A01014.

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on Equity Capital.

Not applicable.

DUNCANS INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

Financial Calender 2011-2012

The Financial Year of the Company is from 1st April to 31st March. Publication of Results for the year 2011-12 was/will be as follows :

| Sl. No. | Unaudited Financial Results | Month for approving the Results (Tentative) |
|----------------|--|--|
| 1. | First Quarter Results | 29th July, 2011 |
| 2. | Second Quarter and Half yearly Results | 14th November, 2011 |
| 3. | Third Quarter Results | Within 45 days from the end of quarter |
| 4. | Fourth Quarter and Annual Results | Within 45 days from the end of quarter |

Fertiliser Plant and Tea Garden Locations

Panki Fertilizer Works, Udyog Nagar, Kanpur-208 022 (Uttar Pradesh).

Tea Gardens

| Tea Estates | Address |
|---|--|
| Birpara | P.O. Birpara-735 204, Dist. Jalpaiguri, West Bengal |
| Hantapara | P.O. Madarihat-735 220, Dist. Jalpaiguri, West Bengal |
| Dumchipara, Lankapara Tulsipara & Garganda | P.O. Ramjhora-735 228, Dist. Jalpaiguri, West Bengal |
| Killcott & Nagaisuree | P.O. Matelli-735 223, Dist. Jalpaiguri, West Bengal |
| Bagracote | P.O. Bagracote-734 501, Dist. Jalpaiguri, West Bengal |
| Gungaram | P.O. Bagdogra-734 222, Dist. Darjeeling, West Bengal |
| Runglee Rungliot | P.O. Rangli Rangliot-734 226, Dist. Darjeeling, West Bengal |
| Marybong | P.O. Ghoom-734 102, Dist. Darjeeling, West Bengal |
| Terai Land | P.O. Asharu Busty-733 207, Dist. Uttar Dinajpur, West Bengal |
| Madarihat | P.O. Birpara-735 204, Dist. Jalpaiguri, West Bengal |

Registered Office and Address for Correspondence :

Duncans Industries Limited
'Duncan House', 2nd Floor,
31, Netaji Subhas Road, Kolkata-700 001
Phone : (033) 2230 0962/2185
Fax : (033) 2248 6021
E-mail : dil_secretarial@duncans-tea.com

DUNCANS INDUSTRIES LIMITED

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND
SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF
CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for the Board members and senior management personnel.

We confirm that the Company has in respect of the Financial Year ended 31st March, 2011, received from the members of the Board and the senior management personnel of the Company a declaration of compliance with the Code of Conduct as applicable to them.

Dated : 14th November, 2011

S. P. Gupta
Executive Director

A. K. Goel
Wholetime Director

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF
CORPORATE GOVERNANCE**

To
The Members of Duncans Industries Limited

- 1) We have examined the compliance of conditions of Corporate Governance by Duncans Industries Limited for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.
- 2) The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.
- 3) In our opinion and to the best of our information and explanations given to us and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- 4) We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For LODHA & CO.
Chartered Accountants
Firm ICAI Registration No. 301051E

R. P. Singh
Partner
Membership No. 52438

Place : Kolkata
Dated : 14th November, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of the Company is pleased to present its report pertaining to two of its business segments viz. Fertiliser and Tea :

1. Industry Structure and Development:

Fertiliser Division:

The Company was predominantly operating in two business segments viz. manufacturing of fertiliser and growing/processing of tea. As reported in earlier years, under the circumstances under which the fertiliser plant of the Company has become non-operational since October, 2005. The NPS-III Policy which was valid upto 31st March, 2010 has been extended by the Government of India on provisional basis till further orders.

The accumulated losses of the Company having exceeded its net worth as on 31st March, 2006 and in compliance with the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), a reference was filed before the Board for Industrial and Financial Reconstruction (BIFR). The Hon'ble BIFR vide its order dated 21st February, 2007 has declared the company a sick industrial company within the meaning of SICA and State Bank of India was appointed as Operating Agency (OA).

The BIFR has formulated a Draft Rehabilitation Scheme (DRS) of the Company and circulated vide its order dated 1st June, 2011 in terms of the provisions of SICA. After hearing the objections/suggestions of the concerned parties to the said DRS, the Hon'ble BIFR has sanctioned a Rehabilitation Scheme on 29th September, 2011 which inter alia, provides de-merger of fertiliser unit of the Company and transfer and vesting of the same into Kanpur Fertilizers & Cement Ltd.(KFCL) effective from 1st October, 2010, leaving operation of the tea business in the Company.

Tea Division:

Reports worldwide as well as in India indicate a healthy increase in tea consumption whereas there has been no significant upward movement of the production. With worldwide rising of consumption coupled with general inflationary conditions in the country, tea prices have been going up.

All India crop for the season 2010 was 13 million kgs lower than the previous season. North India crop was down by 12 million kgs and South Indian crop was lower by 2 million kgs. World crop during the year was up by 118 million kgs largely due to increase in Kenyan and Sri Lankan crop.

In export front, the total exports for the entire year 2010 was slightly less than 200 million kgs which was almost equal to the export made in the previous year.

2. Opportunities and Threats:

Fertiliser Division:

The fertilizer plant is not in operation since October, 2005 and will be transferred to a new company, namely Kanpur Fertilizers & Cement Ltd.(KFCL) in terms of a rehabilitation scheme of the Company sanctioned by the BIFR and hence no opportunity and threat is from the said business segment.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Tea Division

After a prolonged initial dry spell, the tea industry is showing signs of recovery. As an agricultural crop, tea cultivation is dependant on good growing conditions, climate change and general vagaries of nature which do impact production and quality. It is a point to note for the members, that the Company has confronted with the similar situation in previous years and these adverse factors are not in our control. However, the Company is considering some activities to minimize the effects of drought to a some extent.

The Indian tea industry's biggest problem has been the loss of its competitive edge internationally due to a high cost of production, which is exacerbated by certain social as well as labour cost. The lower yield is also a reason for high cost of production. The Company, in this regard, is in the process to replace the age old bushes for increasing the yield and other steps as considered necessary in order to keep itself competitive as explained in other parts of the Report. The Tea Board of India has come out to assist the tea industry through a loan and subsidy scheme under its Special Purpose Tea Fund (SPTF) but funds allocated by the Government are meagre as compared to the requirement of the industry.

3. Product-wise Performance

Fertiliser Division:

The fertilizer plant is not in operation since October, 2005 and hence there was no reportable production/performance of the said division.

Tea Division:

The Company has produced 140.07 lac kgs of tea during the financial year ended 31st March, 2011 compared to 143.86 lac Kgs in the previous financial year. The Company sold 141.35 lacs kgs of tea at an average price of Rs. 124.22 per kg in the current financial year compared to 131.99 lac kgs of tea was sold in the previous financial year at an average price of Rs. 118.40 per kg. In spite of the shortfall in the production, the market has not reacted upward commensurate with the overall shortfall and stock position.

4. Outlook :

Fertiliser Division :

The fertilizer plant is not in operation since October, 2005 and will be transferred to a new company namely Kanpur Fertilizers & Cement Ltd. In terms of a rehabilitation scheme of the Company sanctioned by the BIFR and hence no future outlook of the said division has been given in this report.

Tea Division:

The average sale price of tea in the current year has shown some increase in tea prices corresponding to the prices during the same period of the previous year. Increase in world consumption of tea without a corresponding increase in production, is expected to lead towards upward trend in prices for the quality tea.

About the future side of the industry, it can be said the industry with in the domestic market, the demand is largely CTC led and the market is expected to be buoyant. Tea industry in

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

spite of possessing a strong potential in the beverage sector needs to be developed scientifically. Tea has always been a major preference compared to other beverages as a result of people's consciousness and awareness in health matters.

In the coming year, after de-merger of the fertiliser undertaking, the Company will remain with Tea Business.

5. Internal Control Systems and Their Adequacy:

Fertiliser Division:

Since Company's Fertilizer Plant is not in operation, the internal control procedures could not be followed.

Tea Division

The independent firm of Chartered Accountants appointed as Internal Auditors and in-house team of the management continuously do evaluate the internal control system and the checks and balances in the system to ensure that they are adequate.

The Audit Committee of the Board reviews internal audit observations and puts suggestion for corrective action for implementation. The company's internal control systems and its effectiveness are also verified periodically by the Statutory Auditors and reported to the Audit Committee of the Board. Corrective actions where ever found appropriate are taken on a priority basis.

6. Financial and Operating Performance:

The financial of both the divisions of the Company has been enumerated separately in the Accounts for the year ended 31st March, 2011.

7. Material Developments on Industrial Relations Front:

Fertiliser Division:

The Company has entered into settlement with workmen/employees of the Fertiliser Division on 6th June, 2010 and industrial relations remain cordial.

Tea Division:

Industrial relations between the management and the workmen in the Tea Gardens remain cordial.

8. Cautionary Statement

Statements made in this Report describing the Company's objectives, projections, expectations, estimates etc. may be forward looking statements within the meaning of applicable laws and regulations. Many unforeseen factors beyond the control of the Company, may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Market data and product information contained in this Report have been based on information gathered from various published and unpublished reports, and their accuracy, reliability and completeness cannot be assured. Further, the growth of the industry depends upon Government policies, global economic scenario and vagaries of nature, any adverse/favourable situation may change the outlook.

AUDITORS' REPORT

TO THE MEMBERS OF DUNCANS INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **Duncans Industries Limited** as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements of the company are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order"), as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in exercise of the powers conferred by Section 227 (4A) of the Companies Act 1956, ("the Act") and according to the information and explanations given to us and subject to non availability of certain details and records as given in paragraph 5 below on the basis of such checks as we considered appropriate, we state that :
 - I. a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets except in respect of Fertilizer division where such records are not accessible.
 - b) All the fixed assets have not been verified by the management during the year but according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size and the nature of its assets. In respect of assets verified during the year, no material discrepancies have been noticed.
 - c) In our opinion, during the year, the company has not disposed off substantial part of its fixed assets.
 - II. a) The inventory, as explained to us, has been physically verified by the management in a phased manner. No confirmations with respect to stock lying with third parties were obtained. In respect of certain materials stored in heaps such verification has been done on the basis of visual estimation/survey and/or volumetric measurement technique.
 - b) In our opinion, read together with Para (II) (a) above, the procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) In our opinion, the company has maintained proper records of its inventory and as explained to us, the discrepancies observed on such verification between the physical stock and the book records were not material and have been properly dealt with in the books of account.
- III. a) During the year, the Company has not granted any loan secured or unsecured to any company, firm or other party covered in the Register maintained under

DUNCANS INDUSTRIES LIMITED

Section 301 of the Act. In respect of the unsecured loan given in earlier years to a company covered in the register maintained under said section, the aggregate maximum amount involved and the year end balance was Rs.1685 lacs. The said loan continues to be interest free and yet to be repaid as indicated in Note 19(b) of Schedule 12.

- b) The amount advanced is strategic in nature and in the absence of any specific terms for repayment etc it is not possible to ascertain and comment whether the same is prima facie prejudicial to the interest of the Company. Given the terms of repayment etc. as given in Note 19(b) of Schedule 12, clause III(c) and (d) are not applicable to the company.
 - c) The Company, during the year has not taken any loan secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clause 4(III)(e) to (g) of the order are not applicable to the company.
- IV. In our opinion, and having regard to the nature and exigencies of business and the practices followed and the explanation that certain items purchased are of a special nature and therefore in certain cases alternative quotations are not available, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct the major weaknesses in internal controls.
- V. According to information and explanation given to us and as per the records of the company, there is no transaction that needs to be entered, in the Register maintained under Section 301 of the Act. Accordingly, the provisions of the clause 4 (v) (b) of the said order is not applicable to the Company.
- VI. *Deposits accepted by the company in earlier years which were in excess of the limits prescribed for the purpose are due for repayment. The amount payable as given in Note 10 of Schedule 12 has been settled to be repaid on one time basis as per the scheme sanctioned by BIFR and as given in Note 7 of Schedule 12 is pending implementation.*
- VII. The Company's internal audit in respect of the tea division has been conducted in a phased manner by a firm of Chartered Accountants. *In the Fertilizer division of the Company, no such audit was carried out during the year. Accordingly, internal audit system needs to be strengthened further.*
- VIII. We have been explained that in the absence of any production of Urea during the year no cost records are required to be maintained. In respect of Tea division, on the basis of records produced, we are of the opinion that prima facie the cost records and accounts prescribed by the Central Government under Section 209(1) (d) of the Act have been maintained. However, we have not carried out any detailed examination of such records with a view to determine whether they are accurate or complete.
- IX. a) *As stated in Note 11 of Schedule 12 outstanding dues in respect of Employees Provident Fund is to be deposited in terms of scheme sanctioned by BIFR. Other than this, according to the information and explanations given to us the company is generally regular in depositing with appropriate authorities undisputed statutory dues in respect of Investor Education & Protection Fund, Sales Tax, Cess,*

DUNCANS INDUSTRIES LIMITED

Professional Tax and other material statutory dues applicable to it. The details of material statutory dues outstanding for a period exceeding six months as provided for in the accounts are given below:

| Statute | Nature of Dues | Amount (Rs. in Lacs) | Period to which the amount relates to |
|---|--|----------------------|---------------------------------------|
| The Income Tax Act, 1961 | Tax Deducted at Source | 50.67 | 2003-04 to 2006-07 and 2010-11 |
| Bihar Sales Tax | Turnover Tax | 17.54 | 2001-2003 |
| The Central Sales Tax Act, 1956 | Sales Tax | 36.59 | 2002-03 to 2004-05 |
| The West Bengal Sales Tax Act, 1944 | Purchase Tax | 2.93 | 2004-05 to 2008-09 and 2010-11 |
| The Employee's Provident Funds and Miscellaneous Provisions Act, 1952 | Contribution to Provident and Pension Fund | 755.86 | 2002-03 to 2004-05 & 2010-11 |

- b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except as given below:

| Statute | Nature of Tax | Forum where Dispute is Pending | Amount (Rs. in Lacs) | Period to which amount relates |
|---------------------------------------|--------------------|--------------------------------|----------------------|--------------------------------|
| The Income Tax Act, 1961 | Income Tax | High Court Assessing officer | 47.32 597.01 | 1976-77 & 1977-78 2010-11 |
| The Central Sales Tax Act, 1956 | Central Sales Tax | ACCT WBCT | 2.41 1.72 | 2004-05 2007-08 |
| The West Bengal Sales Tax Act, 1994 | Interest Sales Tax | ACCT ACCT | 1.35 2.39 | 1996-97&1997-98 2004-05 |
| The Central Excise Act, 1944 | Excise Duty | Commissioner | 86.60 | March'94 to June'95 |
| The West Bengal Value Added Tax, 2003 | West Bengal Vat | WBCT | 16.77 | 2007-08 |

- X. The accumulated losses of the company have exceeded fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit but had not incurred cash losses in the immediately preceding financial year. The effect

DUNCANS INDUSTRIES LIMITED

of qualifications has not been taken into consideration for the purpose of making comment in respect of this clause.

- XI. As stated in Note 7 of schedule 12 amounts payable to Banks, Financial institutions and debenture holders have been restructured/rescheduled and the rehabilitation scheme specifying the same has since been sanctioned by BIFR. The amount and terms of the repayment in this respect have been stated in notes given in Schedule 3 and on adherence to these, and implementation of the scheme as given in Note 7 of Schedule 12, the amounts payable will no longer be in default.
 - XII. The Company has not granted any loan and advances on the basis of security by way of pledge of shares, debentures and other security.
 - XIII. In our opinion, the Company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of the clause 4 (XIII) of the said order are not applicable to the Company.
 - XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (XIV) of the Order is not applicable to the Company.
 - XV. The Company has not given any guarantee during the year for loan taken by others. Guarantees given in earlier years to group/associate companies in respect of loans taken by them from banks and financial institutions, considering the long term involvement with those companies when issued was not prima facie prejudicial to the interest of the Company.
 - XVI. As per the information and explanations given to us, no fresh term loan has been taken during the year.
 - XVII. According to the information and explanation given to us, pending implementation of the scheme sanctioned by BIFR as given in Note 7 of Schedule 12, on an overall examination of the Balance Sheet of the Company, we report that funds amounting to Rs. 78,260 lacs raised on short-term basis have been used for long term investment, i.e., for funding losses of the Company.
 - XVIII. The Company has not made any preferential allotment of shares to parties and companies required to be covered, in the Register maintained under Section 301 of the Act, during the year.
 - XIX. The Company has not issued any secured debentures during the year. Accordingly, clause 4 (XIX) of the order is not applicable to the company.
 - XX. The Company has not raised any money through a Public issue during the year.
 - XXI. During the course of our examination of books and records of the Company carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the Company, noticed and/or reported during the year, nor have we been informed of any such case by the management.
2. *As indicated in Note 7(a) of schedule 12, the accounts have been prepared on a going concern basis. However, it's ability to continue as a going concern is dependent upon the future implementation of the scheme sanctioned by BIFR, on which we are unable to express any opinion presently.*
3. *The impact with respect to various measures required to be implemented in terms of the scheme sanctioned by BIFR in the hearing held on 29th September, 2011 including the*

DUNCANS INDUSTRIES LIMITED

resultants write backs, provisions, etc. as given in Note 7(b) to 7(d) and read with notes 3.2,4,10 and 11 of Schedule 12 will be ascertained and given effect to on implementation of the scheme. Pending this, impact with respect to various adjustments arising have presently not been ascertained and as such cannot be commented upon by us.

4. As indicated in Note 19 and 20 of Schedule 12, shortfall in value of investments and loans and advances given to certain companies and resultant impact thereof on the losses if any are presently not ascertainable.
5. As indicated in Note 9 and 22 of Schedule 12, relevant records and details in respect of Fertilizer Division and certain records, confirmations and reconciliation for the purpose of the audit, were not available and thereby year end verification in this respect as such could not be carried out. In view of the above and in the absence of relevant details/records and/or full information/reconciliations/confirmations, we are unable to express any opinion on the extent of adjustments arising there from and their impact on amounts of various assets and liabilities, expenses and income and impact thereof on the profit of the Company.
6. Attention is invited to the following Notes in Schedule 12:
 - a) Note 12(b) regarding non provision of various employee related expenses amounting to Rs. 179.62 lacs from 1st October, 2010 to 31st March, 2011 and thereby loss for the year and accumulated balances is lower to the extent of Rs. 179.62 lacs.
 - b) Note 21(c) regarding non disclosure of liability related to employee benefits under defined benefit plans pertaining to Fertilizer division and those related to Superannuation Fund as required in terms of AS 15.
7. Further attention is also invited to the following Notes in Schedule 12, impacts whereof are presently not ascertainable:
 - a) Note 6.2 regarding non availability of details regarding micro, small and medium enterprise as defined under Micro, Small and Medium Enterprise Development Act, 2006,
 - b) Note 18.4 regarding non-provision of Rs. 811.67 lacs demanded by the appropriate authorities as "Salami" on renewal of lease in certain circumstances; and
 - c) Note 30.2 regarding payment of managerial remuneration amounting to Rs. 491.51 lacs (including Rs. 98.70 lacs for the year) which is subject to approval of the Central Government.
8. We further report that, without considering Para 2 to 5,6(b) and 7, impacts of which on the company's loss for the year and the accumulated balance thereof have not been ascertained and as such cannot be commented upon by us, had the impact of items 6(a) above been considered, the loss for the year would have been Rs. 3924.14 lacs as against the reported loss of Rs. 3744.52 lacs and accumulated balance thereof would have been Rs.147097.41 lacs as against the reported figures of Rs. 146917.79 lacs.
9. Further to above, we report that :
 - a) Subject to Para 5 and Para 7(a) above, 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) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
 - c) 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 such books;

DUNCANS INDUSTRIES LIMITED

- d) In our opinion, *excepting non recognition of foreign exchange fluctuation on FCRN in terms of Accounting Standard 11 "the effect of changes in foreign exchange rate" as stated in Note 4(b) of Schedule 12, non provision/ascertainment of certain employee related expenses and disclosure in terms of Accounting Standard 15 on "Employee Benefits" as stated in Note 21(c) of Schedule 12 and non ascertainment of contingent liabilities and disclosures thereof in respect of Fertilizer Division as required in terms of Accounting Standard 29 on "provisions, contingent liabilities and contingent assets", the Balance Sheet, Profit and Loss Account, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Act;*
- e) *In view of the defaults made in repayment of deposits and interest thereon reference is invited to Note 13 of schedule 12 regarding the Company's contention, for applicability of section 274(1)(g) of the Act. As per the legal opinion received on which we have placed reliance, the directors of the Company are not disqualified from being appointed as directors in terms of Section 274(1)(g) of the Act;*
- f) In our opinion and to the best of our information and according to the explanations given to us, *subject to our remarks as given in Para 2 to 7 above whereby excepting as given in Para 8 above, we are unable to ascertain the impact on these accounts and read together with the other Notes thereon, these accounts 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:*
- i. in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2011;
 - ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **LODHA & CO.**
Chartered Accountants
Firm ICAI Membership no. 301051E

R. P. Singh
Partner
Membership No. 52438

Place : Kolkata
Dated : 14th November, 2011

DUNCANS INDUSTRIES LIMITED

Balance Sheet as at 31st March, 2011

| | Schedule | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|----------|--|--|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 22870.60 | 22870.60 |
| Reserves and Surplus | 2 | 25804.75 | 26482.12 |
| LOAN FUNDS | 3 | | |
| Secured Loans | | 72186.21 | 71872.93 |
| Unsecured Loans | | 39894.22 | 40149.41 |
| TOTAL | | 160755.78 | 161375.06 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 4 | 90588.18 | 90144.65 |
| Less: – Impairment | | 28260.00 | 28260.00 |
| – Depreciation | | 29089.66 | 27290.20 |
| Net Block | | 33238.52 | 34594.45 |
| Capital work-in-progress | | 604.14 | 695.84 |
| INVESTMENTS | 5 | 9217.23 | 9217.23 |
| DEFERRED TAX ASSETS (Net) (Refer Note 26 on Schedule 12) | | — | — |
| CURRENT ASSETS, LOANS AND ADVANCES | 6 | | |
| Inventories | | 6666.75 | 6804.08 |
| Sundry Debtors | | 353.55 | 417.23 |
| Cash and Bank Balances | | 87.17 | 94.06 |
| Loans and Advances | | 7417.78 | 6579.75 |
| | | 14525.25 | 13895.12 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | 7 | | |
| Liabilities | | 43634.02 | 40087.71 |
| Provisions | | 113.14 | 113.14 |
| | | 43747.16 | 40200.85 |
| NET CURRENT ASSETS | | (29221.91) | (26305.73) |
| PROFIT AND LOSS ACCOUNT | | 146917.79 | 143173.27 |
| TOTAL | | 160755.78 | 161375.06 |

NOTES

12

The Schedules referred to above form part of the Balance Sheet.

For **Lodha & Co.**
Chartered Accountants
R. P. Singh
Partner
Membership No. 52438

14, Government Place East, Kolkata K. Mukhopadhyay
Dated 14th November, 2011 **Secretary**

S. P. Gupta
Executive Director

G. P. Goenka
Chairman
Shrivardhan Goenka
R. K. Bhargava
D. Sengupta
M. H. Chinoy
S. K. Kinra
A. L. Ananthanarayanan
Directors
A. K. Goel
Wholtime Director

DUNCANS INDUSTRIES LIMITED

Profit and Loss Account for the year ended 31st March, 2011

| | Schedule | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|--|----------|---|---|
| INCOME | | | |
| Sales | 8 | 17558.78 | 15629.70 |
| Other Income | 9 | <u>411.78</u> | <u>276.95</u> |
| | | 17970.56 | 15906.65 |
| EXPENDITURE | | | |
| Decrease/(Increase) in Stocks | 10 | 92.95 | (840.86) |
| Expenses | 11 | <u>15750.79</u> | <u>14859.87</u> |
| | | 15843.74 | 14019.01 |
| PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION AND TAX | | 2126.82 | 1887.64 |
| Interest | | 1427.22 | 752.53 |
| Depreciation | | 2001.78 | 2041.14 |
| Less: Transfer from Revaluation Reserve | | <u>666.65</u> | <u>674.85</u> |
| | | 1335.13 | 1366.29 |
| PROFIT/(LOSS) BEFORE PRIOR PERIOD EXPENSES, EXCEPTIONAL ITEMS AND TAX | | (635.53) | (231.18) |
| PRIOR PERIOD EXPENSES (Note 29.1 on Schedule 12) | | 2.19 | 10.68 |
| Exceptional Items : | | | |
| Employees Related Dues (Note 12(a) on Schedule 12) | | 3106.80 | — |
| Exchange Deficit/(Gain) (Note 4(c) on Schedule 12) | | — | (1232.61) |
| PROFIT/(LOSS) BEFORE TAX | | (3744.52) | 990.75 |
| PROVISION FOR TAXATION | | | |
| Current | | — | — |
| Deferred | | — | — |
| PROFIT/(LOSS) AFTER TAX | | (3744.52) | 990.75 |
| Balance loss brought forward from earlier year | | <u>(143173.27)</u> | <u>(144164.02)</u> |
| Balance loss carried forward to Balance Sheet | | <u>(146917.79)</u> | <u>(143173.27)</u> |
| Earning per Share (Basic and Diluted) (Note 28 on Schedule 12) | | | |
| — before Exceptional Items | | (1.20) | (0.45) |
| — after Exceptional Items | | (7.04) | 1.86 |

NOTES

12

The Schedules referred to above form part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For **Lodha & Co.**

Chartered Accountants

R. P. Singh

Partner

Membership No. 52438

14, Government Place East, Kolkata
Dated 14th November, 2011

Secretary

S. P. Gupta
Executive Director

G. P. Goenka
Chairman
Shrivardhan Goenka
R. K. Bhargava
D. Sengupta
M. H. Chinoy
S. K. Kinra
A. L. Ananthanarayanan
Directors
A. K. Goel
Wholtime Director

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 1. SHARE CAPITAL | | |
| AUTHORISED | | |
| 55000000 Equity Shares of Rs.10/- each | 5500.00 | 5500.00 |
| 18000000 Cumulative Preference Shares of Rs.100 each | 18000.00 | 18000.00 |
| | <u>23500.00</u> | <u>23500.00</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 53223026 Equity Shares of Rs. 10 each fully called up (10000000 Equity Shares fully paid-up allotted for consideration other than cash) | 5322.30 | 5322.30 |
| Less : Calls in arrear | <u>0.03</u> | <u>0.03</u> |
| | 5322.27 | 5322.27 |
| 200000 8.25% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up (Redeemable in five annual instalments from 31st March, 2017 in terms of the scheme) | 200.00 | 200.00 |
| 750000 8.25% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up (Redeemable in five annual instalments from 31st March, 2017 in terms of the scheme) | 750.00 | 750.00 |
| 16598331 0.001% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid up | 16598.33 | 16598.33 |
| Note: | <u>22870.60</u> | <u>22870.60</u> |

In terms of the scheme, equity share capital and 8.25% redeemable preference shares shall be reduced by 60% and 0.001% cumulative redeemable preference shares will be reduced to nil. The effect of these will be given on implementation of the scheme as given in note 7 on Schedule 12.

| | As at 1st April, 2010 (Rs. in lacs) | Additions during the Year (Rs. in lacs) | Adjustments during the Year (Rs. in lacs) | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--------------------------------|---|--|--|--|--|
| 2. RESERVES AND SURPLUS | | | | | |
| Share Premium Account | 11525.11 | — | — | 11525.11 | 11525.11 |
| Capital Redemption Reserve | 1500.00 | — | — | 1500.00 | 1500.00 |
| Revaluation Reserve | 12270.01 | — | 677.37 | 11592.64 | 12270.01 |
| Debenture Redemption Reserve | 1187.00 | — | — | 1187.00 | 1187.00 |
| | <u>26482.12</u> | <u>—</u> | <u>677.37</u> | <u>25804.75</u> | <u>26482.12</u> |
| Previous Year | <u>27174.80</u> | <u>—</u> | <u>692.68</u> | <u>26482.12</u> | |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 3. LOAN FUNDS | | |
| A. SECURED LOANS | | |
| (Refer Note 7(b) and 8 on Schedule 12) | | |
| Debentures | | |
| 1487755 15% Partly Convertible Secured Redeemable Debentures (Non-convertible part of Rs. 65 each) | 222.91 | 222.91 |
| Less : Calls in arrear | 0.39 | 0.39 |
| (Secured by first charge on fixed assets in respect of the Company's twelve Tea Gardens, ranking pari passu with the charges created in favour of Company's Working Capital Bankers and also floating charge over the current assets subject to prior charge in favour of the Company's Bankers for loans advanced to the Company) | 222.52 | 222.52 |
| 1875 15% Secured Redeemable Non-Convertible Debentures of Rs. 100000 each | 1875.00 | 1875.00 |
| 130 15% Redeemable Non-Convertible Debentures of Rs. 100000 each (Secured by pledge of 351000 shares of ISG Traders Ltd. held by the Company) | 130.00 | 130.00 |
| 520 15% Optionally Convertible Debentures of Rs. 100000 each (Secured by pledge of 1404000 shares of ISG Traders Ltd. held by the Company) | 520.00 | 520.00 |
| Cash Credit: | | |
| From Banks | | |
| - Tea Division | 7712.40 | 7751.01 |
| - Fertiliser Division | 8858.70 | 8858.70 |
| Working Capital Term Loan (WCTL) from Banks | 9963.00 | 9963.00 |
| From Assets Reconstruction Company (India) Ltd. (ARCIL): | | |
| - Cash Credit assigned by the Banks | 6799.46 | 6799.46 |
| - Working Capital Term Loan assigned by the Banks | 4493.00 | 4493.00 |
| Carried forward | 40574.08 | 40612.69 |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|--|--|
| 3. LOAN FUNDS (Contd.) | | |
| Brought forward | 40574.08 | 40612.69 |
| Term Loans: | | |
| From Assets Reconstruction Company (India) Ltd. (ARCIL) assigned by : | | |
| - ICICI Bank Ltd. (Including FITL of Rs. 549.47 lacs - Previous Year Rs. 549.47 lacs) | 9696.91 | 9696.91 |
| - Industrial Development Bank of India Limited (Including FITL of Rs. 844.00 lacs - Previous Year Rs. 844.00 lacs) | 6346.96 | 6346.96 |
| - UCO Bank | 1000.00 | 1000.00 |
| - Punjab National Bank (Including FITL of Rs.123.04 lacs - Previous Year Rs.123.04 lacs) | 3123.04 | 3123.04 |
| From Financial Institutions | | |
| - SICOM (Including FITL Rs. 168.90 lacs - Previous Year Rs. 168.90 lacs) | 1669.67 | 1669.67 |
| - West Bengal Industrial Development Corporation Ltd. (including FITL Rs. 37.04 lacs - Previous Year Rs. 37.04 lacs) | 365.04 | 365.04 |
| - Pradeshia Industrial and Investment Corporation of U.P. Ltd. (Secured by hypothecation over Equipments purchased under the Schemes) | 1348.60 | 1348.60 |
| From a Body Corporate assigned by Housing Development Finance Corporation Ltd. (Secured by pari passu first mortgage on the immovable properties at the Company's twelve Tea Gardens) | 2000.00 | 2000.00 |
| From a Body Corporate assigned by ICICI Bank Ltd. | 750.00 | 750.00 |
| Bodies Corporate (Secured by pledge of 1590000 Shares of ISG Traders Limited held by the Company) | 530.00 | 530.00 |
| Interest accrued and due | 4781.91 | 4430.02 |
| Carried forward | 72186.21 | 71872.93 |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 3. LOAN FUNDS (Contd.) | | |
| Brought forward | 72186.21 | 71872.93 |
| B. UNSECURED LOANS | | |
| Fixed Deposits from Shareholders and Public | 7671.21 | 7904.34 |
| Floating Rate Convertible Notes (FRCN) (Note 4 on Schedule 12) | 14575.00 | 14575.00 |
| 25 15% Optionally Convertible Debentures of Rs. 100000 each | 25.00 | 25.00 |
| Under Housing Scheme | 7.37 | 7.37 |
| From Bodies Corporate (Including Deposits) | 3010.24 | 3010.24 |
| Advance from Promoters (pending conversion into equity share capital in terms of the Scheme) | 3055.50 | 3055.50 |
| Foreign Exchange Fluctuations on FRCN (Note 4 on Schedule 12) | 6619.30 | 6619.30 |
| Interest accrued and due | 4930.60 | 4952.66 |
| | <u>39894.22</u> | <u>40149.41</u> |
| | <u>112080.43</u> | <u>112022.34</u> |

Notes :

In terms of the scheme to be implemented as per note 7 on schedule 12, the secured loans including interest thereon will be dealt with as follows;

- (i) Secured loans (excepting working capital Rs. 60 Cr to be continued for tea operations and certain other loans mentioned herein below) will be settled on one time basis at Rs. 257.21 Cr payable with in 90 days from the date of sanction of the scheme.
- (ii) 15% Redeemable Non-convertible/optionally Convertible Debentures and secured loan/deposits from body corporate aggregating to Rs. 11.80 Cr will be settled on one time basis at Rs. 5.78 Cr payable with in 90 days from the date of the sanction of the scheme.
- (iii) Out of the working capital facilities of Rs. 60 Cr for tea operation, banks will allocate Rs. 24.315 Cr for cash credit account and Rs. 24.315 Cr for Working Capital Term Loan (WCTL) will be repayable in installments commencing from 31st March, 2014 to 31st March, 2015, the balance amount of Rs. 11.35 Cr being ARCIL's share shall continue as loan repayable in three equal annual installments of Rs. 5.61 Cr each inclusive of interest payable from 15th March, 2013.

Schedules forming part of the Balance Sheet (Contd.)

4. FIXED ASSETS

| | Revalued Cost of Assets as at 01.04.2010 | Additions during the year | Original/ Revalued Cost of Assets Sold/ Discarded/ Adjusted | Total Cost/ Revaluation to 31.03.2011 | Impairment upto 01.04.2010 | Depre- ciation upto 01.04.2010 | Depre- ciation for the year | Depre- ciation on Asset sold/Adj. | Depre- ciation to date | Balance as at 31.03.2011 | Balance as at 31.03.2010 |
|-----------------------------------|---|------------------------------------|--|--|----------------------------------|---|--------------------------------------|---|---------------------------------|--------------------------------|--------------------------------|
| | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) |
| Tea Estates — | | | | | | | | | | | |
| Leasehold in perpetuity | 44554.01 | — | — | 44554.01 | 28,259.00 | — | — | — | — | 16295.01 | 16295.01 |
| Leasehold Land — | | | | | | | | | | | |
| Fertiliser Division | 2312.67 | — | — | 2312.67 | — | 20.82 | 2.31 | — | 23.13 | 2289.53 | 2291.85 |
| Freehold Land | 1047.73 | — | — | 1047.73 | — | — | — | — | — | 1047.73 | 1047.73 |
| Buildings | 4443.38 | 110.18 | — | 4553.56 | — | 1768.53 | 107.41 | — | 1875.94 | 2677.61 | 2674.84 |
| Railway Sidings | 32.09 | — | — | 32.09 | — | 18.83 | 1.68 | — | 20.51 | 1157 | 13.25 |
| Plant & Machinery | 32371.17 | 347.78 | 208.02 | 32510.94 | 1.00 | 21344.17 | 1713.92 | 184.02 | 22874.08 | 9635.86 | 11026.00 |
| Electrical Machinery | 1398.72 | 54.94 | — | 1453.66 | — | 1145.86 | 55.84 | — | 1201.70 | 251.95 | 252.86 |
| Water Supply | 1337.46 | 132.84 | — | 1470.30 | — | 694.70 | 60.75 | — | 755.46 | 714.84 | 642.76 |
| Rolling Stock, Vehicles etc. | 1309.26 | 14.84 | 19.29 | 1304.81 | — | 1199.27 | 21.10 | 18.15 | 1202.23 | 102.58 | 109.99 |
| Office Equipment and Furniture | 1338.16 | 10.73 | 0.46 | 1348.42 | — | 1098.00 | 38.76 | 0.16 | 1136.61 | 211.82 | 240.15 |
| Total | *90144.65 | 671.30 | 227.77 | 90588.18 | 28260.00 | 27290.20 | 2007.78 | 202.32 | 29089.66 | 33238.52 | 34594.45 |
| Previous Year | 89632.36 | 627.27 | 114.98 | 90144.65 | 28260.00 | 25340.58 | 2041.14 | 91.52 | 27290.20 | 34594.45 | |

* Includes Rs. 37470.61 lacs added on Revaluation as on 1st January, 1999/31st March, 2001.

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet (Contd.)

| | No. of Shares/ Debentures | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|---------------------------------|--|--|
| 5. INVESTMENTS (Long Term) | | | |
| TRADE INVESTMENTS – At Cost | | | |
| UNQUOTED | | | |
| Fully paid Ordinary Shares : | | | |
| ABC Tea Workers Welfare Services Ltd. | 18942 | 1.89 | 1.89 |
| Swissind Filters Ltd. | 960 | 0.66 | 0.66 |
| | | 2.55 | 2.55 |
| OTHER THAN TRADE – At or under Cost | | | |
| QUOTED | | | |
| Fully paid Equity Shares : | | | |
| Unimers India Ltd. # | 937207 | — | — |
| ISG Traders Ltd. # | 4128094 | 8161.23 | 8161.23 |
| Maharashtra Polybutenes Ltd. | 25 | — | — |
| Duncan Brothers and Co. Ltd. | 1012 | 2.07 | 2.07 |
| The Bhagwati Pressing Co. Ltd. | 8000 | 0.44 | 0.44 |
| SKF Bearings India Ltd. | 140 | 0.02 | 0.02 |
| Ballarpur Industries Ltd. | 135 | 0.01 | 0.01 |
| Dharamsi Morarji Chemicals Ltd. | 57 | 0.01 | 0.01 |
| Ion Exchange (India) Ltd. | 100 | 0.04 | 0.04 |
| Bells Control Ltd. # | 100000 | — | — |
| SMIFS Capital Markets Ltd. | 1700 | 5.02 | 5.02 |
| UNQUOTED | | | |
| Fully paid Ordinary Shares : | | | |
| Jalpaiguri Club Ltd. | 80 | 0.01 | 0.01 |
| Fully paid Equity Shares : | | | |
| Duncan Services Ltd. | 360 | 0.18 | 0.18 |
| Apeejay Tea Ltd. | 50 | 0.01 | 0.01 |
| Kotamullai Estate Employees' Co-operative Society Ltd. | 1 | 0.00 | — |
| Stephen Court Ltd. | 10000 | 0.54 | 0.54 |
| Duncans Tea Ltd. | 9100 | 9.10 | 9.10 |
| Odyssey Travels Ltd.# | 40000 | — | — |
| Continuous Forms (Calcutta) Ltd. | 10 | — | — |
| Arohi Holdings Ltd. | 300000 | 30.00 | 30.00 |
| Sarvottam Caps Ltd. | 420000 | 210.00 | 210.00 |
| Woodland Multispeciality Hospital Ltd. (allotted in terms of a Scheme of Arrangement sanctioned by the Hon'ble Calcutta High Court) | 1850 | — | — |
| Carried forward | | 8418.68 | 8418.68 |
| | | 2.55 | 2.55 |

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Schedules forming part of the Balance Sheet (Contd.)

| | No. of Shares/ Debentures | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|---------------------------------|--|--|
| 5. INVESTMENTS (Contd.) | | | |
| Brought forward | | 8418.68 | 2.55 |
| 5% Debentures : | | | |
| Shillong Club Ltd. | 1 | — | — |
| 20% Unsecured Debentures : | | | |
| (Fully convertible into Equity Shares unless redeemed before conversion) : | | | |
| Ezra Trading and Finance Co. Ltd.# | 100000 | — | — |
| Zero-coupon Unsecured Debentures : | | | |
| (Optional convertible into Equity Shares) : | | | |
| Boydell Media Pvt. Ltd. | 79600 | 796.00 | 796.00 |
| FULLY PAID SHARES/DEBENTURES IN SUBSIDIARY COMPANIES : | | | |
| UNQUOTED | | | |
| Equity Shares : | | | |
| Dail Consultants Ltd.# | 40007 | — | — |
| North India Fertilisers Ltd.# | 4647520 | — | — |
| Leyden Leasing & Financial Services Ltd.# | 1989570 | — | — |
| Pentonville Software Ltd.# | 4507000 | — | — |
| | | 9214.68 | 9214.68 |
| | | 9217.23 | 9217.23 |

| | Book Value | Market Value | Book Value | Market Value |
|---|--------------------|--------------------|--------------------|--------------------|
| | (Net of provision) | (Net of provision) | (Net of provision) | (Net of provision) |
| | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) | (Rs. in lacs) |
| Aggregate amount of Quoted Investments : | | | | |
| Traded | 5.09 | 107.75 | 5.09 | 134.37 |
| Non-Traded* | 8163.76 | | 8163.76 | |
| | 8168.85 | | 8168.85 | |
| Aggregate amount of Unquoted Investments : | 1048.38 | | 1048.38 | |
| | 9217.23 | | 9217.23 | |

Net of diminution of Rs. 23520.86 lacs.

* Market quotations in respect of Non-Traded shares are not available since long, therefore, the market value of these Investments has not been stated.

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Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 6. CURRENT ASSETS, LOANS AND ADVANCES | | |
| INVENTORIES – (At lower of cost or net realisable value) | | |
| Stores and Spare Parts | 4803.89 | 4841.27 |
| Raw Materials | | |
| – Naphtha | 961.16 | 961.16 |
| Stock in Trade | | |
| Work-in-process | 183.63 | 183.63 |
| Finished Stock | | |
| – Fertilisers | 136.31 | 136.31 |
| – Tea | 1275.45 | 1368.40 |
| | <u>1411.76</u> | <u>1504.71</u> |
| | 7360.44 | 7490.77 |
| Less: Provision for obsolete and non-moving stocks | <u>693.69</u> 6666.75 | <u>686.69</u> 6804.08 |
| SUNDRY DEBTORS | | |
| Unsecured – Considered good unless stated otherwise | | |
| Debts outstanding for more than six months | 755.53 | 725.73 |
| Other Debts considered good | 90.94 | 187.17 |
| | <u>846.47</u> | <u>912.90</u> |
| Less : Provision for doubtful debts | <u>492.92</u> 353.55 | <u>495.67</u> 417.23 |
| CASH AND BANK BALANCES | | |
| Cash in hand | 12.24 | 11.99 |
| With Scheduled Banks on : | | |
| Fixed Deposits | 3.01 | 7.36 |
| Current Accounts | <u>71.92</u> 87.17 | <u>74.71</u> 94.06 |
| Carried forward | 7107.47 | 7315.37 |

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Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | | As at 31st March, 2010 (Rs. in lacs) | |
|---|--|-----------------|--|-----------------|
| 6. CURRENT ASSETS, LOANS AND ADVANCES (Contd.) | | | | |
| Brought forward | | 7107.47 | | 7315.37 |
| LOANS AND ADVANCES (Unsecured – Considered good unless stated otherwise below) | | | | |
| Advances towards Equity participation (including Rs. 310.15 lacs in subsidiary companies, Previous Year Rs. 310.15 lacs) | 1163.94 | | 1163.94 | |
| Less : Provision for doubtful advances | 1163.94 | — | 1163.94 | — |
| Advances Recoverable in Cash or in Kind or for value to be received (including Rs. 123.79 lacs due from Subsidiaries – Previous Period Rs. 133.87 lacs) | 5570.01 | | 4799.23 | |
| Less : Provision for doubtful advances | 1062.53 | 4507.48 | 1102.53 | 3696.70 |
| Short term Deposits | 2864.30 | | 2864.30 | |
| Less : Provision for doubtful deposits | 1179.30 | 1685.00 | 1179.30 | 1685.00 |
| Interest accrued on Loans and Deposits | 1755.67 | | 1756.17 | |
| Less : Provision for doubtful receivables | 1738.81 | 16.86 | 1738.81 | 17.36 |
| Sundry Deposits | | 1189.67 | | 1158.55 |
| Advance Payment of Tax (including interest and refunds thereon) | | 17.95 | | 21.15 |
| Balance with Central Excise, Customs, Port Trust, etc. | | 0.82 | 0.99 | 6579.75 |
| | | 14525.25 | | 13895.12 |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 7. CURRENT LIABILITIES AND PROVISIONS | | |
| LIABILITIES | | |
| Acceptances | 1075.50 | 1083.90 |
| Sundry Creditors (Note 6.1 and 6.2 on Schedule 12) (including Rs. 5.78 lacs, Previous year Rs. 5.89 lacs payable to Subsidiaries) | 37465.42 | 34102.99 |
| Other Liabilities | 4899.32 | 4860.72 |
| Interest accrued but not due on loans | 193.78 | 40.10 |
| | <u>43634.02</u> | <u>40087.71</u> |
| PROVISIONS | | |
| Fringe Benefit Tax | 113.14 | 113.14 |
| | <u>43747.16</u> | <u>40200.85</u> |

Schedules forming part of the Profit & Loss Account

| | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|---|---|---|
| 8. SALES AND RETENTION PRICE SUPPORT | | |
| Sales | | |
| Tea | 17602.20 | 15673.96 |
| Deduction of Excise Duty and Cess on Tea | (43.41) | (44.26) |
| | <u>17558.78</u> | <u>15629.70</u> |

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Schedules forming part of the Profit & Loss Account (Contd.)

| | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|---|---|---|
| 9. OTHER INCOME | | |
| Sundry Income (including insurance claim Rs. 57.95 lacs, Previous Year Rs. 77.08 lacs), replantation subsidy Rs. 84.64 lacs from Tea Board, Previous Year Rs. Nil, and Rs. 81.70 lacs subsidy on DAP relating to earlier years, Previous Year Rs. Nil) | 303.65 | 133.83 |
| Interest Received/Receivable (including Rs. 0.71 lacs – Previous Year Rs. Nil on income tax relating to earlier years, Rs. 74.80 lacs on refund of subsidy on DAP, Previous Year Rs. Nil and Rs. 1.12 lacs on Fixed Deposits from Banks – Previous Year Rs. 0.28 lacs) (Tax deducted at source Rs. Nil – Previous Year Rs. Nil) | 76.63 | 0.28 |
| Rental Income | 2.40 | 2.40 |
| Income from Investments (Long Term)(Gross) - Other than Trade | | |
| Dividend | 0.03 | 0.01 |
| Profit on Sale of Investments | — | 0.25 |
| Other Liabilities/Provisions written back | 29.06 | 140.18 |
| | <u>411.78</u> | <u>276.95</u> |
| 10. DECREASE/(INCREASE) IN STOCKS | | |
| Opening Stock : | | |
| Stocks in process | 183.63 | 183.63 |
| Finished Stock | | |
| – Purchased Amonia | 33.63 | 33.63 |
| – Fertiliser | 102.68 | 102.68 |
| – Tea | 1368.40 | 527.55 |
| | <u>1688.34</u> | 847.49 |
| Less : Provision for obsolete and non-moving stocks | <u>308.63</u> | <u>308.63</u> |
| | <u>1379.71</u> | <u>538.86</u> |
| Closing Stock : | | |
| Stocks in process | 183.63 | 183.63 |
| Finished Stock | | |
| – Purchased Amonia | 33.63 | 33.63 |
| – Fertiliser | 102.68 | 102.68 |
| – Tea | 1275.45 | 1368.40 |
| | <u>1411.75</u> | 1504.71 |
| | <u>1595.39</u> | 1688.34 |
| Less : Provision for obsolete and non-moving stocks | <u>308.63</u> | <u>308.63</u> |
| | <u>1286.76</u> | <u>1379.71</u> |
| | <u>92.95</u> | <u>(840.86)</u> |

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Schedules forming part of the Profit & Loss Account (Contd.)

| | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|---|---|---|
| 11. EXPENSES | | |
| Consumption of Raw Materials | 161.36 | 670.12 |
| Salaries, Wages and Bonus | 7538.05 | 6835.30 |
| Contribution to Provident and other Funds | 637.55 | 595.80 |
| Contribution to Gratuity Fund | 312.33 | 319.90 |
| Labour and Staff Welfare | 650.31 | 595.95 |
| Consumption of Stores and Spare Parts (Net of Sales Rs. 85.87 lacs – Previous Year Rs. 100.45 lacs) | 2003.46 | 1796.91 |
| Power and Fuel | 2408.29 | 2161.70 |
| Repairs & Maintenance: | | |
| Buildings | 172.11 | 150.50 |
| Machinery | 228.90 | 168.77 |
| Others | 82.66 | 113.53 |
| Rent | 6.97 | 6.80 |
| Rates and Taxes | 78.45 | 68.29 |
| Insurance | 33.80 | 40.47 |
| Advertisement and Sales Promotion | 2.54 | 1.50 |
| Freight, Marketing, Sale and Warehouse Charges | 355.21 | 319.06 |
| Commission | 56.46 | 50.40 |
| Brokerage | 146.80 | 128.57 |
| Directors' Fees | 1.55 | 1.38 |
| Legal, Professional and Consultancy Charges | 200.15 | 216.17 |
| Miscellaneous | 647.41 | 496.25 |
| Sundry Balances written off | 5.77 | 6.20 |
| Loss/(Profit) on sale/discard of Fixed Assets | 13.67 | (0.28) |
| Provision for Doubtful Debts and Advances | — | 116.58 |
| Provision for Obsolete and slow moving Stores | 7.00 | — |
| | 15750.80 | 14859.87 |

12. Notes forming part of the Accounts

1. Significant Accounting Policies:

1.1 Basis of Accounting:

The Accounts have been prepared on the historical cost basis adjusted by the revaluation of certain Fixed Assets and in accordance with the provision of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006.

All expenses and income, unless specifically stated to be otherwise, have been accounted for on mercantile basis and are consistent with generally accepted accounting principles.

1.2 Use of Estimates:

The preparation of financial statements require the management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosures relating to contingent liabilities and assets as at the balance sheet date and the reported amounts of income and expenses during the year. Differences between the actual results and the estimates are recognised in the year in which the results become known/materialise.

1.3 Fixed Assets and Depreciation:

Fixed Assets as revalued from time to time are stated at revalued amounts less depreciation.

Fixed Assets other than the above are stated at cost less depreciation.

Expenditure on new tea planting is capitalised. In the case of new tea areas taken up as projects, all expenditure till the plantation reaches the full bearing stage is capitalised.

Cost of up-keep and maintenance of young tea is charged to revenue.

Certain Plant and Machinery have been considered as continuous process plant on technical assessment.

Depreciation on Fixed Assets, including on revaluation, has been provided for as under:

For additions upto December, 1975, on Reducing Balance Method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956 and subsequently on Straight Line Method in keeping with the aforesaid Schedule XIV or at the rates applicable at the time of installation/acquisition thereof.

In case of revalued assets, depreciation has been provided on Straight Line Method based on useful life either assessed technically or derived with respect to the rates specified in Schedule XIV to the Companies Act, 1956.

An amount equivalent to the additional charge of depreciation due to revaluation is transferred to Profit and Loss Account from Revaluation Reserve.

1.4 Impairment:

Fixed Assets are reviewed at each Balance Sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed assets is determined. An impairment loss is recognised whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater of assets net selling price or its value in use. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased.

1.5 Investments:

Investments being long term in nature are stated at cost. Diminution in values thereof, other than temporary in nature, are adjusted therefrom and recognised in the Profit and Loss Account.

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1.6 Inventories:

Inventories are valued at lower of cost or net realisable value.

In determining cost for own manufactured materials, manufacturing costs comprise of material, labour and other appropriate overheads.

Cost for Raw Material, Stores and Spare Parts are valued on weighted average basis and for the tea stock on First in first out basis.

1.7 Employee Benefits:

Employee benefits are accrued in the year services are rendered by the employees.

Contribution to defined contribution schemes such as Provident and Family Pension Fund etc. are recognized as and when incurred.

Long term employee benefits under defined benefit scheme such as contribution to gratuity, leave, superannuation, provident fund etc. are determined at close of the year at present value of the amount payable using actuarial valuation techniques.

Actuarial gain and losses are recognized in the year when they arise.

1.8 Foreign Currency Transactions:

Transactions in foreign currency are accounted for, at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year-end are translated using the closing exchange rates. The loss or gain thereon and also on the exchange differences on settlement of foreign currency transaction during the year are recognised as income or expenses and are adjusted to the Profit and Loss Account under respective heads of accounts.

1.9 Research and Development:

Expenditure on research and development (other than those relating to Fixed Assets) including contribution to research associations is charged against the profit for the year in which it is incurred.

1.10 Sales:

Sales are recognised on passing of property in the goods. Consignment sales are accounted for on receipt of the relevant account sales.

1.11 Grants and Subsidies from Government:

Grants from Government relating to Fixed Assets are shown as a deduction from the gross value of Fixed Assets and those in the nature of Project Capital Subsidy, are credited to Capital Reserve. Other Government grants including subsidies, incentives, duty drawback, etc. are credited to Profit and Loss Account or deducted from the related expenses.

1.12 Revenue Recognition:

Fertiliser subsidy in the form of Retention Price Support (RPS) is considered on the basis of quantity sold after taking into consideration notification issued by Government of India from time to time. Catalyst cost (excepting premature replacements, which are written off) is charged on the basis of useful life as per Management's technical evaluation. Replacement of certain high value spare parts in the Fertiliser Division, being non-recurring and enduring in nature, is capitalised.

1.13 Borrowing Cost:

Borrowing cost in relation to the acquisition or construction of a qualifying asset is capitalized as part of the cost of such assets. Other borrowing costs are charged as expenses in the year in which they are incurred.

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1.14 Income Tax:

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods, are recognised using tax rates and tax laws which have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is sufficient assurance for reversal of the same in future years.

1.15 Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not provided for but disclosed by way of Notes to the Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

2. Estimated value of Capital Commitments (Net of Advances Rs. 33.82 lacs Previous Year Rs. 17.53 lacs) – Rs. 130.30 lacs (Previous Year Rs. 72.48 lacs).

3.1 Contingent Liabilities not provided for in respect of:

| | (Rs. in lacs) | |
|---|-----------------------------------|-----------------------------------|
| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
| a) Guarantees (excluding since released) given by the Company on behalf of bodies corporate | | |
| Limit | 5568.89 | 6568.89 |
| Amount Outstanding | 4746.14 | 4406.68 |
| b) Guarantees given by Banks on behalf of the Company | 267.64 | 234.09 |
| c) Cumulative Dividend on Preference Shares | 627.72 | 549.18 |
| d) Claims against the Company not acknowledged as debts (to the extent ascertainable from available records) | | |
| i) Income/Agriculture Tax matters pending in appeal at various stages (other than matters awaiting quantification by assessing authorities and/or with favourable appellate decisions for earlier years, against which further appeals are pending) | 644.33 | 47.32 |
| ii) Sales Tax matters under appeal (to the extent ascertained) | 24.65 | 14.29 |
| iii) Excise matters relating to Fertiliser operations | 86.60 | 86.60 |
| iv) Claims for interest and other suppliers etc. contested/under negotiation pending finalisation of the matters (since settled in terms of scheme sanctioned by BIFR on 29/09/11 (Refer Note 7)) | — | 5541.93 |
| v) In respect of other matters under litigation (including workmen claims) pending at different stages | Not ascertainable | Not ascertainable |
| In respect of Fertiliser Division | | |

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- | | | |
|--|-------------------------------------|------------------------------|
| <p>e) A show cause notice issued in 1986 in respect of tobacco division taken up for hearing by the adjudicator. The management is of the view that in accordance with the Scheme of Arrangement approved by Calcutta High Court, liabilities relating to Excise stood vested from 1st April, 1984 to New Tobacco Company Ltd. (NTC) pursuant to transfer of tobacco business to the said NTC effective that date.</p> | <p>Not ascertainable</p> | <p>Not ascertainable</p> |
|--|-------------------------------------|------------------------------|
- 3.2 During the period from 9th August, 2000 to 16th September, 2001, Kanpur Electric Supply Co. Ltd (KESCO) levied a surcharge for maintaining independent feeder for the fertiliser plant of the Company and a claim of Rs. 2463.22 lacs for the said period was made against the Company. Being aggrieved by the said claim, the Company filed a writ petition before the Hon'ble Allahabad High Court in the month of February 2002 and the matter is *sub-judice*. The scheme sanctioned by BIFR as given in note 7 envisages waiver of such claim and will be given effect to on implementation thereof.
4. (a) The Company had issued in November, 1996, Floating Rates Convertible Notes (FRCN) aggregating to Swiss Francs 50 million to foreign investors with a maturity period of seven years.
- The FRCN holders exercised their put option in the year 2001 and proceedings for the recovery of the outstanding amount of principal and interest along with additional interest, etc. are pending before the Hon'ble High Court at Calcutta (High Court). In terms of the consent given by the parties in the scheme sanctioned by the Hon'ble BIFR (refer Note 7) 25% of the principal amount as crystallized by the High Court will become payable to FRCN holders in full and final settlement of their entire outstanding amount.
- (b) In view of the above, no further accruals including interest and loss on account of exchange fluctuation have been considered necessary, since as given in Note 7(d) consequential adjustments in this respect will be given effect to on implementation of the scheme.
- (c) Exchange gain of Rs. 1232.61 lacs recognized in earlier years has been regrouped from expenses to exceptional items for making it comparable with current year figures.
5. In terms of the Scheme of Arrangement submitted before the Hon'ble High Court at Calcutta, the Tea Undertaking of the Company comprising of the tea business and certain investments, loans and advances, etc. were proposed to be transferred to and vested in Shubh Shanti Services Limited on a going concern basis with effect from 1st April, 2001. The Scheme was approved by the shareholders of the Company in the General Meeting held on 25th January, 2002 and Petition in this respect is pending for the approval of the Hon'ble High Court. In view of the current Scheme of Arrangement for de-merger of the Fertilizer Undertaking sanctioned by BIFR as per note 7, the Petition pending before the Hon'ble High Court at Calcutta has become infractus and necessary steps for withdrawing the same will be taken on implementation of the scheme sanctioned by BIFR.

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6.1 Sundry Creditors include :

- Rs. 276.12 lacs (Previous Year Rs. 404.71 lacs) outstanding in respect of Fixed Assets [Original Cost Rs. 555.16 lacs (Previous Year Rs. 555.16 lacs)] including interest thereon, purchased in terms of Hire Purchase Agreements.
- Rs. 2035.45 lacs (Previous Year Rs. 2342.14 lacs) being advances received against the sale of tea.
- Rs. 23.75 lacs (Previous Year Rs. 22.92 lacs) in respect of amounts advanced by group/associate companies on current account.

6.2 The Company is in the process of identifying the suppliers who are covered under "The Micro Small and Medium Enterprises Development Act, 2006." Due to non availability of data, especially relating to Fertilizer division of the Company as given in Note 9 below the details required as such could not be compiled/ furnished.

7. (a) The Company is a sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The rehabilitation Scheme (the scheme) formulated for revival of the Company has since been sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) in the hearing held on 29th September, 2011. Necessary order in this respect alongwith the modifications in the Draft Rehabilitation Scheme (DRS) as circulated is awaited. Pending this and implementation of rehabilitation measures in terms of the scheme, these accounts have been prepared on a going concern basis.
- (b) The scheme as mentioned herein above in Para 7(a) among various rehabilitation measures envisages (a) de-merger of fertilizer undertaking with effect from 1st October, 2010 alongwith related assets and liabilities as specified therein to Kanpur Fertilizers & Cement Limited (KFCL), a company owned by Jaypee Uttar Bharat Vikas Private Limited, a Joint Venture Company (JV Co.) promoted by Jaypee Fertilizers & Industries Ltd and ISG Traders Ltd, a group company of the promoters of the company, for participating in the revival and rehabilitation of fertilizer undertaking of the Company (b) reduction of equity and preference share capital of the company and consolidation of the shareholding of the respective shareholders (c) infusion of fresh funds by promoters and conversion of existing loan from promoters into equity (d) One time settlement (OTS) of secured loans from Institutions, banks and others (e) settlement of the amounts payable in respect of unsecured loan including FRCN and fixed deposit etc. and statutory and other liabilities and restructuring of repayment terms thereof (f) waiver of interest including penal, liquidated damages, additional interest and other claims in respect of secured, unsecured, statutory and other loans and liabilities of the company.
- (c) Consequent to the proposed de-merger of fertilizer division to KFCL with effect from 1st October 2010 as given above, the operations of the said division with effect from said date has been undertaken on behalf of KFCL. However pending implementation of the scheme the expenses and income pertaining to the said division remain accounted under the respective heads of the accounts.
- (d) The impact with respect to the above including the write back, provisions arising in this respect will be determined and given effect to on the Scheme being implemented in terms thereof after receipt of the order from BIFR and vacation of the restrain orders

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for transferring fixed assets pending before the various Courts pursuant to litigations initiated in respect of claims by certain parties.

8. (a) Loans, Debentures from Financial Institutions and Banks and non fund based facilities, save and except otherwise stated, against specific balances under secured loans are secured/to be secured by a *pari passu* first charge on the fixed and current assets of the Company. These loans and facilities are further secured by the personal guarantee of a director and the pledge of the unencumbered equity shares held by the promoters in the Company. Additional Working Capital Facility of Rs. 3221 lacs provided by the banks included under Cash Credit for Fertiliser Division are additionally secured by way of pledge of 16908280 equity shares of Andhra Cements Ltd. and equity shares of NRC Ltd. held by the group companies.
- (b) The above will undergo change on giving effect to the terms of the settlement with the lenders as per the scheme sanctioned by BIFR and implementation thereof as given in Note 7.
9. (a) Operation in fertilizer division remain suspended since October 2005. The balances of various assets and liabilities, income and expenses including depreciation on fixed assets and details and disclosures including for contingent liabilities given in these accounts have been continued to be either taken as appearing in the accounts for the year ended 31st March, 2006 or based on balances as on that date outside the financial system on the basis of and to the extent information and details were then available. The computer system (SAP) even though has been made operational during the year, the various balances will be incorporated in SAP on de-merger of fertilizer undertaking as per the scheme as given in Note 7.
- (b) In view of the above, various debit and credit balances including with respect to advances, liabilities for employees and others, debtors, bank balances etc. with respect to balances lying unmoved from earlier years is pending reconciliation and adjustment.
10. Consequent to the suspension of operations at the fertiliser plant, the Company faced severe liquidity crisis. As a result, the Company was not able to make the payment of interest and the principal amount of the fixed deposits on due dates. In terms of the scheme sanctioned by BIFR, the dues of the fixed deposit holders shall be settled at 85% of the principal amount of the fixed deposits and repaid within 180 days of sanction of the scheme as per Note 7 in full and final settlement of entire outstanding in this respect.
11. In terms of the scheme sanctioned by Hon'ble BIFR as per Note 7, penal interest and damages as payable on late/non payment of PF dues have been waived and the necessary directions has been issued to consider payment of Provident Fund, Family Pension Fund including Employees Pension Scheme 1995 (EPS-95), EDLI, administrative/inspection charges, at statutory rate of interest after moratorium of one year in 36 monthly installments. The matter will accordingly be pursued with the relevant authorities for necessary approval etc. on receipt of BIFR order.
12. (a) The Company has arrived at a settlement pursuant to the Memorandum of Understanding (MOU) on 6th June, 2010 with the workmen of the fertilizer division and with majority of other supervisory and other employees who are not covered under MOU dated 6th June, 2010. Liability towards employees related expenses including gratuity, pension and other retirement benefits pertaining to the fertilizer undertaking till 30th September, 2010 i.e. till the date of de-merger of the fertilizer undertaking to KFCL

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have been recognized. Consequently Rs. 3106.80 lacs has been provided and shown as exceptional items in these accounts.

- (b) Pending demerger of fertilizer undertaking in terms of the scheme sanctioned by BIFR as per Note 7, no provision for such expenses amounting to Rs.179.62 lacs for the period from 1st October 2010 to 31st March 2011 has been made in these accounts.
13. The Company has filed a Writ Petition before the Hon'ble High Court at Calcutta challenging the applicability of Section 274(1) (g) of the Companies Act, 1956 and a stay has been granted by the High Court on this matter. Consequently, as per the legal opinion received, provisions for the disqualification of directors in terms of the said Section are not applicable to the Directors of the Company.
14. Pursuant to the Jute Packaging Material (Compulsory use in Packing Commodities) Act, 1987, the Company is liable to compensate in the event of lower use of jute bags for urea packing to the extent prescribed therein. The Supreme Court has upheld the validity of the said Act. However, no demand has been received in this respect.
15. Fixed Assets comprising Land, Buildings, Plant and Machinery, Vehicles, Furniture and Fixtures, etc. were revalued for Tea Division on 31st March, 1994 and 1st January 1999. The assets for the Fertiliser Division were revalued on 31st March, 2001. The revaluation was carried out by approved valuers on market value/replacement cost basis. Consequent to the above, the increase in the value of Fixed Assets aggregating to Rs. 56596.64 lacs was credited to Revaluation Reserve in the respective years of revaluation.
16. Recoverable amount of fixed assets of the Company was estimated considering Tea and Fertiliser Divisions as two separate Cash Generating Units (CGUs), on the basis of valuation of these assets as at 1st April, 2006 by independent valuers and impairment loss of Rs. 28260 lacs was determined in the said year of which Rs. 23986 lacs was adjusted against revaluation reserve. In absence of any indication for significant variation in the amount of impairment so recognized in the earlier years, no further adjustment in this respect has been considered necessary.
17. In keeping with the applicable accounting policy (Note 1.12 above), year-end Stock of Stores and Spares Parts include unamortised value of catalysts to the extent of Rs. 252.02 lacs (Previous Year Rs. 252.02 lacs).
- 18.1 The Deed of Conveyance in respect of Land and Buildings at Vijayawada purchased in March, 1986 at Rs. 40 lacs is yet to be executed. This property is however under the Company's possession. The Vendor of the said property has executed an irrevocable power of attorney in favour of the Company and thereby, the Company has entered into agreement for sale of the said property with a third party in earlier years. The title in respect of the said property has however been disputed by another party in a proceeding before the Hon'ble High Court at Calcutta and the matter is pending for adjudication.
- 18.2 The Company has acquired in earlier years, land for tea plantations measuring 5744 acres in the State of West Bengal. Lease documents in respect of 2586 acres of such land are yet to be executed.
- 18.3 The Company surrendered 6085.69 acres of land in earlier years under the West Bengal Estates Acquisition Act, 1954, Assam Fixation of Ceiling on Land Holding Act, 1956 and Kerala Land Reforms (Amendment) Act, 1969. Necessary adjustment in respect of compensation will be made in the accounts as and when determined. Further, requisite

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statutory returns have been filed by the Company with the appropriate authorities for exemption of other land holdings from the related ceiling limits.

- 18.4 In respect of levy of salami by the Government of West Bengal on renewal of lease of tea estates in certain circumstances and pursuant to the decision of Hon'ble High Court at Calcutta in a similar matter, the Company has preferred an appeal against the said imposition before the appropriate authority. Accordingly, pending finalization of the matter, Rs. 811.67 lacs (Previous year Rs. 811.67 lacs) has not been provided for in this respect which would be payable in equal annual installments over the lease period i.e. 30 years. However, this is not likely to have revenue impact, since the same will be capitalized to the cost of land as and when paid by the Company.
19. (a) The Company has investments of Rs. 8161.23 lacs (net of provision) in ISG Traders Limited (ISG) which in-turn has investments forming part of group's controlling interest in certain companies.
- (b) Loans and Advances include Rs. 1685 lacs (Previous Year Rs. 1685 lacs) given to Andhra Cements Limited (ACL) as interest free loans in terms of the Scheme of Rehabilitation of ACL. In terms of the stipulation provided by the lenders, the said amount is repayable in terms of the loan granted by them to ACL.
- (c) Considering the said investments and loans to be of long term and strategic in nature, revenue recognition with respect to shortfall in the value thereof has not been considered necessary.
20. Loans and advances include Rs. 1577.61 lacs (previous year Rs. 1380.48) outstanding from Santipara Tea Company Ltd. (STCL) out of which Rs. 853.79 lacs will be converted into equity. Pending outcome of the steps for restructuring, recovery, provision of Rs. 853.79 lacs made in earlier years has been considered to be adequate and continued in these accounts.
21. (a) The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 in respect of tea division, the details of fertilizer division not being available, are given below :

Defined Contribution Scheme

Contribution to Defined Contribution Schemes, recognized for the year are as under :

| | Rs. in lacs | |
|---|-----------------------------------|-----------------------------------|
| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
| Employer's Contribution to Provident Fund | 213.85 | 181.48 |
| Employer's Contribution to Pension Fund | 350.94 | 325.37 |

Defined Benefit Scheme

The employee's gratuity, superannuation and provident fund (other than those covered and contributed under Employee's Provident Fund Organization) Scheme are defined benefit plans. The present value of obligations are determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as

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giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as gratuity.

| | Rs. in lacs | | | |
|---|--|--|--|--|
| | Gratuity (Funded) As on 31st March, 2011 | Leave Encashment (Unfunded) As on 31st March, 2011 | Gratuity (Funded) As on 31st March, 2010 | Leave Encashment (Unfunded) As on 31st March, 2010 |
| i. Change in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows: | | | | |
| Liability at the beginning of the year | 3412.22 | 261.91 | 3115.89 | 251.27 |
| Interest Cost | 268.12 | 20.80 | 236.40 | 19.28 |
| Current Service Cost | 141.78 | 17.12 | 131.85 | 16.81 |
| Plan Amendments | — | — | 31.68 | — |
| Actuarial (gain)/loss on obligations | (41.03) | 29.67 | (12.02) | (23.64) |
| Benefits paid | (121.34) | (3.94) | (91.58) | (1.81) |
| Liability at the end of the year | 3659.75 | 325.56 | 3412.22 | 261.91 |
| ii. Changes in the Fair Value of Plan Asset representing reconciliation of opening and closing balances thereof are as follows: | | | | |
| Fair value of Plan Assets at the beginning of the year | 773.25 | — | 788.90 | — |
| Expected Return on Plan Assets | 59.04 | — | 59.42 | — |
| Contributions by the Company | — | — | — | — |
| Benefits paid | (121.34) | — | (91.58) | — |
| Actuarial gain/(loss) on Plan Assets | (0.09) | — | 16.51 | — |
| Fair value of Plan Assets at the end of the year | 710.86 | — | 773.25 | — |
| Total actuarial gain/(loss) to be Recognized | (40.94) | — | 28.53 | — |
| iii. Actual return on Plan Assets | | | | |
| Expected return on Plan Assets | 59.04 | — | 59.42 | — |
| Actuarial gain/(loss) on Plan Assets | (0.09) | — | 28.53 | — |
| Actual Return on Plan Assets | 58.95 | — | 87.95 | — |
| iv. Amount Recognized in Balance Sheet | | | | |
| Liability at the end of the year | 3659.75 | 325.56 | 3412.22 | 261.91 |
| Fair value of Plan Assets at the end of the year | 710.86 | — | 773.25 | — |
| Net Asset (Liability) at the end of the year | (2948.89) | (325.56) | (2638.97) | (261.91) |

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| | Rs. in lacs | | | |
|--|--|--|--|--|
| | Gratuity (Funded) As on 31st March, 2011 | Leave Encashment (Unfunded) As on 31st March, 2011 | Gratuity (Funded) As on 31st March, 2010 | Leave Encashment (Unfunded) As on 31st March, 2010 |
| v. Expenses Recognized in the Income Statement | | | | |
| Current Service Cost | 141.78 | 17.12 | 131.85 | 16.81 |
| Interest Cost | 268.12 | 20.80 | 236.40 | 19.28 |
| Expected Return on Plan Assets | (59.04) | — | (59.42) | — |
| Net Actuarial (gain)/loss to be Recognized | (40.94) | 29.67 | (28.53) | (23.64) |
| Past Service Cost | — | — | 31.68 | — |
| Expenses Recognized in Profit & Loss Account | 309.92 | 67.59 | 311.98 | 12.45 |
| vi. Balance Sheet Reconciliation | | | | |
| Net Asset/(Liability) at the beginning of the year | (2638.97) | (261.91) | (2326.99) | (251.27) |
| Expenses as above | 309.92 | 67.59 | 311.98 | 12.45 |
| Employers Contribution | — | (3.94) | — | (1.81) |
| Net Asset/(Liability) at the end of the year | (2948.89) | (325.56) | (2638.97) | (261.91) |
| vii. Principal Actuarial assumptions at the Balance Sheet | | | | |
| Discount Rate | 8.00% | 8.00% | 8.00% | 8.00% |
| Rate of Return on Plan Assets | 7.73% | N.A. | 7.73% | N.A. |

- Notes: i) Assumptions relating to future salary increases, attrition, interest rate for discount & overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.
- ii) The Guidance issued by the Accounting Standard Board (ASB) on implementation AS-15, Employees benefit (Revised 2005) states that provident funds set up by employers which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. Government interest to be paid on provident fund scheme exists rate of interest earned on investment), pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliable measures the same.

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(b) Disclosures in terms of Para 120(n) of AS15 (revised AS-15):

| Particulars | Gratuity Funded (Rs. in lakhs) | | | |
|---|--------------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31.03.2011 | Year ended 31.03.2010 | Year ended 31.03.2009 | Year ended 31.03.2008 |
| 1. Defined Benefit obligation at end of the period | (3659.75) | (3412.22) | (3115.89) | (2709.60) |
| 2. Plan Assets at end of the period | 710.86 | 773.25 | 788.90 | 764.46 |
| 3. Surplus/(Deficit) | (2948.89) | (2638.97) | (2326.99) | (1945.14) |
| 4. Experience Gain/(Loss) adjustments on plan liabilities | 41.03 | (52.64) | (9.19) | (250.14) |
| 5. Experience Gain/(Loss) adjustments on plan assets | (0.09) | 16.51 | (2.10) | (16.90) |

(c) Liability for employee benefit under defined benefit plans pertaining to fertilizer division and Superannuation of tea division pending ascertainment of the amounts thereof have not been disclosed herein above.

22. Certain debit and credit balances including advances, debtors, creditors, are subject to reconciliation and confirmation. Necessary adjustments will be carried out on ascertainment of amounts thereof.

23. Disclosure requirement vide Clause 32 of the listing agreement:

Amount of loans / advances in the nature of loans outstanding from subsidiary companies

(Rs. in lacs)

| Name of the Subsidiary Companies | Outstanding as on 31st March, 2011 (Net of Provisions) | Maximum Amount Outstanding During the year | Investment by the loanees in the Share of the Company (No. of Shares) |
|---|---|---|--|
| Dail Consultants Ltd. | — | — | — |
| North India Fertilisers Ltd. | — | — | — |
| Pentonville Software Ltd. | — | — | — |
| Leyden Leasing and Financial Services Ltd. | — | — | — |

24. Advances recoverable in cash or in kind or for value to be received include interest free advances (being housing loans, vehicle loans, furniture loans, advances against medical expenses, festival advances, etc.) to various workers and staff, which are recoverable from their remuneration as per the repayment schedule in terms of the relevant scheme/ specific approvals except in case of Fertiliser Division where recovery will commence on payment of the past dues in terms of the MOU/Understandings after de-merger of the Fertiliser Undertaking – Rs. 155. 71 lacs (Previous Year Rs 140.11 lacs).

25. The Company's Infotech Division and its related wholly owned subsidiary have ceased their operations. Necessary application dealing with related obligation etc. are being made and adjustments, if any, will be carried out as and when ascertained.

26. In accordance with Accounting Standard 22 "Accounting for taxes on Income", the company has accounted for deferred tax. The company has significant amount of carried forward losses and depreciation under the Income Tax Act, 1961. However, as a matter of prudence deferred tax asset has been recognised to the extent of deferred tax liability.

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The break-up of Deferred Tax Assets to the extent there is Deferred Tax Liabilities is as follows :

| | | | (Rs. in lacs) |
|---------------------------------|----------------------------------|------------------------------------|-----------------------------------|
| | Opening as on 1st April, 2010 | Charge/(Credit) During the Year | Closing as on 31st March, 2011 |
| Deferred Tax Assets | | | |
| Unabsorbed Depreciation | 372.78 | 160.45 | 212.33 |
| Deferred Tax Liabilities | | | |
| Depreciation | 372.78 | (160.45) | 212.33 |
| Deferred Tax Assets (Net) | — | — | — |

27.1 Related Party disclosures pursuant to Accounting Standard – 18. List of Related Parties with whom the Company had transaction :

(a) Subsidiaries

Dail Consultants Ltd. (DCL), North India Fertiliser Ltd. (NIFL), Leyden Leasing and Financial Services Ltd. (LLFSL), and Pentonville Software Ltd. (PSL)

(b) Associate/Group Company

ISG Traders Ltd. (ISG)

(c) Key Management Personnel

Mr. A. K. Goel, Wholetime Director, and Mr. S. P. Gupta, Executive Director

27.2 The aggregate amount of transaction with Related Parties is as follows :

| | Subsidiaries | Associates /group Companies | Key Management Personnel |
|---|--------------|-----------------------------------|--------------------------------|
| Expenditure | | | |
| Rent-ISG | — | 3.46 | — |
| | — | (0.51) | — |
| Directors remuneration | — | — | 98.70 |
| | — | — | (47.54) |
| Liabilities | | | |
| Advances from Promoters-ISG | — | 1895.50 | — |
| | — | (1895.50) | — |
| Balance as on 31.03.11 (Net of Provisions) | | | |
| Advances Given : | | | |
| ISG | — | 10.00 | — |
| | — | (10.00) | — |
| Creditors : | | | |
| LLFSL | 5.78 | — | — |
| | (5.89) | — | — |
| ISG | — | 1.49 | — |
| | — | (1.04) | — |

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Notes: (i) Previous year figures are given in brackets.
(ii) The above Related Party Information is as identified by the Management.

28. Earnings per Share

| | (Rs. in lacs) | |
|---|--------------------------------|--------------------------------|
| | Year Ended 31st March, 2011 | Year Ended 31st March, 2010 |
| (A) | | |
| a. Profit/(Loss) after tax and before exceptional items (Numerator used for calculation) | (637.72) | (242.11) |
| b. No. of Equity Shares (Denominator used for calculation) | 53223026 | 53223026 |
| c. Basic and Diluted Earnings per Share (Rs.) (Equity Shares of the face value of Rs. 10 each) | (1.20) | (0.45) |
| (B) | | |
| a. Profit/(Loss) after tax and exceptional items (Numerator used for calculation) | (3744.52) | 990.83 |
| b. No. of Equity Shares (Denominator used for calculation) | 53223026 | 53223026 |
| c. Basic and Diluted Earnings per Share (Rs.) (Equity Shares of the face value of Rs. 10 each) | (7.04) | 1.86 |

29.1 Prior period expenses/adjustments include service charges Rs. 2.19 lacs (Previous Year Rs. 3.51 lacs) and others Rs. nil lacs (Previous Year Rs. 7.11 lacs).

29.2 In respect of Fertiliser Division certain expenses including stores consumed etc. have not been classified functionally and remain charged to primary heads of accounts.

30.1 Managerial remuneration paid/payable to Wholtime/Executive Directors (excluding Directors' Fees) including cost/estimated value of benefits:

| | (Rs. in lacs) | |
|------------------------------------|--------------------------------|--------------------------------|
| | Year Ended 31st March, 2011 | Year Ended 31st March, 2010 |
| Salary & Allowances | 59.79 | 33.82 |
| Performance Pay | 20.22 | 5.00 |
| Other Benefits (Actuals) | 5.55 | 3.50 |
| Taxable Value of other perquisites | 9.03 | 3.92 |
| Contribution to Provident Fund | 4.11 | 1.30 |
| Total * | 98.70 | 47.54 |

* excluding monetary value of accrued leave and Company's contribution to Gratuity Fund in respect of managerial personnel in employment at the end of the year.

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30.2 Remuneration amounting to Rs. 491.51 lacs (including Rs. 98.70 lacs for the year) paid to the current Wholetime/Executive Directors and ex-wholetime directors/ex-Managing Director are pending approval of Central Government.

31.1 Legal, Professional and Consultancy charges include:

| | (Rs. in lacs) | |
|--------------------------------|--------------------------------|--------------------------------|
| | Year Ended 31st March, 2011 | Year Ended 31st March, 2010 |
| Amount paid/payable to : | | |
| (a) Statutory Auditors | | |
| Audit Fees | 8.00 | 8.00 |
| In other capacities : | | |
| – Tax Audit | 2.50 | 2.50 |
| – Other Services | 6.95 | 6.95 |
| (b) Cost Auditors - Audit Fees | 0.85 | 0.85 |

31.2 Sundry Income include sale of tea waste Rs. 10.21 (Previous Year Rs. 17.50 lacs).

32. Information pursuant to the provisions of Paragraphs 3, 4(c) and 4(d) of Part II of Schedule VI to the Companies Act, 1956 :

| | Unit of Quantity | Year Ended 31st March, 2011 | Year Ended 31st March, 2010 |
|--|---------------------|-----------------------------------|-----------------------------------|
| (a) Particulars of Production – | | | |
| Installed Capacity (TPA) | | | |
| Urea (As certified by the Management)* | Tonnes | 722000 | 722000 |
| Tea ** | Qtls | | |
| Actual Production | | | |
| Urea | Tonnes | Nil | Nil |
| Made Tea *** | Qtls | 140077 | 143862 |

* As reassessed by FICC vide notification dated 4th June, 2002.

** Installed capacity of Tea not ascertainable.

*** Include 1431 qtls. tea (Previous year 1428 qtls.) for statutory free distribution to labour/staff etc.

| | Unit of Quantity | Year Ended 31st March, 2011 | | Year Ended 31st March, 2010 | |
|--|---------------------|--------------------------------|----------|--------------------------------|----------|
| | | Quantity | Rs. Lacs | Quantity | Rs. Lacs |
| (b) Particulars in respect of Sales – | | | | | |
| Urea | Tonnes | Nil | Nil | Nil | Nil |
| Made Tea** | Qtls | 141352 | 17558.38 | 131994 | 15629.70 |

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(c) Details of Raw Materials Consumed (all indigenous) –

Green Leaf (Tea)

| | | | | | |
|--------------|------|--------|--------|--------|--------|
| Harvested \$ | Qtls | 610362 | — | 587224 | — |
| Purchased | Qtls | 10400 | 161.36 | 44151 | 669.51 |

\$ Harvested from the Company's own gardens and utilized in the integrated activity of manufacture and sale of tea. The value at the intermediary stage is not ascertainable.

** Excluding 48 qtls. tea (Previous Year 47 qtls.) free distributed.

| | Unit of Quantity | Year Ended 31st March, 2011 | | Year Ended 31st March, 2010 | |
|----------------------------|------------------|-----------------------------|----------|-----------------------------|----------|
| | | Quantity | Rs. Lacs | Quantity | Rs. Lacs |
| (d) Particulars of Stock - | | | | | |
| Opening Stock | | | | | |
| Urea | Tonnes | 601 | *11.31 | 601 | *11.31 |
| Ammonia | Tonnes | 1020 | *— | 1020 | *— |
| Green Leaf # | Qtls | — | — | — | — |
| Made Tea** | Qtls | 16115 | 1368.40 | 6915 | 544.01 |
| Closing Stock | | | | | |
| Urea | Tonnes | 601 | *11.31 | 601 | *11.31 |
| Ammonia | Tonnes | 1020 | *— | 1020 | *— |
| Green Leaf # | Qtls | — | — | — | — |
| Made Tea** | Qtls | 13412 | 1275.45 | 16115 | 1368.40 |

* Net of provision for obsolete and non-moving stocks.

** Excluding stock of tea related for statutory free distribution to labour/staff 1430 qtls. (previous year 1194 qtls.).

No stocks of green leaf is maintained

| | Year Ended 31st March, 2011 | | Year Ended 31st March, 2010 | |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Rs. in lacs | Percentage of Consumption | Rs. in lacs | Percentage of Consumption |
| (e) Value of Raw Materials consumed - | | | | |
| Indigenous | 161.36 | 100 | 670.12 | 100 |
| Imported | — | — | — | — |
| Total | 161.36 | 100 | 670.12 | 100 |
| (f) Value of Stores and Spare Parts consumed - | | | | |
| Indigenous | 2003.46 | 100 | 1796.91 | 100 |
| Imported | — | — | — | — |
| Total | 2003.46 | 100 | 1796.91 | 100 |

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(g) Expenditure

in Foreign

Currency –

Travelling

0.52

—

3.40

—

(h) Earnings in Foreign

Exchange –

—

—

—

—

33. Segment Report for the year ended 31st March, 2011.

By Business Segments

| Particulars | (Rs. in lacs) | | | | | |
|---------------------------------------|------------------|------------------|------------|------------|-------------------|-------------------|
| | Tea | | Fertiliser | | Total | |
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Segment Revenue | | | | | | |
| - External Turnover | 17,558.78 | 15,629.70 | — | — | 17,558.78 | 15,629.70 |
| Other Income | 218.61 | 49.68 | — | — | 218.61 | 49.68 |
| Total Revenue | 17,777.39 | 15,679.38 | — | — | 17,777.39 | 15,679.38 |
| Segment Result – | | | | | | |
| Profit/ (Loss) before | | | | | | |
| Unallocable Expenses, | | | | | | |
| Interest and Taxes | 2,375.88 | 2,102.61 | (1,215.58) | (1,252.67) | 1,160.31 | 849.94 |
| Unallocable Expenses | | | | | | |
| (Net of unallocable Income) | | | | | 368.62 | 328.29 |
| Prior Period Expenses | | | | | 2.19 | 10.68 |
| Exceptional Items – | | | | | | |
| - Employees Related Dues (Note 12(a)) | | | | | 3,106.80 | — |
| - Exchange Deficit/(Gain)(Note 4(c)) | | | | | — | (1232.61) |
| Interest (Net) | | | | | 1,427.22 | 752.53 |
| Profit/(Loss) before Tax | | | | | (3,744.52) | 990.75 |
| FBT | | | | | — | — |
| Profit/(Loss) after Tax | | | | | (3,744.52) | 990.81 |
| Other information | | | | | | |
| Segment Assets | 26,153.03 | 25,138.94 | 19,716.81 | 21,626.43 | 45,869.85 | 46,765.37 |
| Unallocated Assets | | | | | 11,715.32 | 11,647.86 |
| Total | | | | | 57,585.16 | 58,413.23 |
| Segment Liabilities | | | | | | |
| & Provisions | 15,929.19 | 15,726.13 | 26,111.43 | 23,353.68 | 42,040.62 | 39,079.81 |
| Unallocated Liabilities | | | | | | |
| & Provisions | | | | | 113,786.98 | 113,153.98 |
| Total | | | | | 115,827.60 | 152,233.79 |
| Capital Expenditure | 617.30 | 627.27 | — | — | 671.30 | 627.27 |
| Depreciation | 292.35 | 269.56 | 1,023.51 | 1,076.02 | 1,315.86 | 1,345.58 |
| Unallocable Depreciation | | | | | 19.26 | 20.71 |
| Total | | | | | 1,335.12 | 1,366.29 |

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| | | | | | | |
|--|--------|---|---|---|----------------|-------------------|
| Non Cash Expenses other than Depreciation and Amortisation | (7.00) | - | - | - | (7.00) | - |
| Unallocable Non-Cash Expenses | | | | | (19.44) | (1,110.11) |
| Total | | | | | (26.44) | (1,110.11) |

Note: The Company operates within the geographical limits of India and accordingly Secondary Segments have not been considered.

34. Previous year's figures wherever necessary have been re-arranged/re-grouped/reclassified.

Signatures to Schedule 1 to 12 forming part of the Balance Sheet and Profit and Loss Account.

As per of our Report of even date.

For **Lodha & Co.**
Chartered Accountants

R. P. Singh

Partner

Membership No. 52438

14, Government Place East, Kolkata
Dated 14th November, 2011

K. Mukhopadhyay
Secretary

S. P. Gupta
Executive Director

G. P. Goenka
Chairman
Shrivardhan Goenka
R. K. Bhargava
D. Sengupta
M. H. Chinoy
S. K. Kinra
A. L. Ananthanarayanan
Directors
A. K. Goel
Wholesale Director

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ANNEXURE TO CLAUSE 32 OF THE LISTING AGREEMENT Cash Flow Statement for the year ended 31st March, 2011

| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
|--|--------------------------------|--------------------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES | (Rs. in lacs) | (Rs. in lacs) |
| Net Profit before Tax, prior period and exceptional items | (635.53) | (231.18) |
| Adjustment for : | | |
| Depreciation | 1335.13 | 1366.29 |
| Provision for Doubtful Debts & Advances | — | 116.58 |
| Sundry Balances written off | 5.77 | 6.20 |
| Other Liabilities/Provisions written back | (29.06) | (140.18) |
| Provision for obsolete and non-moving stock | 7.00 | — |
| Profit(-)/Loss on Sale of Fixed Assets (Net) | 13.67 | (0.28) |
| Income from Investments | (0.03) | (0.01) |
| Profit(-)/Loss on Sale of Investments | 0.00 | (0.25) |
| Interest & Finance Charges | 1427.22 | 752.53 |
| Interest Income | (76.63) | — |
| Operating Profit before Working Capital Changes | 2047.54 | 1869.70 |
| Adjustment for : | | |
| Trade and other receivables | (783.82) | (1023.76) |
| Inventories | 130.33 | (906.84) |
| Trade payables | 3324.24 | 1227.52 |
| Other Liabilities & Provisions | 67.66 | 310.24 |
| Cash generated from Operation | 4785.95 | 1476.86 |
| Interest paid | (943.71) | (611.22) |
| Taxation (Net) | 3.20 | (0.40) |
| Prior period expenses | (2.19) | (10.68) |
| Exceptional items: | | |
| Employees Related Dues (Note 12(a) on Schedule 12) | (3106.80) | — |
| Net Cash from Operating Activities | 736.45 | 854.56 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (549.82) | (645.08) |
| Sale of Fixed Assets | 1.06 | 5.90 |
| Sale/Adjustment of Investments | | |
| in Subsidiaries | — | — |
| in Others | — | 0.27 |
| Interest and Dividend received | 77.15 | 3.94 |
| Net Cash used in Investing Activities | (471.61) | (634.97) |

DUNCANS INDUSTRIES LIMITED

ANNEXURE TO CLAUSE 32 OF THE LISTING AGREEMENT

Cash Flow Statement for the year ended 31st March, 2011 (contd.)

| | Year ended 31st March, 2011 | Year ended 31st March, 2010 |
|---|--------------------------------|--------------------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long Term Borrowings | — | (302.72) |
| Short Term Borrowings | (271.73) | — |
| Net Cash from Financing Activities | (271.73) | (302.72) |
| Net Increase in Cash and Cash equivalents | (6.89) | (83.13) |
| Cash and Cash equivalents at the beginning of the year | 94.06 | 177.19 |
| Cash and Cash equivalents at the end of the year | 87.17 | 94.06 |

Notes : 1) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements and the reallocations made as required for the purpose.

2) Previous year's figures have been rearranged, where necessary.

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

For **Lodha & Co.**
Chartered Accountants
R. P. Singh
Partner
Membership No. 52438

14, Government Place East, Kolkata
Dated 14th November, 2011

K. Mukhopadhyay
Secretary

S. P. Gupta
Executive Director

G. P. Goenka
Chairman
Shrivardhan Goenka
R. K. Bhargava
D. Sengupta
M. H. Chinoy
S. K. Kinra
A. L. Ananthanarayanan
Directors
A. K. Goel
Wholetime Director

DUNCANS INDUSTRIES LIMITED

Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956:

I Registration Details

| | |
|--------------------|-----------------------|
| CIN No. | U28113WB1994PLC063452 |
| State Code | 21 |
| Balance Sheet Date | 31st March, 2011 |

II Capital raised during the Period (Amount in Rs. thousands)

| | |
|-------------------|-----|
| Public Issue | Nil |
| Rights Issue | Nil |
| Bonus Issue | Nil |
| Private Placement | Nil |

III Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

| | |
|------------------------|-----------|
| Total Liabilities | 16075578 |
| Total Assets | 16075578 |
| Sources of Funds - | |
| Paid up Capital | 2287060 |
| Reserves & Surplus | 2580475 |
| Secured Loans | 7218621 |
| Unsecured Loans | 3989422 |
| Application of Funds - | |
| Net Fixed Assets | 3384266 |
| Investments | 921723 |
| Net Current Assets | (2922191) |
| Accumulated Losses | 14691779 |

IV Performance of the Company (Amount in Rs. thousands)

| | |
|---------------------------|---------|
| Turnover and Other Income | 1797056 |
| Total Expenditure | 1860609 |
| Prior Period Expenses | 219 |
| Employee Related Dues | 310680 |
| Loss before Tax | 374452 |
| Loss after Tax | 374452 |
| Earning per Share in Rs. | (7.04) |
| Dividend Rate % | Nil |

V Generic Names of Two Principal Products/Services of the Company (as per monetary terms)

| | |
|---------------------|-------|
| Item Code No. | 9.02 |
| Product Description | Tea |
| Item Code No. | 31.02 |
| Product Description | Urea |

DUNCANS INDUSTRIES LIMITED

STATEMENT REGARDING SUBSIDIARY COMPANIES

Pursuant to Section 212 of the Companies Act, 1956

- The interest of Duncans Industries Limited in its undernoted Subsidiary Companies at the close of their financial years as shown below was as under :

| | Name of Subsidiary Companies | Financial Year ended | Extent of interest | | Subsidiaries Profit/ (loss) (Rs. in lacs) | |
|-----|---|----------------------|----------------------|--------------------------|---|---------------|
| | | | No. of Equity Shares | % of total Share-holding | Current year | Previous year |
| (a) | DAIL Consultants Ltd. | 31.03.11 | 40007 | 100 | (0.62) | 0.14 |
| (b) | North India Fertilisers Ltd. (Formerly Known as Duncans Biotech Ltd.) | 31.03.11 | 4647520 | 100 | (0.0078) | (0.21) |
| (c) | Leyden Leasing and Financial Services Ltd. | 31.03.11 | 1989570 | 100 | (0.10) | (0.17) |
| (d) | Pentonville Software Ltd. | 31.03.11 | 4507000 | 100 | (1.03) | (1.48) |

- No part of Subsidiaries' Profits/(Losses) has been dealt with in the Company's Accounts.
- There has been no change in the Company's interest in the Subsidiaries between the end of their financial years and that of the Company.
- Material changes in respect of Fixed Assets etc. of Subsidiary Companies between the close of their financial years and that of the Company – not applicable.

G. P. Goenka
Chairman
Shrivardhan Goenka
R. K. Bhargava
D. Sengupta
M. H. Chinoy
S. K. Kinra
A. L. Ananthanarayanan
Directors
A. K. Goel
Wholetime Director

Kolkata
Dated 14th November, 2011

K. Mukhopadhyay
Secretary

S. P. Gupta
Executive Director

DUNCANS INDUSTRIES LIMITED

Statement pursuant to Exemption granted by the Ministry of Company Affairs, Government of India under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies vide General Circular No. 2/2011 dated 08.02.2011

| Sl No | Name of the Subsidiary | Share Capital | Reserves | Advance against equity participation | Total Liabilities | Total Assets | Accumulated Losses (excl. accumulated losses) | Investments other than investments in subsidiaries | Turnover (including other income) | Profit/ (Loss) before taxation | Provision for taxation | Profit/ (Loss) after taxation | Proposed Dividend |
|-------|---|---------------|----------|--------------------------------------|-------------------|--------------|---|--|-----------------------------------|--------------------------------|------------------------|-------------------------------|-------------------|
| | | | | | | | | | | | | | |
| 1 | Dail Consultants Ltd. | 5.00 | 1.00 | — | 124.06 | 63.81 | 60.25 | — | 0.88 | (0.62) | — | (0.62) | Nil |
| 2 | Leyden Leasing and Financial Services Ltd. | 198.96 | — | — | 346.94 | 145.59 | 201.35 | — | — | (0.10) | — | (0.10) | Nil |
| 3 | Pentonville Software Limited | 450.70 | — | 324.21 | 775.01 | 7.08 | 767.93 | 4.85 | 0.40 | (1.03) | — | (1.03) | Nil |
| 4 | North Indian Fertilisers Limited (Formerly known as Duncans Biotech Ltd.) | 464.75 | — | — | 478.81 | 4.49 | 474.32 | — | 0.14 | — | — | — | Nil |

(Rs. in lacs)

The Financial Year of the above mentioned subsidiary companies ended on 31st March, 2011.

G. P. Goenka
Chairman
 Shrivardhan Goenka
 R. K. Bhargava
 D. Sengupta
 M. H. Chinoy
 S. K. Kinra
 A. L. Ananthanarayanan
Directors
A. K. Goel
Wholetime Director

S. P. Gupta
Executive Director

K. Mukhopadhyay
Secretary

Kolkata
 Dated 14th November, 2011

DUNCANS INDUSTRIES LIMITED

The below mentioned bodies Corporate constitute as “group” pursuant to inter-se transfer of shares amongst group companies as per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 :

1. Albert Trading Company Pvt. Ltd.
2. Andhra Cements Ltd.
3. Bargate Communications Pvt. Ltd.
4. Boydell Media Pvt. Ltd.
5. Continuous Forms (Calcutta) Ltd.
6. Dail Consultants Ltd.
7. Duncans Agro Chemicals Ltd.
8. Duncans Tea Ltd.
9. Duncan Tea House Pvt. Ltd.
10. Gujarat Carbon & Industries Ltd.
11. Infratech Software Services Pvt. Ltd.
12. ISG Traders Ltd.
13. Julex Commercial Co. Ltd.
14. Kavita Marketing Pvt. Ltd.
15. Leyden Leasing & Financial Services Ltd.
16. Marleybone Travels & Resorts Pvt. Ltd.
17. North India Fertiliser Limited
18. NRC Ltd.
19. Octave Technologies Pvt. Ltd.
20. Odyssey Travels Ltd.
21. Orchard Holdings Pvt. Ltd.
22. Pentonville Software Ltd.
23. Sewand Investments Pvt. Ltd.
24. Santipara Tea Company Ltd.
25. Shubh Shanti Services Ltd.
26. Silent Valley Investments Ltd.
27. Skylight Trading Co. Ltd.
28. Sprint Trading Co. Ltd.
29. Star Paper Mills Ltd.
30. Stone India Ltd.
31. Stone Intermodal Private Ltd
32. Stone Solar Pvt. Ltd.
33. Unimers India Ltd.

DUNCANS INDUSTRIES LIMITED

OPERATING UNITS, OFFICES AND STATISTICAL INFORMATION

FERTILISER DIVISION

Factory : Panki Fertiliser Works, Udyognagar, Kanpur-208 002

TEA DIVISION

Corporate Office : Duncan House, 31, Netaji Subhas Road, Kolkata-700 001

| Tea Estates | 2010-2011 | | | 2009-2010 | | |
|-------------------------|---------------------------|----------------|---------------------|---------------------------|----------------|---------------------|
| | Hectarage (Mature Tea) | Crop (Qtls) | Yield (Qtls/Hec) | Hectarage (Mature Tea) | Crop (Qtls) | Yield (Qtls/Hec) |
| Birpara | 848.95 | 14731 | 17.35 | 886.39 | 14562 | 16.43 |
| Hantapara | 613.96 | 11980 | 19.51 | 629.90 | 11706 | 18.58 |
| Dumchipara | 660.28 | 13995 | 21.20 | 660.28 | 13195 | 19.98 |
| Lankapara | 727.61 | 12106 | 16.64 | 727.61 | 11607 | 15.95 |
| Tulsipara | 445.20 | 7169 | 16.10 | 445.20 | 6043 | 13.57 |
| Garganda | 478.81 | 9425 | 19.68 | 498.96 | 7831 | 15.70 |
| Killcott | 409.14 | 8321 | 20.34 | 415.95 | 7552 | 18.16 |
| Nagaisuree | 592.96 | 12784 | 21.56 | 605.06 | 13299 | 21.98 |
| Bagracote | 479.62 | 10104 | 21.07 | 479.62 | 9377 | 19.55 |
| Gungaram | 761.27 | 17679 | 23.22 | 775.47 | 18087 | 23.32 |
| Runglee | 183.97 | 1503 | 8.17 | 183.97 | 1543 | 8.39 |
| Marybong | 284.52 | 1105 | 3.88 | 284.52 | 1291 | 4.54 |
| Projects (planted area) | | | | | | |
| Terai Land | 770.56 | 14265 | 18.51 | 769.57 | 14436 | 18.76 |
| Madarihat Land | 194.29 | 4145 | 21.33 | 194.29 | 4011 | 20.64 |

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors Duncans Industries Limited

1. We have examined the attached Consolidated Balance Sheet of Duncans Industries Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31st March 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared in material respect in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary companies whose financial statements reflect total assets of Rs. 217.54 lacs as at 31st March 2011 and total revenues of Rs. 1.42 lacs and consolidated financial statement of ISG an associate Company, which reflect the Group's share of net loss of Rs.3140.80 lacs in the consolidated profit and loss account for the year ended on that date as considered in the Consolidated Financial Statements. The financial statements of subsidiaries have been audited by other auditors whose reports have been furnished to us and our opinion, so far as it relates to the amounts included in respect of the said subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 23 "Accounting for Investments in Associates in the Consolidated Financial Statements", on the basis of separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. As indicated in Note 8(a) of schedule 12, the accounts have been prepared on a going concern basis. However, it's ability to continue as a going concern is dependent upon the future implementation of the scheme sanctioned by BIFR, on which we are unable to express any opinion presently.
6. The impact with respect to various measures required to be implemented in terms of the scheme sanctioned by BIFR in the hearing held on 29th September, 2011 including the resultants write backs, provisions, etc. as given in Note 8 (b) to 8 (d) and read with notes 4.2,5,11 and 12 of Schedule 12 will be ascertained and given effect to on implementation of the scheme. Pending this, impact with respect to various adjustments arising have presently not been ascertained and as such cannot be commented upon by us.

DUNCANS INDUSTRIES LIMITED

7. As indicated in Note 20 and 21 of Schedule 12, shortfall in value of investments and loans and advances given to certain companies and resultant impact thereof on the losses if any are presently not ascertainable.
8. As indicated in Note 10 and 23 of Schedule 12, relevant records and details in respect of Fertilizer Division and certain records, confirmations and reconciliation for the purpose of the audit, were not available and thereby year end verification in this respect as such could not be carried out. In view of the above and in the absence of relevant details/records and/or full information/ reconciliations/confirmations, we are unable to express any opinion on the extent of adjustments arising there from and their impact on amounts of various assets and liabilities, expenses and income and impact thereof on the profit of the Company.
9. Attention is invited to the following Notes in Schedule 12 :
 - a) Note 13 (b) regarding non provision of various employee related expenses amounting to Rs. 179.62 lacs from 1st October 2010 to 31st March 2011 and thereby loss for the year and accumulated balances is lower to the extent of Rs. 179.62 lacs.
 - b) Note 22(c) regarding non disclosure of liability related to employee benefits under defined benefit plans pertaining to Fertilizer division and those related to Superannuation Fund as required in terms of AS 15.
10. Further attention is also invited to the following Notes in Schedule 12, impacts whereof are presently not ascertainable:
 - a) Note 7.2 regarding non availability of details regarding micro, small and medium enterprise as defined under Micro, Small and Medium Enterprise Development Act, 2006 ,
 - b) Note 19.4 regarding non-provision of Rs. 811.67 lacs demanded by the appropriate authorities as "Salami" on renewal of lease in certain circumstances; and
 - c) Note 31 regarding payment of managerial remuneration amounting to Rs 491.51 lacs (including Rs.98.70 lacs for the year) which is subject to approval of the Central Government.
11. We further report that, without considering 5 to 8, 9(b) and 10, impacts of which on the group's loss for the year and the accumulated balance thereof have not been ascertained and as such cannot be commented upon by us, had the impact of items 9 (a) above been considered, the loss for the year would have been Rs.7066.69 lacs as against the reported loss of Rs. 6887.07 lacs and accumulated balance thereof would have been Rs.150102.61 lacs as against the reported figures of Rs.149922.99 lacs.
12. Based on our audit and on the consideration of report of other auditors'/unaudited separate financial results submitted to us by the management and on the other financial information of the components and on the basis of the information and explanations given to us, we are of the opinion that the said consolidated financial statements, subject to our remarks given in 5 to 10 above whereby excepting as given in para 11 above, we are unable to ascertain and indicate the impact thereof on these consolidated financial statements and read together with the other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

DUNCANS INDUSTRIES LIMITED

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2011;
- b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Place: Kolkata
Dated: 14th November, 2011

For **LODHA & CO.**
Chartered Accountants
Firm ICAI Registration No. 301051E

R. P. Singh
Partner
Membership No. 52438

DUNCANS INDUSTRIES LIMITED

Consolidated Balance Sheet as at 31st March, 2011

| | Schedule | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|----------|--|--|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 22,870.60 | 22,870.60 |
| Reserves and Surplus | 2 | 25,816.47 | 26,486.17 |
| MINORITY INTEREST | | 0.99 | 0.99 |
| (9993 Preference Shares of Rs. 10 each fully paid up) | | | |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 72,186.21 | 71,872.93 |
| Unsecured Loans | | 39,894.22 | 40,149.41 |
| TOTAL | | 160,768.49 | 161,380.10 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 4 | 90,750.84 | 90,307.30 |
| Less: – Impairment | | 28,260.00 | 28,260.00 |
| – Depreciation | | 29,189.34 | 27,389.83 |
| Net Block | | 33,301.50 | 34,657.47 |
| Capital work in progress | | 604.14 | 695.84 |
| INVESTMENTS | 5 | 6,176.53 | 10,677.04 |
| DEFERRED TAX ASSETS (NET) | | — | — |
| (Refer Note 26 on Schedule 12) | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | 6 | | |
| Inventories | | 6,666.75 | 6,804.08 |
| Sundry Debtors | | 425.88 | 489.57 |
| Cash and Bank Balances | | 93.20 | 99.42 |
| Loans and Advances | | 7,469.00 | 6,643.16 |
| | | 14,654.83 | 14,036.23 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | 7 | | |
| Liabilities | | 43,644.65 | 40,117.18 |
| Provisions | | 246.86 | 246.86 |
| | | 43,891.51 | 40,364.04 |
| NET CURRENT ASSETS | | (29,236.68) | (26,327.81) |
| PROFIT AND LOSS ACCOUNT | | 149,922.99 | 141,677.56 |
| TOTAL | | 160,768.49 | 161,380.10 |

NOTES

12

The Schedules referred to above form part of the Balance Sheet.

For **Lodha & Co.**

Chartered Accountants

R. P. Singh

Partner

Membership No. 52438

Place : Kolkata.

Dated : 14th November, 2011

K. Mukhopadhyay
Secretary

For and on behalf of the Board

G. P. Goenka

Chairman

M. H. Chinoy

Director

A. K. Goel

Wholtime Director

DUNCANS INDUSTRIES LIMITED

Consolidated Profit & Loss Account for the year ended 31st March, 2011

| | Schedule | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|---|----------|---|---|
| INCOME | | | |
| Sales | 8 | 17,558.78 | 15,629.70 |
| Other Income | 9 | 413.20 | 278.03 |
| | | 17,971.98 | 15,907.73 |
| EXPENDITURE | | | |
| Decrease/(Increase) in Stock | 10 | 92.95 | (840.86) |
| Expenses | 11 | 15,753.89 | 14,862.63 |
| | | 15,846.84 | 14,021.77 |
| PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION AND TAX | | 2,125.14 | 1,885.96 |
| Interest | | 1,427.22 | 752.53 |
| Depreciation | | 2,001.86 | 2,041.22 |
| Less: Transfer from Revaluation Reserve | | 666.65 | 674.85 |
| | | 1,335.20 | 1,366.37 |
| PROFIT/(LOSS) BEFORE PRIOR PERIOD EXPENSES, EXCEPTIONAL ITEMS AND TAX | | (637.29) | (232.94) |
| PRIOR PERIOD EXPENSES (Note 29 on Schedule-12) | | 2.19 | 10.68 |
| Exceptional Items: | | | |
| Employees Related Dues (Note 13(a) on Schedule 12) | | 3,106.80 | — |
| Exchange Deficit/(Gain) (Note 5(c) on Schedule 12) | | — | (1,232.61) |
| PROFIT/(LOSS) BEFORE TAX | | (3,746.27) | 988.99 |
| PROVISION FOR TAXATION | | | |
| Current | | — | — |
| Deferred | | — | — |
| PROFIT/(LOSS) AFTER TAX AND BEFORE ADJUSTMENT FOR SHARE IN ASSOCIATES | | (3,746.27) | 988.99 |
| Share of Profit/(Loss) in Associate | | (3140.80) | 623.62 |
| NET PROFIT/(LOSS) | | (6,887.07) | 1,612.61 |
| Balance of Surplus/(Deficit) brought forward from Earlier years | | (141,677.56) | (143,016.07) |
| Adjustment to Share in Associates - Earlier Years (Refer Note 1(e) of Schedule 12) | | (1,358.36) | (274.10) |
| Balance of Surplus/(Deficit) carried forward to Balance sheet | | (149,922.99) | (141,677.56) |
| Earning per Share (Basic and Diluted) (Note 28 on Schedule 12) | | | |
| — before exceptional items | | (7.10) | 0.71 |
| — after exceptional items | | (12.94) | 3.03 |

NOTES

12

The Schedules referred to above form part of the Consolidated Profit & Loss Account
This is the Consolidated Profit & Loss referred to in our report of even date.

For **Lodha & Co.**

Chartered Accountants

R. P. Singh

Partner

Membership No. 52438

Place : Kolkata.

Dated : 14th November, 2011

K. Mukhopadhyay

Secretary

For and on behalf of the Board

G. P. Goenka

Chairman

M. H. Chinoy

Director

A. K. Goel

Wholetime Director

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 1. SHARE CAPITAL | | |
| AUTHORISED | | |
| 55000000 Equity Shares of Rs.10/- each | 5500.00 | 5500.00 |
| 18000000 Cumulative Preference Shares of Rs.100 each | 18000.00 | 18000.00 |
| | <u>23500.00</u> | <u>23500.00</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 53223026 Equity Shares of Rs. 10 each fully called up (10000000 Equity Shares fully paid-up allotted for consideration other than cash) | 5322.30 | 5322.30 |
| Less : Calls in arrear | <u>0.03</u> | <u>0.03</u> |
| | 5322.27 | 5322.27 |
| 200000 8.25% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up (Redeemable in five annual instalments from 31st March, 2017 in terms of the scheme) | 200.00 | 200.00 |
| 750000 8.25% Redeemable Cumulative Preference Shares of Rs. 100 each fully paid up (Redeemable in five annual instalments from 31st March, 2017 in terms of the scheme) | 750.00 | 750.00 |
| 16598331 0.001% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid up | 16598.33 | 16598.33 |
| | <u>22870.60</u> | <u>22870.60</u> |

Note :

In terms of the scheme, equity share capital and 8.25% redeemable preference shares shall be reduced by 60% and 0.001% cumulative redeemable preference shares will be reduced to nil. The effect of these will be given on implementation of the scheme as given in note 8 on Schedule 12.

| | As at 1st April, 2010 (Rs. in lacs) | Additions during the Year (Rs. in lacs) | Adjustments during the Year (Rs. in lacs) | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|----------------------------------|---|--|--|--|--|
| 2. RESERVES AND SURPLUS | | | | | |
| Capital Reserve on Consolidation | 3.05 | — | — | — | 3.05 |
| Share Premium Account | 11,525.11 | — | — | 11,525.11 | 11,525.11 |
| Capital Redemption Reserve | 1,501.00 | — | — | 1,501.00 | 1,501.00 |
| Revaluation Reserve | 12,270.01 | — | 666.65 | 11,603.36 | 12,270.01 |
| Debenture Redemption Reserve | 1,187.00 | — | — | 1,187.00 | 1,187.00 |
| | <u>26,486.17</u> | <u>—</u> | <u>666.65</u> | <u>25,816.47</u> | <u>26,486.17</u> |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet (contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 3. LOAN FUNDS | | |
| A. SECURED LOANS | | |
| (Security as given in Note 9 Schedule 12 unless otherwise specified) | | |
| Debentures | | |
| 1487755 15% Partly Convertible Secured Redeemable Debentures (Non-convertible part of Rs. 65 each) | 222.91 | 222.91 |
| Less : Calls in arrear | <u>(0.39)</u> | <u>(0.39)</u> |
| | 222.52 | 222.52 |
| 1875 15% Secured Redeemable Non-convertible Debentures of Rs. 100000 each | 1,875.00 | 1,875.00 |
| 130 15% Redeemable Non-Convertible Debentures of Rs. 100000 each | 130.00 | 130.00 |
| 520 15% Optionally Convertible Debentures of Rs. 100000 each (Secured by pledge of 1404000 shares of ISG Traders Ltd. held by the Company) | 520.00 | 520.00 |
| Cash Credit from Assets Reconstruction Company (India) Ltd (ARCIL) and Bank | 23,370.56 | 23,409.16 |
| Term Loan from Assets Reconstruction Company (India) Ltd (ARCIL), Banks and Financial Institutions | 38,006.23 | 38,006.23 |
| From Bodies Corporate assigned by Banks | 2,750.00 | 2,750.00 |
| From Bodies Corporate | 530.00 | 530.00 |
| Interest accrued & due | 4,781.91 | 4,430.02 |
| | <u>72,186.21</u> | <u>71,872.93</u> |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet (contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|--|--|--|
| 3. LOAN FUNDS (contd.) | | |
| B. UNSECURED LOANS | | |
| Fixed Deposits from Shareholders and Public | 7,671.21 | 7,904.34 |
| Floating Rate Convertible Notes (FRCN) (Note 5 on Schedule 12) | 14,575.00 | 14,575.00 |
| 25 15% Optionally Convertible Debentures of Rs. 100000 each | 25.00 | 25.00 |
| Under Housing Scheme | 7.37 | 7.37 |
| From Bodies Corporate (Including Deposits) | 3,010.24 | 3,010.24 |
| Advance from Promoters (pending conversion into equity share capital in terms of the Scheme) | 3,055.50 | 3,055.50 |
| Foreign Exchange Fluctuations on FRCN (Note 5 on Schedule 12) | 6,619.30 | 6,619.30 |
| Interest accrued & due | 4,930.60 | 4,952.66 |
| | <u>39,894.22</u> | <u>40,149.41</u> |

Notes:

In terms of the scheme to be implemented as per note 8, the secured loans including interest thereon will be dealt with as follows:

- (i) Secured loans (excepting working capital Rs. 60 Cr to be continued for tea operations and certain others loans mentioned herein below) will be settled on one time basis at Rs. 257.21 Cr and payable within 90 days from the date of sanction of the scheme.
- (ii) 15% Redeemable Non-convertible/optionally Convertible Debentures and secured loan/deposits from body corporate aggregating to Rs. 11.80 Cr will be settled on one time basis at Rs. 5.78 Cr within 90 days from the date of the sanction of the scheme.
- (iii) Out of the working capital facilities of Rs. 60 Cr for tea operation, banks will allocate Rs. 24.315 Cr for cash credit account and Rs. 24.315 Cr for Working Capital Term Loan (WCTL). WCTL will be repayable in installments commencing from 31st March, 2014 to 31st March, 2015. The balance amount of Rs. 11.35 Cr being ARCIL's share shall continue as loan repayable in three equal annual installments of Rs. 5.61 Cr each inclusive of interest payable from 15th March, 2013.

Schedules forming part of the Consolidated Balance Sheet (Contd.)

4. FIXED ASSETS

| | Original/ Revalued Cost of Assets as at 01.04.2010 (Rs. in lacs) | Additions during the year (Rs. in lacs) | Original/ Revalued Cost of Assets Sold/ Discarded/ Adjusted (Rs. in lacs) | Total Cost/ Revaluation to 31.03.2011 (Rs. in lacs) | Impairment of Assets upto 01.04.2010 (Rs. in lacs) | Depreciation upto 01.04.2010 (Rs. in lacs) | Depreciation for the year (Rs. in lacs) | Depreciation on Asset Sold/ Adjusted (Rs. in lacs) | Depreciation to date (Rs. in lacs) | Balance as at 31.03.2011 (Rs. in lacs) | Balance as at 31.03.2010 (Rs. in lacs) |
|-----------------------------------|--|---|---|---|--|---|--|--|---|---|---|
| Leasehold Land - | | | | | | | | | | | |
| Tea Estates | 44,554.01 | - | - | 44,554.01 | 28,259.00 | - | - | - | - | 44,554.01 | 16,295.01 |
| Others | 2,312.67 | - | - | 2,312.67 | - | 20.82 | 2.31 | - | 23.13 | 2,289.54 | 2,291.85 |
| Freehold Land | 1,047.73 | - | - | 1,047.73 | - | - | - | - | - | 1,047.73 | 1,047.73 |
| Buildings | 4,443.38 | 110.18 | - | 4,553.56 | - | 1,768.53 | 107.41 | - | 1,875.94 | 2,677.62 | 2,674.85 |
| Railway Sidings | 32.09 | - | - | 32.09 | - | 18.83 | 1.68 | - | 20.51 | 11.58 | 13.25 |
| Plant & Machinery | 32,509.12 | 347.78 | 208.02 | 32,648.88 | 1.00 | 21,420.29 | 1,713.92 | 184.02 | 22,950.19 | 9,698.69 | 11,087.83 |
| Electrical Machinery | 1,399.25 | 54.94 | - | 1,454.19 | - | 1,146.38 | 55.85 | - | 1,202.23 | 251.96 | 252.87 |
| Water Supply | 1,337.46 | 132.84 | - | 1,470.30 | - | 694.70 | 60.75 | - | 755.45 | 714.85 | 642.76 |
| Rolling Stock, Vehicles etc. | 1,310.98 | 14.84 | 19.29 | 1,306.53 | - | 1,200.98 | 21.10 | 18.15 | 1,203.94 | 102.59 | 110.00 |
| Office Equipment and Furniture | 1,360.62 | 10.73 | 0.46 | 1,370.88 | - | 1,119.29 | 38.82 | 0.16 | 1,157.96 | 212.93 | 241.32 |
| Total | *90,307.30 | 671.30 | 227.77 | 90,750.84 | 28,260.00 | 27,389.82 | 2,001.86 | 202.32 | 29,189.34 | 61,561.47 | 34,657.47 |
| Previous year | 89,795.01 | 627.27 | 114.98 | 90,307.30 | 28,260.00 | 25,440.13 | 2,041.22 | 91.52 | 27,389.83 | 34,657.47 | |

*Includes Rs. 37470.61 lacs added on Revaluation as on 1st January, 1999/31st March 2001.

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet (contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|--|--|
| 5. INVESTMENTS | | |
| Long Term Investments | | |
| <u>Quoted</u> | | |
| In fully paid up equity shares in Associates (Refer Note 1(c) of Schedule 12) # | 5,114.00 | 9,613.16 |
| In Others # | 9.30 | 9.30 |
| | 5,123.31 | 9,622.46 |
| <u>Unquoted</u> | | |
| In fully paid up equity shares In Others # | 252.38 | 252.38 |
| Mutual Funds | 4.85 | 6.20 |
| Debentures/Bonds in others | 796.00 | 796.00 |
| | 800.85 | 802.20 |
| Total | 6,176.53 | 10,677.04 |

Note :

Net of diminution aggregating to Rs. 23456.56 lacs (Previous year Rs. 23456.56 lacs)

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet (contd.)

| | As at 31st March, 2011 (Rs. in lacs) | | As at 31st March, 2010 (Rs. in lacs) | |
|---|--|----------|--|----------|
| 6. CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| INVENTORIES - (At lower of cost or net realisable value) | | | | |
| Stores and Spare parts | 4,803.89 | | 4,841.27 | |
| Raw Materials | 961.16 | | 961.16 | |
| Work-in-process | 183.63 | | 183.63 | |
| Finished Stock | 1,411.75 | | 1,504.71 | |
| | <u>7,360.44</u> | | <u>7,490.77</u> | |
| Less: Provision for Obsolete and non-moving Stocks | 693.69 | 6,666.75 | 686.69 | 6,804.08 |
| SUNDRY DEBTORS | | | | |
| Unsecured considered good unless stated otherwise | | | | |
| Debts outstanding for more than six months | 846.23 | | 797.87 | |
| Other Debts considered good | 91.14 | | 205.94 | |
| | <u>937.37</u> | | <u>1,003.81</u> | |
| Less: Provisions for doubtful debts | 511.49 | 425.88 | 514.24 | 489.57 |
| CASH AND BANK BALANCES | | | | |
| Cash in hand | 12.39 | | 12.14 | |
| With Scheduled Banks on - | | | | |
| Fixed Deposits | 3.01 | | 7.36 | |
| Current Accounts | <u>77.79</u> | 93.20 | <u>79.92</u> | 99.42 |
| LOANS AND ADVANCES | | | | |
| (Unsecured - considered good unless stated otherwise below) | | | | |
| Advances towards Equity participation | 853.79 | | 853.79 | |
| Less : Provision for doubtful advances | 853.79 | — | 853.79 | — |
| Advances Recoverable in Cash or in Kind or for value to be received | 5,466.39 | | 4,705.24 | |
| Less: Provision for doubtful advances | 961.55 | 4,504.84 | 998.95 | 3,706.29 |
| Short term Deposits | 2,864.30 | | 2,864.30 | |
| Less: Provision for doubtful deposits | 1,179.30 | 1,685.00 | 1,179.30 | 1,685.00 |
| Interest accrued on Loans and Deposits | 1,755.67 | | 1,756.17 | |
| Less: Provision for doubtful receivables | 1,738.81 | 16.86 | 1,738.81 | 17.36 |
| Sundry Deposits | 1,197.08 | | 1,165.96 | |
| Advance Payment of Tax (including refunds and interest thereon) | 64.40 | | 67.56 | |
| Balance with Central Excise, Customs, Port Trust, etc. | 0.82 | 7,469.00 | 0.99 | 6,643.16 |
| | <u>14,654.83</u> | | <u>14,036.23</u> | |

DUNCANS INDUSTRIES LIMITED

Schedules forming part of the Consolidated Balance Sheet (Contd.)

| | As at 31st March, 2011 (Rs. in lacs) | As at 31st March, 2010 (Rs. in lacs) |
|---|--|--|
| 7. CURRENT LIABILITIES AND PROVISION LIABILITIES | | |
| Acceptances | 1,075.49 | 1,083.90 |
| Sundry Creditors (Note 7.1 and 7.2 on Schedule 12) | 37,454.55 | 34,110.43 |
| Other Liabilities | 4,920.01 | 4,881.93 |
| Interest accrued but not due on loans | 194.60 | 40.92 |
| | <u>43,644.65</u> | <u>40,117.18</u> |
| PROVISIONS | | |
| Taxation | 133.49 | 133.49 |
| Others | 113.37 | 113.37 |
| | <u>246.86</u> | <u>246.86</u> |
| | <u>43,891.51</u> | <u>40,364.04</u> |

Schedules forming part of the Consolidated Profit & Loss Account

| | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|---|---|---|
| 8. SALES OF GOODS AND SERVICES | | |
| Sales | 17,602.20 | 15,673.96 |
| Less: Excise Duty and Cess | (43.41) | (44.26) |
| | <u>17,558.78</u> | <u>15,629.70</u> |
| | <u>17,558.78</u> | <u>15,629.70</u> |
| 9. OTHER INCOME | | |
| Sundry Income (including insurance claim Rs. 57.95 lacs, Previous Year Rs. 77.08 lacs), replantation subsidy Rs. 84.64 lacs from Tea Board, Previous Year Rs. Nil, and Rs. 81.70 lacs subsidy on DAP relating to earlier years, Previous Year Rs. Nil) | 303.85 | 134.03 |
| Interest Received/Receivable (including Rs. 0.71 lacs –Previous Year Rs. Nil) on income tax relating to earlier years, Rs. 74.80 lacs on refund of subsidy on DAP, Previous Year Rs. Nil, and Rs. 1.12 lacs on Fixed Deposits from Banks - Previous Year Rs. 0.28 lacs (Tax deducted at source Rs. Nil – Previous Year Rs. Nil) | 76.78 | 0.41 |
| Rental Income | 2.40 | 2.40 |
| Income from Investments (Long Term)(Gross)– | | |
| Other than Trade | | |
| Dividend | 0.48 | 0.65 |
| Profit on sale of investments | 0.15 | 0.36 |
| Other Liabilities/Provisions Written back (net) | 29.54 | 140.18 |
| | <u>413.20</u> | <u>278.03</u> |

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Schedules forming part of the Consolidated Profit and Loss Account (Contd.)

| | Year ended 31st March, 2011 (Rs. in lacs) | Year ended 31st March, 2010 (Rs. in lacs) |
|--|---|---|
| 10. DECREASE/(INCREASE) IN STOCKS | | |
| Opening Stock: | | |
| Stock in process | 183.63 | 183.63 |
| Finished Stock | | |
| - Purchased Amonia | 33.63 | 33.63 |
| - Fertiliser | 102.68 | 102.68 |
| - Tea | 1,368.40 | 527.55 |
| | <u>1,688.34</u> | <u>663.86</u> |
| Less: Provision for obsolete and non moving stocks | <u>308.63</u> | <u>308.63</u> |
| | <u>1,379.71</u> | <u>538.86</u> |
| Closing Stock: | | |
| Stock in process | 183.63 | 183.63 |
| Finished Stock | | |
| - Purchased Amonia | 33.63 | 33.63 |
| - Fertiliser | 102.68 | 102.68 |
| - Tea | 1,275.45 | 1,368.40 |
| | <u>1,411.75</u> | <u>1,504.71</u> |
| Less: Provision for obsolete and non moving stocks | <u>308.63</u> | <u>308.63</u> |
| | <u>1,286.76</u> | <u>1,379.71</u> |
| | <u>92.95</u> | <u>(840.86)</u> |
| 11. EXPENSES | | |
| Consumption of Raw Materials | 161.36 | 670.12 |
| Salaries, Wages and Bonus | 7,538.05 | 6,835.30 |
| Contribution to Provident and Other Funds | 637.55 | 595.80 |
| Contribution to Gratuity Fund | 312.33 | 319.90 |
| Labour and Staff Welfare | 650.31 | 595.95 |
| Consumption of Stores and Spares Parts (Net of Sales Rs. 85.87 lacs – Previous Year Rs. 100.45 lacs) | 2,003.46 | 1,796.91 |
| Power and Fuel | 2,408.29 | 2,161.70 |
| Repairs and Maintenance: | | |
| Buildings | 172.11 | 150.50 |
| Machinery | 228.90 | 168.77 |
| Others | 82.66 | 113.53 |
| Rent | 6.97 | 6.80 |
| Rates and Taxes | 78.56 | 68.65 |
| Insurance | 33.80 | 40.47 |
| Advertisement and Sales Promotion | 2.54 | 1.50 |
| Freight, Marketing, Sale and warehouse charges | 355.21 | 319.06 |
| Brokerage & Commission | 203.26 | 178.97 |
| Directors' Fees | 1.55 | 1.38 |
| Miscellaneous | 849.23 | 714.19 |
| Sundry Balances written off | 5.77 | 6.20 |
| Loss/(Profit) on Sale/Discard of Fixed Assets | 13.67 | (0.28) |
| Provision for obsolete and slow moving stores | 7.00 | — |
| Provision for Doubtful Debts and Advances | 1.33 | 117.21 |
| | <u>15,753.89</u> | <u>14,862.63</u> |

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CONSOLIDATED FINANCIAL STATEMENTS

12. Significant Accounting Policies and Notes forming part of the Consolidated Financial Statements of Duncans Industries Limited and its Subsidiaries for the year ended 31st March 2011.

1. a) Principles of Consolidation

The Consolidated Financial Statements of Duncans Industries Limited ("the Company") and its subsidiary companies have been prepared in accordance with Accounting Standard (AS 21) on "Consolidated Financial Statements" and Accounting Standard (AS 23) "Accounting for Investments in Associates in the Consolidated Financial Statements". The basis of preparation of the Consolidated Financial Statements is as follows:

- The financial statements (the Balance Sheet and the Profit & Loss Account) of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions and the resulting unrealized profits or losses.
- The differential with respect to the cost of investments in the subsidiary over the Company's portion of equity is recognised as Goodwill or Capital Reserve, as the case may be. Such goodwill/capital reserve has been consolidated based on the audited financial statements of the subsidiaries as on the reporting date immediately preceding the date on which the holding-subsidiary relationship came into existence.
- Entire equity share capital is held by the holding company and as such there is no minority interest in the net assets of the consolidated subsidiaries. However, Preference shares held other than by holding company has been considered under minority interest.
- Investment in associate are valued and accounted for under equity method of accounting in accordance with AS 23. Under the said method, the investments are initially recorded at cost which includes goodwill / capital reserve arising at the time of acquisition and adjusted thereafter for the post acquisition change in the Company's share in the net assets of the investee company.
- b) The list of subsidiaries (all incorporated in India), which are included in this Consolidated Financial Statements along with the Company's holdings therein are as under:

| Sl. No. | Name of the Company | Ownership Interest (Per cent) | |
|---------|--|-------------------------------|---------|
| | | 2010-11 | 2009-10 |
| 1. | North India Fertilisers Ltd. | 100.00 | 100.00 |
| 2. | Dail Consultants Ltd. | 100.00 | 100.00 |
| 3. | Leyden Leasing and Financial Services Ltd. | 100.00 | 100.00 |
| 4. | Pentonville Software Ltd. | 100.00 | 100.00 |

- c) Impact with respect to variations arising from the audited financial statements on the amount of share of profit/loss and value of Investments under equity method in the year of ascertainment and shown below the line and adjusted to the brought forward amount of profit/loss as the case maybe.

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d) The particulars of investment as required in terms of AS 23 are as follows:

(Rs. in lacs)

| Name of the Associate | Voting Power (%) | Original Cost | Group's Profit upto 31st March 2011 | Carrying Cost | Goodwill included in original cost |
|------------------------|------------------|------------------------|-------------------------------------|----------------------|------------------------------------|
| ISG Traders Ltd. (ISG) | 18.05 (18.05) | 8161.23# (8161.23#) | 3047.23 (1451.93) | 5114.00 (9613.16) | 3101.76# (3101.76#) |

Previous year's figures have been given in the bracket ().

Net of diminution of Rs. 22158.61 (Previous Year Rs. 22158.61) in the value of investments written off during the year.

e) The impact in carrying amount of investment amounting to Rs. 1358.36 lacs due to (c) above has been shown below the line and adjusted to the brought forward amount of profit/loss from previous year.

2. Significant Accounting Policies:

2.1 Basis of Accounting:

The Accounts have been prepared on the historical cost basis adjusted by the revaluation of certain Fixed Assets, in accordance with the provision of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006.

All expenses and income, unless specifically stated to be otherwise, have been accounted for on mercantile basis and are consistent with generally accepted accounting principles.

2.2 Use of Estimates:

The preparation of financial statements require the management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosures relating to contingent liabilities and assets as at the balance sheet date and the reported amounts of income and expenses during the year. Differences between the actual results and the estimates are recognised in the year in which the results become known/materialise.

2.3 Fixed Assets and Depreciation:

Fixed Assets as revalued from time to time are stated at revalued amounts less depreciation.

Fixed Assets other than the above are stated at cost less depreciation.

Expenditure on new tea planting is capitalised. In the case of new tea areas taken up as projects, all expenditure till the plantation reaches the full bearing stage is capitalised.

Cost of up-keep and maintenance of young tea is charged to revenue.

Certain Plant and Machinery have been considered as continuous process plant on technical assessment.

Depreciation on Fixed Assets, including on revaluation, has been provided for as under:

For additions upto December, 1975, on Reducing Balance Method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956 and subsequently on Straight Line Method except in case of Dail Consultants Limited where depreciation is charged on a written down value basis, in keeping with the aforesaid Schedule XIV or at the rates applicable at the time of installation/acquisition thereof.

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Depreciation on assets given on lease by a subsidiary has not been provided for the year as adequate provision for net book values thereof outstanding as on 31.03.2011 has been made in the accounts in terms of the Reserve Bank of India's prudential norms for provisioning against non performing assets.

In case of revalued assets, depreciation has been provided on Straight Line Method based on useful life either assessed technically or derived with respect to the rates specified in Schedule XIV to the Companies Act, 1956.

An amount equivalent to the additional charge of depreciation due to revaluation is transferred to Profit and Loss Account from Revaluation Reserve.

2.4 **Impairment:**

Fixed Assets are reviewed at each Balance Sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed assets is determined. An impairment loss is recognised whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is greater of assets net selling price or its value in use. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased.

2.5 **Investments:**

Investments being long term in nature are stated at cost. Diminution in values thereof, other than temporary in nature, are adjusted there from and recognised in the Profit and Loss Account.

2.6 **Inventories:**

Inventories are valued at lower of cost or net realisable value.

In determining cost for own manufactured materials, manufacturing costs comprise of material, labour and other appropriate overheads.

Cost for Raw Material, Stores and Spare Parts are valued on weighted average basis and for the tea stock on First in first out basis.

2.7 **Employee Benefits:**

Employee benefits are accrued in the year services are rendered by the employees.

Contribution to defined contribution schemes such as Provident and Family Pension Fund etc. are recognized as and when incurred.

Long term employee benefits under defined benefit scheme such as contribution to gratuity, leave, superannuation, provident fund etc. are determined at close of the year at present value of the amount payable using actuarial valuation techniques.

Actuarial gain and losses are recognized in the year when they arise.

2.8 **Foreign Currency Transactions:**

Transactions in foreign currency are accounted for, at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year-end are translated using the closing exchange rates. The loss or gain thereon and also on the exchange differences on settlement of foreign currency transaction during the year are recognised as income or expenses and are adjusted to the Profit and Loss Account under respective heads of accounts.

2.9 Research and Development:

Expenditure on research and development (other than those relating to Fixed Assets) including contribution to research associations is charged against the profit for the year in which it is incurred.

2.10 Sales:

Sales are recognised on passing of property in the goods. Consignment sales are accounted for on receipt of the relevant account sales.

2.11 Grants and Subsidies from Government:

Grants from Government relating to Fixed Assets are shown as a deduction from the gross value of Fixed Assets and those in the nature of Project Capital Subsidy, are credited to Capital Reserve. Other Government grants including subsidies, incentives, duty drawback, etc. are credited to Profit and Loss Account or deducted from the related expenses.

2.12 Revenue Recognition:

Fertiliser subsidy in the form of Retention Price Support (RPS) is considered on the basis of quantity sold after taking into consideration notification issued by Government of India from time to time. Catalyst cost (excepting premature replacements, which are written off) is charged on the basis of useful life as per Management's technical evaluation.

2.13 Leasing:

Lease Equalisation representing Annual Charges (i.e. annually apportioned cost of net investments in the leased assets over the lease term arrived on Internal Rate of Return method) less statutory depreciation on the related assets has been recognised.

Stock on hire is taken at cost financed by the Company as reduced by capital recovery on installments.

Lease income and finances charges earned on Hire Purchase are recognised on accrual basis on Internal Rate of Return method on individual agreements.

Provision for non-performing assets has been arrived at after taking into account balances lying in security deposit/margin accounts as received from the related parties at the time of grant of lease finance.

2.14 Borrowing Cost:

Borrowing cost in relation to the acquisition or construction of a qualifying asset is capitalized as part of the cost of such assets. Other borrowing costs are charged as expenses in the year in which they are incurred.

2.15 Income Tax:

Provision for tax is made for both current and deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods, are recognised using tax rates and tax laws which have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is sufficient assurance for reversal of the same in future years.

2.16 Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not provided for but disclosed by way of Notes to the Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

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3. Estimated value of Capital Commitments (Net of Advances Rs. 33.82 lacs Previous Year Rs. 17.53 lacs) - Rs. 130.30 lacs (Previous Year Rs. 72.48 lacs).

4.1 **Contingent Liabilities not provided for in respect of :**

| | (Rs. in lacs) |
|---|-----------------------------------|
| Year Ended 31st March, 2011 | Year Ended 31st March, 2010 |
| a) Guarantees (excluding since released) given by the Company on behalf of bodies corporate Limit | 6568.89 |
| Amount Outstanding | 4406.68 |
| b) Guarantees given by Banks on behalf of the Company | 234.09 |
| c) Cumulative Dividend on Preference Shares | 549.18 |
| d) Claims against the Company not acknowledged as debts (to the extent ascertainable from available records) : | |
| i) Income/Agriculture Tax matters pending in appeal at various stages (other than matters awaiting quantification by assessing authorities and/or with favourable appellate decisions for earlier years, against which further appeals are pending) | 47.32 |
| ii) Sales Tax matters under appeal (to the extent ascertained) | 14.29 |
| iii) Excise matters relating to Fertiliser operations | 86.60 |
| iv) Claims for interest and other suppliers etc. contested/under negotiation pending finalisation of the matters (since settled in terms of scheme sanctioned by BIFR on 29/09/11 (Refer Note 8) | 5541.93 |
| v) In respect of other matters under litigation (including workmen claims) pending at different stages in respect of Fertiliser Division | Not ascertainable |
| e) A show cause notice issued in 1986 in respect of tobacco division taken up for hearing by the adjudicator. The management is of the view that in accordance with the Scheme of Arrangement approved by Calcutta High Court, liabilities relating to Excise stood vested from 1st April, 1984 to New Tobacco Company Ltd. (NTC) pursuant to transfer of tobacco business to the said NTC effective that date. | Not ascertainable |

- 4.2 During the period from 9th August, 2000 to 16th September, 2001, Kanpur Electric Supply Co. Ltd (KESCO) levied a surcharge for maintaining independent feeder for the fertiliser plant of the Company and a claim of Rs. 2463.22 lacs for the said period was made against the Company. Being aggrieved by the said claim, the Company filed a writ petition before the Hon'ble Allahabad High Court in the month of February 2002 and the matter is *sub-judice*. The scheme sanctioned by BIFR as given in note 8 envisages waiver of such claim and will be given effect to on implementation thereof.
5. (a) The Company had issued in November, 1996, Floating Rates Convertible Notes (FRCN) aggregating to Swiss Francs 50 million to foreign investors with a maturity period of seven years.
- The FRCN holders exercised their put option in the year 2001 and proceedings for the recovery of the outstanding amount of principal and interest along with additional interest, etc. are pending before the Hon'ble High Court at Calcutta (High Court). In terms of the consent given by the parties in the scheme sanctioned by the Hon'ble BIFR (refer Note 8) 25% of the principal amount as crystallized by the High Court will become payable to FRCN holders in full and final settlement of their entire outstanding amount.
- (b) In view of the above, no further accruals including interest and loss on account of exchange fluctuation have been considered necessary, since as given in Note 8 consequential adjustments in this respect will be given effect to on implementation of the scheme.
- (c) Exchange gain of Rs. 1232.61 lacs recognized in earlier years has been regrouped from expenses to exceptional items for making it comparable with current year figures.
6. In terms of the Scheme of Arrangement submitted before the Hon'ble High Court at Calcutta, the Tea Undertaking of the Company comprising of the tea business and certain investments, loans and advances, etc. were proposed to be transferred to and vested in Shubh Shanti Services Limited on a going concern basis with effect from 1st April, 2001. The Scheme was approved by the shareholders of the Company in the General Meeting held on 25th January, 2002 and Petition in this respect is pending for the approval of the Hon'ble High Court. In view of the current Scheme of Arrangement for de-merger of the Fertilizer Undertaking sanctioned by BIFR as per note 8, the Petition pending before the Hon'ble High Court at Calcutta has become infractus and necessary steps for withdrawing the same will be taken on implementation of the scheme sanctioned by BIFR.
- 7.1 Sundry Creditors include:
- Rs 276.12 lacs (Previous Year Rs. 404.71 lacs) outstanding in respect of Fixed Assets [Original Cost Rs. 555.16 lacs (Previous Year Rs. 555.16 lacs)] including interest thereon, purchased in terms of Hire Purchase Agreements.
 - Rs. 2035.45lacs (Previous Year Rs. 2342.14 lacs) being advances received against the sale of tea.
 - Rs. 23.75 lacs (Previous Year Rs. 22.92 lacs) in respect of amounts advanced by group/associate companies on current account.
- 7.2 The Company is in the process of identifying the suppliers who are covered under "The Micro Small and Medium Enterprises Development Act, 2006." Due to non availability of data, especially relating to Fertilizer division of the Company as given in Note 10 below the details required as such could not be compiled/ furnished.

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8. (a) The Company is a sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The rehabilitation Scheme (the scheme) formulated for revival of the Company has since been sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) in the hearing held on 29th September, 2011. Necessary order in this respect alongwith the modifications in the Draft Rehabilitation Scheme (DRS) as circulated is awaited. Pending this and implementation of rehabilitation measures in terms of the scheme, these accounts have been prepared on a going concern basis.
- (b) The scheme as mentioned herein above among various rehabilitation measures envisages (a) de-merger of fertilizer undertaking with effect from 1st October, 2010 alongwith related assets and liabilities as specified therein to Kanpur Fertilizers & Cement Limited (KFCL), a company owned by Jaypee Uttar Bharat Vikas Private Limited, a Joint Venture Company (JV Co.) promoted by Jaypee Fertilizers & Industries Ltd and ISG Traders Ltd, a group company of the promoters of the company, for participating in the revival and rehabilitation of fertilizer undertaking of the Company (b) reduction of equity and preference share capital of the company and consolidation of the shareholding of the respective shareholders (c) infusion of fresh funds by promoters and conversion of existing loan from promoters into equity (d) One time settlement (OTS) of secured loans from Institutions, banks and others (e) settlement of the amounts payable in respect of unsecured loan including FRCN and fixed deposit etc. and statutory and other liabilities and restructuring of repayment terms thereof (f) waiver of interest including penal, liquidated damages, additional interest and other claims in respect of secured, unsecured, statutory and other loans and liabilities of the company .
- (c) Consequent to the proposed de-merger of fertilizer division to KFCL with effect from 1st October 2010 as given above, the operations of the said division with effect from said date has been undertaken on behalf of KFCL. However pending implementation of the scheme the expenses and income pertaining to the said division remain accounted under the respective heads of the accounts.
- (d) The impact with respect to the above including the write back, provisions arising in this respect will be determined and given effect to on the Scheme being implemented in terms thereof after receipt of the order from BIFR and vacation of the restrain orders for transferring the fixed assets pending before the various Courts pursuant litigations initiated in respect of claims by certain parties.
9. (a) Loans, Debentures from Financial Institutions and Banks and non fund based facilities, save and except otherwise stated, against specific balances under secured loans are secured/to be secured by a *pari passu* first charge on the fixed and current assets of the Company. These loans and facilities are further secured by the personal guarantee of a director and the pledge of the unencumbered equity shares held by the promoters in the Company. Additional Working Capital Facility of Rs. 3221 lacs provided by the banks included under Cash Credit for Fertiliser Division are additionally secured by way of pledge of 16908280 equity shares of Andhra Cements Ltd. and equity shares of NRC Ltd. held by the group companies.
- (b) The above will undergo change on giving effect to the terms of the settlement with the lenders as per the scheme sanctioned by BIFR and implementation thereof as given in Note 8.

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10. (a) Operation in fertilizer division remain suspended since October 2005. The balances of various assets and liabilities, income and expenses including depreciation on fixed assets and details and disclosures including for contingent liabilities given in these accounts have been continued to be either taken as appearing in the accounts for the year ended 31st March, 2006 or based on balances as on that date outside the financial system on the basis of and to the extent information and details were then available. The computer system (SAP) even though has been made operational during the year, the various balances will be incorporated in SAP on demerger of fertilizer undertaking as per the scheme as given in Note 8.
- (b) In view of the above, various debit and credit balances including with respect to advances, liabilities for employees and others, debtors, bank balances etc. with respect to balances lying unremoved from earlier years is pending reconciliation and adjustment.
11. Consequent to the suspension of operations at the fertiliser plant, the Company faced severe liquidity crisis. As a result, the Company was not able to make the payment of interest and the principal amount of the fixed deposits on due dates. In terms of the scheme sanctioned by BIFR, the dues of the fixed deposit holders shall be settled at 85% of the principal amount of the fixed deposits and repaid within 180 days of sanction of the scheme as per Note 8 in full and final settlement of entire outstanding in this respect.
12. In terms of the scheme sanctioned by Hon'ble BIFR as per Note 8, penal interest and damages as payable on late/non-payment of PF dues have been waived and the necessary directions has been issued to consider payment of Provident Fund, Family Pension Fund including Employees Pension Scheme 1995 (EPS-95), EDLI, administrative/inspection charges, at statutory rate of interest after moratorium of one year in 36 monthly installments. The matter will accordingly be pursued with the relevant authorities for necessary approval etc on receipt of BIFR order.
13. (a) The Company has arrived at a settlement pursuant to the Memorandum of Understanding (MOU) on 6th June, 2010 with the workmen of the fertilizer division and with majority of other supervisory and other employees who are not covered under MOU dated 6th June, 2010. Liability towards employees related cost including gratuity, pension and other retirement benefits pertaining to the fertilizer undertaking till 30th September, 2010 i.e. till the date of de-merger of the fertilizer undertaking to KFCL have been recognized. Consequently Rs. 3106.80 lacs has been provided and shown as exceptional items in these accounts.
- (b) Pending demerger of fertilizer undertaking in terms of the scheme sanctioned by BIFR as per Note 8, no provision for such expenses amounting to Rs.179.62 lacs for the period from 1st October 2010 to 31st March 2011 has been made in these accounts.
14. The Company has filed a Writ Petition before the Hon'ble High Court at Calcutta challenging the applicability of Section 274(1)(g) of the Companies Act, 1956 and a stay has been granted by the High Court on this matter. Consequently, as per the legal opinion received, provisions for the disqualification of directors in terms of the said Section are not applicable to the Directors of the Company.

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15. Pursuant to the Jute Packaging Material (Compulsory use in Packing Commodities) Act, 1987, the Company is liable to compensate in the event of lower use of jute bags for urea packing to the extent prescribed therein. The Supreme Court has upheld the validity of the said Act. However, no demand has been received in this respect.
16. Fixed Assets comprising Land, Buildings, Plant and Machinery, Vehicles, Furniture and Fixtures, etc. were revalued for Tea Division on 31st March, 1994 and 1st January, 1999. The assets for the Fertiliser Division were revalued on 31st March, 2001. The revaluation was carried out by approved valuers on market value/replacement cost basis. Consequent to the above, the increase in the value of Fixed Assets aggregating to Rs. 56596.64 lacs was credited to Revaluation Reserve in the respective years of revaluation.
17. Recoverable amount of fixed assets of the Company was estimated considering Tea and Fertiliser Divisions as two separate Cash Generating Units (CGUs), on the basis of valuation of these assets as at 1st April, 2006 by independent valuers and impairment loss of Rs. 28260 lacs was determined in the said year of which Rs. 23986 lacs was adjusted against revaluation reserve. In absence of any indication for significant variation in the amount of impairment so recognized in the earlier years, no further adjustment in this respect has been considered necessary.
18. In keeping with the applicable accounting policy (Note 2.12 above), year-end Stock of Stores and Spares Parts include unamortised value of catalysts to the extent of Rs.252.02 lacs (Previous Year Rs.252.02 lacs).
- 19.1 The Deed of Conveyance in respect of Land and Buildings at Vijayawada purchased in March, 1986 at Rs.40 lacs is yet to be executed. This property is however under the Company's possession. The Vendor of the said property has executed an irrevocable power of attorney in favour of the Company and thereby, the Company has entered into agreement for sale of the said property with a third party in earlier years. The title in respect of the said property has however been disputed by another party in a proceeding before the Hon'ble High Court at Calcutta and the matter is pending for adjudication.
- 19.2 The Company has acquired in earlier years, land for tea plantations measuring 5744 acres in the State of West Bengal. Lease documents in respect of 2586 acres of such land are yet to be executed.
- 19.3 The Company surrendered 6085.69 acres of land in earlier years under the West Bengal Estates Acquisition Act, 1954, Assam Fixation of Ceiling on Land Holding Act, 1956 and Kerala Land Reforms (Amendment) Act, 1969. Necessary adjustment in respect of compensation will be made in the accounts as and when determined. Further, requisite statutory returns have been filed by the Company with the appropriate authorities for exemption of other land holdings from the related ceiling limits.
- 19.4 In respect of levy of salami by the Government of West Bengal on renewal of lease of tea estates in certain circumstances and pursuant to the decision of Hon'ble High Court at Calcutta in a similar matter, the Company has preferred an appeal against the said imposition before the appropriate authority. Accordingly, pending finalization of the matter, Rs.811.67 lacs (Previous year Rs. 811.67 lacs) has not been provided for in this respect which would be payable in equal annual installments over the lease period i.e. 30 years. However, this is not likely to have revenue impact, since the same will be capitalized to the cost of land as and when paid by the Company.

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20. (a) The Company has investments of Rs. 8161.23 lacs (net of provision) in ISG Traders Limited (ISG) which in-turn has investments forming part of group's controlling interest in certain companies.
- (b) Loans and Advances include Rs 1685 lacs (Previous Year Rs. 1685 lacs) given to Andhra Cements Limited (ACL) as interest free loans in terms of the Scheme of Rehabilitation of ACL. In terms of the stipulation provided by the lenders, the said amount is repayable in terms of the loan granted by them to ACL.
- (c) Considering the said investments and loans to be of long term and strategic in nature, revenue recognition with respect to shortfall in the value thereof has not been considered necessary.
21. Loans and advances include Rs. 1577.61 lacs (previous year Rs. 1380.48) outstanding from Santipara Tea Company Ltd. (STCL) out of which Rs. 853.79 lacs will be converted into equity. Pending outcome of the steps for restructuring, recovery, provision of Rs. 853.79 lacs made in earlier years has been considered to be adequate and continued in these accounts.
22. (a) The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 in respect of tea division, are given below:

Defined Contribution Scheme

Contribution to Defined Contribution Schemes, recognized for the year are as under:

| | Year ended 31st March, 2011 | (Rs. in lacs) Year ended 31st March, 2010 |
|---|-----------------------------------|--|
| Employer's Contribution to Provident Fund | 213.85 | 181.48 |
| Employer's Contribution to Pension Fund | 350.94 | 325.37 |

Defined Benefit Scheme

The employee's gratuity, superannuation and provident fund (other than those covered and contributed under Employee's Provident Fund Organization) Scheme are defined benefit plans. The present value of obligations are determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as gratuity.

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(Rs. in lacs)

| | Gratuity (Funded) As on 31st March, 2011 | Leave Encashment (Unfunded) As on 31st March, 2011 | Gratuity (Funded) As on 31st March, 2010 | Leave Encashment (Unfunded) As on 31st March, 2010 |
|--|---|--|---|--|
| i. Change in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows : | | | | |
| Liability at the beginning of the year | 3412.22 | 261.91 | 3115.89 | 251.27 |
| Interest Cost | 268.12 | 20.80 | 236.40 | 19.28 |
| Current Service Cost | 141.78 | 17.12 | 131.85 | 16.81 |
| Plan Amendments | — | — | 31.68 | — |
| Actuarial (gain)/loss on obligations | (41.03) | 29.67 | (12.02) | (23.64) |
| Benefits paid | (121.34) | (3.94) | (91.58) | (1.81) |
| Liability at the end of the year | 3659.75 | 325.56 | 3412.22 | 261.91 |
| ii. Changes in the Fair Value of Plan Asset representing reconciliation of opening and closing balances thereof are as follows : | | | | |
| Fair value of Plan Assets at the beginning of the year | 773.25 | — | 788.90 | — |
| Expected Return on Plan Assets | 59.04 | — | 59.42 | — |
| Contributions by the Company | — | — | — | — |
| Benefits paid | (121.34) | — | (91.58) | — |
| Actuarial gain/(loss) on Plan Assets | (0.09) | — | 16.51 | — |
| Fair value of Plan Assets at the end of the year | 710.86 | — | 773.25 | — |
| Total actuarial gain/(loss) to be Recognized | (40.94) | — | 28.53 | — |
| iii. Actual return on Plan Assets | | | | |
| Expected return on Plan Assets | 59.04 | — | 59.42 | — |
| Actuarial gain/(loss) on Plan Assets | (0.09) | — | 28.53 | — |
| Actual Return on Plan Assets | 58.95 | — | 87.95 | — |
| iv. Amount Recognized in Balance Sheet | | | | |
| Liability at the end of the year | 3659.75 | 325.56 | 3412.22 | 261.91 |
| Fair value of Plan Assets at the end of the year | 710.86 | — | 773.25 | — |
| Net Asset/(Liability) at the end of the year | (2948.89) | (325.56) | (2638.97) | (261.91) |

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(Rs. in lacs)

| | Gratuity (Funded) As on 31st March, 2011 | Leave Encashment (Unfunded) As on 31st March, 2011 | Gratuity (Funded) As on 31st March, 2010 | Leave Encashment (Unfunded) As on 31st March, 2010 |
|--|---|--|---|--|
| v. Expenses Recognized in the Income Statement | | | | |
| Current Service Cost | 141.78 | 17.12 | 131.85 | 16.81 |
| Interest Cost | 268.12 | 20.80 | 236.40 | 19.28 |
| Expected Return on Plan Assets | (59.04) | — | (59.42) | — |
| Net Actuarial (gain)/loss to be Recognized | (40.94) | 29.67 | (28.53) | (23.64) |
| Past Service Cost | — | — | 31.68 | — |
| Expenses Recognized in Profit & Loss Account | 309.92 | 67.59 | 311.98 | 12.45 |
| vi. Balance Sheet Reconciliation | | | | |
| Net Asset/(Liability) at the beginning of the year | (2638.97) | (261.91) | (2326.99) | (251.27) |
| Expenses as above | 309.92 | 67.59 | 311.98 | 12.45 |
| Employers Contribution | — | (3.94) | — | (1.81) |
| Net Asset/(Liability) at the end of the year | (2948.89) | (325.56) | (2638.97) | (261.91) |
| vii. Principal Actuarial assumptions at the Balance Sheet | | | | |
| Discount Rate | 8.00% | 8.00% | 8.00% | 8.00% |
| Rate of Return on Plan Assets | 7.73% | N.A. | 7.73% | N.A. |

Notes:

- i) Assumptions relating to future salary increases, attrition, interest rate for discount & overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.
- ii) The Guidance issued by the Accounting Standard Board (ASB) on implementation AS-15, Employees benefit (Revised 2005) states that provident funds set up by employers which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. Government interest to be paid on provident fund scheme exists rate of interest earned on investment), pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliable measures the same

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(b) Disclosures in terms of Para 120(n) of AS15 (revised AS-15):

| Particulars | Gratuity Funded (Rs. in lakhs) | | | |
|---|--------------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31.03.2011 | Year ended 31.03.2010 | Year ended 31.03.2009 | Year ended 31.03.2008 |
| 1. Defined Benefit obligation at end of the period | (3659.75) | (3412.22) | (3115.89) | (2709.60) |
| 2. Plan Assets at end of the period | 710.86 | 773.25 | 788.90 | 764.46 |
| 3. Surplus/(Deficit) | (2948.89) | (2638.97) | (2326.99) | (1945.14) |
| 4. Experience Gain/(Loss) adjustments on plan liabilities | 41.03 | (52.64) | (9.19) | (250.14) |
| 5. Experience Gain/(Loss) adjustments on plan assets | (0.09) | 16.51 | (2.10) | (16.90) |

(c) Liability for employee benefit under defined benefit plans pertaining to fertilizer division and Superannuation of tea division pending ascertainment of the amounts thereof have not been disclosed herein above.

23. Certain debit and credit balances including advances, debtors, creditors, are subject to reconciliation and confirmation. Necessary adjustments will be carried out on ascertainment of amounts thereof.
24. Advances recoverable in cash or in kind or for value to be received include interest free advances (being housing loans, vehicle loans, furniture loans, advances against medical expenses, festival advances, etc.) to various workers and staff, which are recoverable from their remuneration as per the repayment schedule in terms of the relevant scheme / specific approvals except in case of Fertiliser Division where recovery will commence on payment of the past dues in terms of the MOU/Understandings after de-merger of the Fertiliser Undertaking – Rs. 155. 71 lacs (Previous Year Rs. 140.11 lacs).
25. The Company's Infotech Division and its related wholly owned subsidiary have ceased their operations. Necessary application dealing with related obligation etc. are being made and adjustments, if any, will be carried out as and when ascertained.
26. In accordance with Accounting Standard 22 "Accounting for taxes on Income", the company has accounted for deferred tax. The company has significant amount of carried forward losses and depreciation under the Income Tax Act, 1961. However, as a matter of prudence deferred tax asset has been recognised to the extent of deferred tax liability.

The break-up of Deferred Tax Assets to the extent there is Deferred Tax Liabilities is as follows:

| | Opening as on 1st April, 2010 | Charge/(Credit) During the Year | (Rs. in lacs) Closing as on 31st March, 2011 |
|---------------------------------|----------------------------------|------------------------------------|--|
| Deferred Tax Assets | | | |
| Unabsorbed Depreciation | 372.78 | 160.45 | 212.33 |
| Deferred Tax Liabilities | | | |
| Depreciation | 372.78 | (160.45) | 212.33 |
| Deferred Tax Assets (Net) | — | — | — |

- 27.1 Related Party disclosures pursuant to Accounting Standard - 18. List of Related Parties with whom the company had transaction:

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(a) Associate/Group Company

ISG Traders Ltd. (ISG)

(b) Key Management Personnel

Mr. A. K. Goel, Wholetime Director and Mr. S. P. Gupta, Executive Director

27.2 The aggregate amount of transaction with the Related Parties is as follows :

| | Associates/Group Companies | Key Management Personnel |
|-------------------------------|-------------------------------|-----------------------------|
| Expenditure | | |
| Rent- ISG | 3.46 | — |
| | (0.51) | — |
| Directors remuneration | — | 98.70 |
| | — | (47.54) |
| Liabilities | | |
| Advances from Promoters - ISG | 1895.50 | — |
| | (1895.50) | — |
| Advances Given: | | |
| ISG | 10.00 | — |
| | (10.00) | — |
| Creditors: | | |
| ISG | 1.49 | — |
| | (1.04) | — |

Notes:

(i) Previous year figures are given in brackets.

(ii) The above Related Party Information is as identified by the Management.

28. Earnings per Share

| | Year Ended 31st March, 2011 | (Rs. in lacs) Year Ended 31st March, 2010 |
|--|--------------------------------|---|
| (A) | | |
| a. Profit/(Loss) after tax and before exceptional items (Numerator used for calculation) | (3,780.27) | 380.00 |
| b. No. of Equity Shares (Denominator used for calculation) | 53223026 | 53223026 |
| c. Basic and Diluted Earnings per Share(Rs) (Equity Shares of the face value of Rs. 10 each) | (7.10) | 0.71 |
| (B) | | |
| a. Profit/(Loss) after tax and exceptional items (Numerator used for calculation) | (6,887.07) | 1,612.61 |
| b. No. of Equity Shares (Denominator used for calculation) | 53223026 | 53223026 |
| c. Basic and Diluted Earnings per Share (Rs.) (Equity Shares of the face value of Rs. 10 each) | (12.94) | 3.03 |

29. Prior period expenses/adjustments include service charges Rs. 2.19 lacs (Previous Year Rs. 3.51 lacs) and others Rs. nil lacs (Previous Year Rs. 7.11 lacs).

30. In respect of Fertiliser Division certain expenses including stores consumed etc. have not been classified functionally and remain charged to primary heads of accounts.

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31. Remuneration amounting to Rs. 491.51 lacs (including Rs. 98.70 lacs for the year) paid to the current Wholetime/Executive Directors and ex-wholetime directors/ex-Managing Director are pending approval of Central Government.
32. Sundry Income include sale of tea waste Rs. 10.21 (Previous Year Rs. 17.50 lacs).
33. Segment Report for the year ended 31st March, 2011 (Rs. in lacs)

By Business Segments

| Particulars | Tea | | Fertiliser | | Others | | Total | |
|---|-----------------|-----------------|------------------|------------------|----------|----------|------------------|------------------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Segment Revenue | | | | | | | | |
| - External Turnover | 17558.78 | 15629.70 | — | — | — | — | 17558.78 | 15629.70 |
| Other Income | 218.61 | 49.68 | — | — | — | — | 218.61 | 49.68 |
| Total Revenue | 17777.39 | 15679.38 | — | — | — | — | 17777.39 | 15679.38 |
| Segment Result before Unallocable Expenses, Interest and Taxes | 2375.88 | 2102.61 | (1215.58) | (1252.67) | — | — | 1160.30 | 849.94 |
| Unallocable Expenses (Net of unallocable Income) | | | | | | | 370.36 | 330.35 |
| Interest (Net) | | | | | | | 1427.22 | 752.53 |
| Prior Period Expenses | | | | | | | 2.19 | 10.68 |
| Exceptional Items: | | | | | | | | |
| Employee Related Dues (Note 13(a)) | | | | | | | 3106.80 | — |
| Exchange Deficit/(Gain) (Note 5(c)) | | | | | | | — | (1232.61) |
| Profit/(Loss) before Tax | | | | | | | (3746.27) | 988.99 |
| Provision for Taxation | | | | | | | — | — |
| Profit/(Loss) after Tax | | | | | | | (3746.27) | 988.99 |
| Share of Profit/(Loss) in Associates | | | | | | | (3140.80) | 623.62 |
| Net Profit/(Loss) | | | | | | | (6887.07) | 1612.61 |
| Other Information | | | | | | | | |
| Segment Assets | 26153.03 | 25138.94 | 19716.81 | 21626.43 | 135.28 | 141.24 | 46005.12 | 46906.61 |
| Unallocated Assets | | | | | | | 11033.90 | 13170.56 |
| Total | | | | | | | 57039.02 | 60077.17 |
| Segment Liabilities & Provisions | 15929.19 | 15726.13 | 26111.43 | 23353.68 | 20.69 | 29.45 | 42061.31 | 39109.26 |
| Unallocated Liabilities & Provisions | | | | | | | 113910.64 | 113287.71 |
| Total | | | | | | | 155971.95 | 152396.97 |
| Capital Expenditure | 671.30 | 627.27 | — | — | — | — | 671.30 | 627.27 |
| Depreciation | 292.35 | 269.56 | 1023.51 | 1076.02 | — | — | 1315.86 | 1345.58 |
| Unallocable Depreciation | | | | | | | 19.34 | 20.80 |
| Total | | | | | | | 1335.20 | 1366.38 |
| Amortisation | | | | | | | | |
| Non Cash Expenses other than Depreciation and Amortisation | 7.00 | — | — | — | — | — | 7.00 | — |
| Unallocable Non-Cash Expenses | | | | | | | 20.77 | (1109.49) |
| Total | | | | | | | 20.77 | (1109.49) |

Note : The Company operates within the geographical limits of India and accordingly Secondary Segments have not been considered.

DUNCANS INDUSTRIES LIMITED

34. Previous year's figures wherever necessary have been re-arranged/re-grouped/reclassified
Signatures to Schedule 1 to 12 forming part of the Balance Sheet and Profit and Loss
Account.

As per of our Report of even date.

For **Lodha & Co.**
Chartered Accountants

R. P. Singh
Partner
Membership No. 52438
Place : Kolkata.
Dated : 14th November, 2011

K. Mukhopadhyay
Secretary

For and on behalf of the Board

G. P. Goenka
Chairman
M. H. Chinoy
Director
A. K. Goel
Wholetime Director

DUNCANS INDUSTRIES LIMITED

ANNEXURE TO CLAUSE 32 OF THE LISTING AGREEMENT

Consolidated Cash Flow Statement for the year ended 31st March, 2011

| | Year Ended 31st March, 2011 (Rs. in lacs) | Year Ended 31st March, 2010 (Rs. in lacs) |
|--|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax, prior period and exceptional items | (637.29) | (232.88) |
| Adjustment for: | | |
| Depreciation | 1335.20 | 1366.38 |
| Provision for Doubtful Debts & Advances | 1.33 | 117.21 |
| Sundry Balances Written Off | 5.77 | 6.20 |
| Other Liabilities/Provisions written back | (29.54) | (140.18) |
| Provision for obsolete and non-moving stock | 7.00 | 0.00 |
| Profit(-)/Loss on Sale of Fixed Assets (Net) | 13.67 | (0.28) |
| Income from Investments | (0.48) | (0.65) |
| Profit(-)/Loss on Sale of Investments | (0.15) | (0.36) |
| Interest & Finance Charges | 1,427.22 | 752.53 |
| Interest Income | (76.78) | — |
| Operating Profit before Working Capital Changes | 2,045.96 | 1,867.97 |
| Adjustment for : | | |
| Trade and other receivables | (649.52) | (1,023.94) |
| Inventories | 130.33 | (906.84) |
| Trade payables | 3,331.87 | 1,227.67 |
| Other Liabilities & Provisions | (72.56) | 309.64 |
| Cash generated from Operation | 4,786.08 | 1,474.50 |
| Interest paid | (943.71) | (611.22) |
| Taxation (Net) | 3.16 | (0.40) |
| Prior period expenses | (2.19) | (10.68) |
| Exceptional items: | | |
| Employees Related Dues (Note 13(a) on Schedule 12) | (3,106.80) | — |
| Net Cash from Operating Activities | 736.54 | 852.20 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (549.82) | (645.08) |
| Sale of Fixed Assets | 1.06 | 5.91 |
| Sale/ Adjustment of Investments | 0.00 | 1.27 |
| Interest and Dividend received | 77.75 | 4.29 |
| Net Cash used in Investing Activities | (471.01) | (633.61) |

DUNCANS INDUSTRIES LIMITED

ANNEXURE TO CLAUSE 32 OF THE LISTING AGREEMENT

Consolidated Cash Flow Statement for the year ended 31st March, 2011 (contd.)

| | Year Ended 31st March, 2011 (Rs. in lacs) | Year Ended 31st March, 2010 (Rs. in lacs) |
|---|---|---|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Changes in Borrowings | (271.74) | (302.72) |
| Net Cash from Financing Activities | <u>(271.74)</u> | <u>(302.72)</u> |
| Net Increase in Cash and Cash equivalents | (6.22) | (84.13) |
| Cash and Cash equivalents at the beginning of the year | 99.42 | 183.55 |
| Cash and Cash equivalents at the end of the year | 93.20 | 99.42 |

Notes :

- The above Consolidated Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements and the reallocations made as required for the purpose.
- Previous year's figures have been rearranged, where necessary.

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

For **Lodha & Co.**
Chartered Accountants
R. P. Singh
Partner
Membership No. 52438
14, Government Place East, Kolkata
Dated 14th November, 2011

K. Mukhopadhyay
Secretary

For and on behalf of the Board
G. P. Goenka
Chairman
M. H. Chinoy
Director
A. K. Goel
Wholetime Director