



ANNUAL REPORT 2005-2006

## ROSSELL TEA LIMITED

### BOARD OF DIRECTORS

H. M. Gupta, *Executive Chairman*

Dr. S. S. Baijal, *Director*

H. M. Parekh, *Director*

P. L. Agarwal, *Director*

R. N. Deogun, *Director*

C. S. Bedi, *Executive Director*

### VICE PRESIDENT (FINANCE) -CUM-COMPANY SECRETARY

N. K. Khurana

### AUDITORS

S. S. Kothari & Co.

### BANKERS

HDFC Bank Ltd.

IndusInd Bank Ltd.

State Bank of India

The Bank of Nova Scotia

### REGISTERED OFFICE

14B, Gurusaday Road  
Kolkata 700 019

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## **Notice to the Members**

Notice is hereby given that the Twelfth Annual General Meeting of Rossell Tea Limited, will be held on Thursday, the 27th July, 2006 at 10.30 A.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata 700 017, to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2006 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.H.M.Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.R.N.Deogun, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### **SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolutions:

#### **5.1 As a Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable Provisions, if any, of the Companies Act, 1956 (the Act), the Company do reappoint, Mr. H M Gupta as Managing Director, designated as Executive Chairman for a further period of 3 years from 1st May, 2006 to 30th April, 2009, on the terms and conditions, including remuneration effective from the date of his reappointment as recommended by the Remuneration Committee in accordance with Schedule XIII Part II Section II Clause 1(B) of the Act and accepted by the Board as detailed here-in-below:

#### **1. Salary**

In the scale of Rs. 1,00,000 – Rs.3,00,000. Future increments during his tenure shall be merit-based and at the discretion of the Board within the aforesaid scale.

#### **2. Commission**

At the rate of 5% of the Company's net profits, as computed in accordance with Section 309(5) of the Act, subject to the overall limits of managerial remuneration u/s. 198 and 309 read with Schedule XIII of the Act, as may be decided by the Board from time to time.

#### **3. Perquisites and Allowances**

At present, Mr. Gupta shall not be entitled to draw any perquisites and allowances. The sum total of all the Perquisites to be provided in such form and in such manner, as may be decided in future by the Board from time to time, shall be restricted to an amount equal to 100% of the Annual Salary. However, the following perquisites shall not be included in the aforesaid ceiling:

- a) **Contribution to Provident Fund and Superannuation Fund** to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) **Gratuity** payable at a rate not exceeding half a month's salary for each completed year of service or contribution to Gratuity Fund towards Annual Contribution up to the equivalent amount, as may be determined by the Actuary. Any such contribution, exceeding the aforesaid rate as per Rules of the Fund, shall be included in the overall ceiling for perquisites.
- c) **Encashment of leave at the end of the tenure.**

Provision of a Car for use on Company's business, telephone at residence and a mobile telephone will not be considered as perquisites. Personal long distance calls shall be billed by the Company to Mr. Gupta.

For the purpose of calculating the above ceiling, Perquisites and Allowances shall be evaluated at the actual cost to the Company or as per Income Tax Rules, whichever is applicable.

**4. Minimum Remuneration**

In the event of loss or inadequacy of profit in any Financial Year during the tenure of Mr. Gupta, the above Salary, Perquisites and Allowances shall be payable to him as Minimum Remuneration.

**5. Overall Remuneration**

The overall remuneration payable to Mr. Gupta shall not, subject to minimum remuneration as specified hereinabove, exceed 5% of the Net Profits of the Company in a Financial Year computed in the manner laid down in Section 309(5) of the Act with overall remuneration payable to all the Managerial Personnel remaining within the total ceiling of 10% of the Net Profits of the Company computed in the manner as aforesaid.

**6. Option to draw Remuneration**

Since Mr. Gupta is also a Managing Director of another Public Limited Company, in accordance with Section III of Part II of Schedule XIII of the Act, Mr. Gupta may draw his remuneration from one / both the Companies, provided that the total remuneration drawn from the Companies does not exceed the higher maximum limit admissible from any one of the companies, of which he is a Managing Director.

**7. Earned Leave**

Mr. Gupta shall be entitled to leave according to the Rules applicable to its managerial personnel.

**8. Disentitlement of Director’s Fees**

Mr. Gupta so long as he functions as Managing Director shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.

**9. Duties**

Mr. Gupta shall have substantial power of Management of the Company under the supervision, guidance and control of the Board”.

**5.2 As a Special Resolution**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable Provisions, if any, of the Companies Act, 1956 (the Act), the Company do reappoint, Mr. C S Bedi as Whole time Director, designated as Executive Director for a further period of 3 years from 1st April, 2006 to 31st March, 2009, on the terms and conditions, including remuneration effective from the date of his reappointment as recommended by the Remuneration Committee in accordance with Schedule XIII Part II Section II Clause 1(B) of the Act and accepted by the Board as detailed here-in-below:

**1. Salary**

In the scale of Rs. 75,000 – Rs. 95,000. Future increments during his tenure shall be merit-based and at the discretion of the Board within the aforesaid scale.

**2. Perquisites and Allowances**

The sum total of all the Perquisites to be provided in such form and in such manner, as may be decided in future from time to time, shall be restricted to an amount equal to 100% of the Annual Salary. Within the aforesaid ceiling, Mr. Bedi will be entitled to following perquisites:

- 1. Housing:** Rent-free furnished accommodation, for which rent shall not exceed 50% of the salary. The expenditure on gas, electricity, water and furnishing thereof shall not exceed 10% of the salary. In case no accommodation is provided, House Rent Allowance @ 50% of the salary shall be payable to Mr. Bedi.
- 2. Medical:** Reimbursement of expenses incurred for self and family, subject to a ceiling of one month’s salary in one year or three months’ salary over a period of three years and payment of annual premium for the medical policy for self and family taken as per the Rules of the Company.
- 3. Leave Travel Allowance:** For self and family, once in a year in accordance with the Rules of the Company.

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However, the following perquisites shall not be included in the overall ceiling:

- a) **Contribution to Provident Fund and Superannuation Fund** to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) **Gratuity** payable at a rate not exceeding half a month's salary for each completed year of service or contribution to Gratuity Fund towards Annual Contribution up to the equivalent amount, as may be determined by Actuary. Any such contribution, exceeding the aforesaid rate as per Rules of the Fund, shall be included in the overall ceiling for perquisites.
- c) **Encashment of leave at the end of the tenure.**

Provision of a Car for use on Company's business, telephone at residence and a mobile telephone will not be considered as perquisites. Personal long distance calls shall be billed by the Company to Mr. Bedi.

For the purpose of calculating the above ceiling, Perquisites and Allowances shall be evaluated at the actual cost to the Company or as per Income Tax Rules, whichever is applicable.

### 4. Minimum Remuneration

In the event of loss or inadequacy of profit in any Financial Year during the tenure of Mr. Bedi, the above Salary, Perquisites and Allowances shall be payable to him as Minimum Remuneration.

### 5. Overall Remuneration

The overall remuneration payable to Mr. Bedi shall not, subject to minimum remuneration as specified hereinabove, exceed 5% of the Net Profits of the Company in a Financial Year computed in the manner laid down in Section 309(5) of the Act with overall remuneration payable to all the Managerial Personnel remaining within the total ceiling of 10% of the Net Profits of the Company computed in the manner as aforesaid.

### 6. Earned Leave

Mr. Bedi shall be entitled to leave according to the Rules applicable to its managerial personnel.

### 7. Disentitlement to Director's Fees

Mr. Bedi shall not, so long as he functions as the Executive Director of the Company, be entitled to receive any fee for attending any Meeting of the Board or a Committee thereof.

### 8. Duties

Mr. Bedi shall be responsible for the overall functioning of the Company under the supervision, guidance and control of the Board and shall carryout such other functions as may be assigned to him by the Board from time to time".

Registered Office :  
14B, Gurusaday Road  
Kolkata 700 019  
Place : Kolkata  
Date : 24th May, 2006.

By Order of the Board

**N. K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

### NOTES:

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote on a Poll on his/her behalf. A Proxy need not be a Member of the Company. However, proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Annual General Meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 21st July, 2006 to 27th July, 2006 (both days inclusive) for the purpose of this Annual General Meeting.

3. Members who are holding shares in identical order of names in more than one Folio in physical form are requested to write to the Company/ the Registrars to consolidate their holdings in one Folio.
4. Members/ Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
5. Members are requested to
  - (i) quote their Registered Folio Numbers / Client ID Nos. in all correspondences with the Company / with the Registrars; and
  - (ii) promptly notify any change in their address to the Company / the Registrars, CB Management Services (P) Limited, P-22, Bondel Road, Kolkata – 700 019, in case they still hold the Equity Shares in physical form.

**6. Unpaid Dividend 1998-99**

Those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1999 may immediately approach the Company for revalidation of such Dividend Warrants. Please note that pursuant to section 205A of the Act, the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of transfer in such Unpaid Dividend Account to the credit of Investor Education and Protection Fund (the Fund) established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Fund or the Company in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of such claims. Accordingly, the money lying in the Unpaid Account for the year ended 31st March, 1999 will be transferred by October, 2006.

7. **Further, those members who have not so far encashed their Dividend Warrants for the year ended 31st March 2000 and for the year ended 31st March 2001 may immediately approach the Company for revalidation of such Dividend Warrants.**
8. The Members are requested to contact the Company's following Registrars and Share Transfer Agents for all their queries, transfer requests, conversion from physical form to dematerialised form or any other matter relating to their shareholding in the Company.

**C.B. Management Services (P) Limited**  
**P-22, Bondel Road**  
**Kolkata – 700 019**  
**Tel. : 2280-6692/93/94/2486/2937**  
**Fax: 2247- 0263**  
**Email ID: cbmsl1@cal2.vsnl.net.in**

**9. Dematerialisation of the Equity Shares of the Company**

The Equity Shares of the Company are now available under OPTIONALLY DEMAT mode and can be held in electronic form with any Depository Participant (DP) with whom the Members/ Investors have their Depository Account. The Members / Investors may contact the Registrars & Share Transfer Agents of the Company at their address mentioned above in case of any query / difficulty in the matter or at the Registered Office of the Company.

**10. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING.**

Registered Office :  
14B, Gurusaday Road  
Kolkata 700 019  
Place : Kolkata  
Date : 24th May, 2006.

By Order of the Board  
  
**N. K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

## Explanatory Statement

[Pursuant to Section 173(2) of the Companies Act, 1956]

Attached to the Notice convening the Twelfth Annual General Meeting to be held on 27th July, 2006.

### Items No. 5.1 & 5.2

The existing terms of appointment of Mr.H.M.Gupta (Mr. Gupta), Executive Chairman and Mr.C.S.Bedi (Mr. Bedi), Executive Director expired on 30th April, 2006 and 31st March, 2006 respectively. Accordingly, pursuant to Article 159 of the Articles of Association of the Company, the Board of Directors, in their meeting held on 31st January, 2006 re-appointed Mr. Gupta and Mr. Bedi to their respective Offices for a further period of 3 years with effect from 1st May, 2006 and 1st April, 2006 respectively, subject to the approval of the Members of the Company by way of Special Resolutions on remuneration as recommended by the Remuneration Committee of the Board of Directors at their Meetings held on 31st January, 2006 and 24th May, 2006 and accepted by the Board of Directors, as embodied in the resolutions.

Mr. Gupta is associated with the Company since its inception and well versed in International Trade and business, besides having comprehensive knowledge of Tea Industry. Thus, the Company would be immensely benefited with his continuous association. The Directors, thereafter, recommend adoption of the proposed special resolution for re-appointment of Mr. Gupta as Executive Chairman.

Mr. Bedi has also been associated with the Company since its inception in various capacities, till he was elevated and appointed as Executive Director on 1st April, 2003. Mr. Bedi has specialization and vast experience in the Tea Industry. Thus, the Company would be immensely benefited with his continuous association. The Directors, thereafter, recommend adoption of the proposed special resolution for re-appointment of Mr Bedi as Executive Director.

Mr Gupta and Mr Bedi shall be deemed to be interested in the respective re-appointments. None of the other Directors of the Company is concerned or interested in the proposed Special Resolutions.

A circular dated 2nd February, 2006 was sent to all the Members containing an abstract of the terms of re-appointment of Managerial Personnel and Memorandum of Interest pursuant to Sec. 302 of the Companies Act, 1956.

Registered Office :  
14B, Gurusaday Road  
Kolkata 700 019  
Place : Kolkata  
Date : 24th May, 2006.

By Order of the Board  
  
**N. K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

**Statement pursuant to the requirement of Part II, Section II Clause 1 (B) of Schedule XIII to the Companies Act, 1956 for Remuneration proposed to be paid to Mr. H.M. Gupta, (Mr. Gupta) Executive Chairman and Mr. C.S. Bedi, (Mr. Bedi) Executive Director**

**I. General Information:**

**(1) Nature of Industry**

The Company is engaged in Cultivation, Manufacture and Sale of Black Tea. Besides, The Company has recently started "Aerotech Services " Division for undertaking Maintenance and Repairs of Avionics Equipment.

**(2) Date or expected date of commencement of commercial production**

The Company is an existing Company and owns 5 Tea Estates in the State of Assam. The Aerotech Services Division commenced its business activities from 1st April, 2006.

**(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus**

Not Applicable.

**(4) Financial performance based on given indicators**

(Rs. in lacs)	2005-2006	2004-2005
Total Turnover	<u>4,199.53</u>	<u>4,825.76</u>
Operating Profit before Interest and depreciation	150.08	597.64
Less: Interest	<u>272.03</u>	<u>251.61</u>
Profit(Loss) before Depreciation	(121.95)	346.03
Depreciation	<u>(119.09)</u>	<u>115.85</u>
Profit (Loss) after Depreciation	<u>(241.04)</u>	<u>230.18</u>

**(5) Export Performance and net foreign exchange earnings**

(Rs. in lacs)	2005-2006	2004-2005
Export Turnover	352.48	321.33

**(6) Foreign Investments and Collaborators, if any**

The Company has no investments in any Foreign Company. 24.47 % of the Company's Equity Share Capital is held by an Overseas Corporate Body.

**II. Information about the appointees**

**(1) Background details**

Mr. Gupta is B.A. (Hons.) and expert in International Trade and Business. He has been associated with Avionics business for more than 30 years, besides having comprehensive knowledge of Tea Industry. He has been a Director of the Company since inception, Executive Vice Chairman since 1st May, 1996 and Executive Chairman since 1st February, 2001.

Mr. Bedi is also B.A. (Hons.) and having been a Planter himself, he has acquired sufficient expertise in Cultivation, Manufacture and Marketing of Tea. Having worked with Rydak Syndicate Ltd., he joined the

## ROSSELL TEA LIMITED

Company since its inception and took over as Executive Director from 1st April, 2003.

### (2) Past Remuneration

During the year 2005-2006, due to inadequate profit, the remuneration paid to Mr. Gupta and Mr. Bedi were restricted to the Minimum Remuneration as approved by the Members of the Company in the Annual General Meetings held on 29th August, 2001 and 9th September, 2003 respectively.

### (3) Recognition or Awards

Mr. Gupta is a Member of the Executive Committee of Federation of Indian Chamber of Commerce and Industry.

Mr. Bedi is a Member of the National Committee of Indian Tea Association (ITA) and Vice Chairman of Tea Research Association (TRA).

### (4) Job Profile and Suitability

As the Managing Director, Mr. Gupta has been in overall control of the entire operations of the Company since the last 10 years. He has been leading the Board of Directors of the Company in his capacity as Chairman. Having regard to his vast experience and insight into the Company, with comprehensive knowledge in both Tea and Aviation Industry, Mr. Gupta is perfectly suited for reappointment as Executive Chairman of the Company.

Mr. Bedi has in-depth knowledge of Tea Industry, having worked in various capacities. Mr. Bedi has been the Executive Director of the Company and entrusted with day to day functions of the Company under the supervision and control of the Board of Directors. With his background and vast knowledge, he is eminently suited for re-appointment as the Executive Director of the Company.

### (5) Remuneration Proposed

The remuneration proposed to be paid to Mr. Gupta and Mr. Bedi, as recommended by the Remuneration Committee and accepted by the Board of Directors, have been embodied in the respective Special Resolutions.

### (6) Comparative remuneration Profile with respect to Industry

Name of the Company	Designation	Total Remuneration Rs. in Lacs	Year
Goodricke Group Ltd.	Managing Director	32.08	2005
The Moran Tea Company (India) Ltd.	Managing Director	31.41	2004-2005
Apeejay Tea Ltd.	Managing Director	14.12	2004-2005 ( 6 Months)

### (7) Pecuniary Relationship

Except for the remuneration in consideration of their services rendered to the Company, neither Mr. Gupta, nor Mr. Bedi has any pecuniary relationship with the Company. However, Mr. Gupta has provided certain sums to the Company, by way of Unsecured Loan payable on demand, on which he is being paid interest at a rate below the prevailing market rate of interest.

## III. Other Information

### (1) Reasons of Loss

Since the last few years the Tea Industry, in general, has been faced with a price recession, except for a short revival in the year 2004-2005. This is due to higher availability of the produce in the system than

the demand. With better Indian Crop and reduction in Exports, the situation aggravated during the year 2005-2006 and price realization was poor. At the same time, there is a continuous pressure on cost arising out of inflation. A new agreement was signed for increase in the wage rate in Assam. With continuous rise in Power cost, Fuel and oil prices, the cost kept rising, while the market forces did not allow for the recovery of increased cost from the sales realization.

**(2) Steps taken or Proposed to be taken for improvement**

The Company continues to work on quality upgradation of its production. The improvement in quality of the Company's teas has been recognised in the trade. The Company has enlarged its marketing network. Emphasis is given to sell the produce at quality conscious segment of the market for better realization and higher Exports. The Company proposes to continue its policy to produce and market "a quality product through a prudent cost management."

**(3) Expected increase in Productivity and Profits in measurable terms**

Although the present fundamentals in the market will have a favourable impact on the Indian Tea Scene in the days ahead, the productivity and profitability can not be quantified in measurable terms.

The Aerotech Services Division of the Company has also started operations with signing of two different agreements with Principals.

**IV. Disclosures**

**(1) Information on the Remuneration Package of Managerial Persons**

A circular dated 2nd February, 2006 containing the abstract of the terms of appointment of Managerial Personnel and Memorandum of Interest pursuant to Sec. 302 of the Companies Act, 1956 was already sent to all the Members. Further, the details have been embodied in the proposed Special Resolutions.

**(2) Disclosure under Corporate Governance in the Report of the Board of Directors**

The Report of Corporate Governance in Annexure II to the Report of the Board of Directors includes the required disclosures.

## ROSSELL TEA LIMITED

### DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING TWELFTH ANNUAL GENERAL MEETING

Name of the Director	Mr. H. M. Gupta	Mr. C. S. Bedi	Mr. R. N. Deogun
Date of Birth	September 13, 1954	September 18, 1947	December 11, 1932
Date of Appointment/ Re-appointment	June 10, 1994 (As Director) February 01, 2001 (As Executive Chairman) May 01, 1996 (As Managing Director) (Reappointed on May 01, 2001)	April 01, 2003 (As Director) April 01, 2003 (As Executive Director)	June 10, 1994 (Managing Director from July 01, 1994 to June 30, 2003)
Qualifications	B.A. (Hons.)	B.A. (Hons.)	M.A.
Expertise in specific functional areas	International Trade and Business besides having comprehensive knowledge of Tea Industry	Tea Cultivation, Manufacture and Marketing	Tea Cultivation, Manufacture and Marketing
List of public companies in which Directorship is held	BMG Enterprises Ltd., (Managing Director designated as 'Executive Vice Chairman') Rossell Tea Ltd.	Rossell Tea Ltd.	Rossell Tea Ltd. Dhunseri Tea & Industries Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	Nil	Rossell Tea Ltd. Shareholders' Grievance & Share Transfer Committee - Member	Dhunseri Tea & Industries Ltd. Audit Committee - Member Rossell Tea Ltd. Audit Committee - Member

## Report of the Board of Directors for the year ended 31st March, 2006

Your Directors have pleasure in presenting their Twelfth Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

### FINANCIAL RESULTS

	<b>Year ended 31.03.2006</b>	Year ended 31.03.2005
	<b>Rs. in Lacs</b>	Rs. in Lacs
Profit before Interest and Depreciation	<b>150.08</b>	597.64
<i>Less</i> : Interest	<b><u>272.03</u></b>	<u>251.61</u>
Profit (Loss) before Depreciation	<b>(121.95)</b>	346.03
<i>Less (Add)</i> : Depreciation	<b><u>(119.09)</u></b>	<u>115.85</u>
Profit (Loss) before Extraordinary Item	<b>(241.04)</b>	230.18
<i>Less (Add)</i> : Amortisation of Goodwill arising on Amalgamation	<b><u>(8.64)</u></b>	<u>8.64</u>
Profit (Loss) before Taxation	<b>(249.68)</b>	221.54
<i>Less</i> : Provision for Current Taxation	<b>—</b>	2.50
<i>(Add)</i> : Fringe Benefit Tax	<b><u>(11.50)</u></b>	<u>—</u>
Profit (Loss) after Current Taxation	<b>(261.18)</b>	219.04
Deferred Taxation adjustment	<b><u>72.00</u></b>	<u>(480.00)</u>
(Loss) after Taxation	<b>(189.18)</b>	(260.96)
<i>Add</i> : Balance Brought Forward	<b>(363.77)</b>	(647.97)
<i>Less</i> : Transfer from General Reserve	<b>—</b>	552.50
Transfer from Exchange Rate Variation Reserve	<b><u>14.05</u></b>	<u>—</u>
(Loss) available for Appropriation	<b><u>(538.90)</u></b>	<u>(356.43)</u>
Appropriated as under :		
Exchange Rate Variation Reserve	<b>—</b>	7.34
Balance Carried Forward	<b><u>(538.90)</u></b>	<u>(363.77)</u>
	<b><u>(538.90)</u></b>	<u>(356.43)</u>

### DIVIDEND

In view of losses during the year, your Directors regret their inability to recommend any dividend.

### TURNOVER

The gross turnover of your Company for the year 2005-06 was lower at Rs. 4,199.53 lacs as against Rs.4,825.76 lacs last year. The total crop inclusive of bought leaf operation and production from Borahi factory was 54.70 lac kgs. as against 54.47 lac kgs. in the previous year.

### PERFORMANCE

The year 2005–06 was another year of depressed prices due to lacklustre demand almost all through the year. Therefore there was no breakthrough in price movement and prices moved within a low and narrow band. The average auction price for North Indian teas at the end of 2005 was Rs.66.19 as against the average price of Rs.81.91 in 1998. This highlights the divergence and downside of the market in 2005–06.

## **ROSSELL TEA LIMITED**

The average realization of your Company's teas was 78.00 per kg. as against Rs.88.55 per kg. in the previous year. This was mainly due to poor orthodox prices on account of higher production of this category of teas and the sluggish demand for Assam orthodox from the traditional as well as other buyers. Your Company produces good quality Orthodox teas and during the year under review produced 1.83 lac kg. more than that produced in the previous year. Thus, the Company's overall average was severely eroded due to decline in our orthodox prices by Rs.25.47 per kg. despite the overall standards of your Company's teas being good. In comparison the decline in CTC prices did not substantially affect the Company's performance.

Inflationary pressure on the cost of various inputs continued and a new industry-wise wage agreement was signed on 1st November 2005. These all combined to exert further pressure on costs which are already affecting the competitiveness of Indian tea globally. With costs going up and no corresponding recoveries in price realization, your Company closed the year with an operational profit of Rs.150.08 lacs before interest and depreciation, as compared to an operational profit of Rs. 597.64 lacs in the previous year.

### **COMMENCEMENT OF NEW BUSINESS ACTIVITY**

As approved by the Members of the Company in the last Annual General Meeting your Company has commenced new business activity of Repairs and Maintenance of Avionics Equipment by creating a separate division named as Aerotech Services. This Division was set up on and from 31st January, 2006 and two different agreements have been signed thereafter. However, no income has been earned by this division during the short period it has been in existence.

### **PROSPECTS**

The All India crop was revised upwards by the Tea Board, this revision indicates higher production figures than hitherto estimated. The production for 2005 is indicated to be 927.98 million, an increase of only 35 million kgs. over 2004. Further the report indicates that per capita consumption in India has improved to 733 grams per capita. With productions, exports and consumption figures dove-tailing, indications are that carry over stocks into 2006 are perhaps the lowest in the last 5 – 7 years. Coupled with this, the international tea crop this year is also lower by 35 – 40 million kgs. due to the drought in equatorial African countries, especially Kenya. These strong fundamentals will, we hope, have a favourable impact on the Indian tea scene in 2006.

The year 2005-06 was a distinctly disappointing year but yet it seems to be heralding a quantum shift in the tea market dynamics in 2006. This leaves your Company with a sense of quiet optimism and the hope that the worst is behind us.

### **STAFF WELFARE AND SOCIAL ACTIVITIES**

While continuing to pay full attention to the improvement in living conditions of its employees, your Company has undertaken various workers' welfare schemes and keeps providing for upgradation of existing facilities in the area of housing, hospitals, schools, supply of potable water, general hygiene etc.

The projects of electrifying the workers' quarters in a phased manner are still continuing at some of the Estates and progressing satisfactorily.

Your Directors regret to state that despite approval by the Brahmaputra Flood Control Board the scheduled repair work to the breach in the protective bundh on the Baranadi river in the vicinity of our Nagrijuli T.E. was not carried out due to certain technicalities involved. To protect the Estate and its neighbourhood, the protective work is being initiated by your Company at considerable cost. It is hoped that in the coming year Government of Assam will come forward to undertake this work.

Your Company has participated in the various socio-welfare schemes undertaken by ITA and ABITA for the benefit of the people of Assam in general and of the community in the neighbourhood of estates in particular.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Act, your Directors state and confirm the following:

- (i) That in preparation of the Company's Annual Accounts for the year ended 31st March, 2006 the applicable accounting standards have been followed and proper explanations have been provided for material departures, where applicable.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the Loss of the Company for that financial year.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularity.
- (iv) That the Directors have prepared the Annual accounts for the year ended 31st March, 2006 on a going concern basis.

### **CORPORATE GOVERNANCE**

Your Company has taken necessary measures to comply with the Corporate Governance Code as prescribed in Clause 49 (Revised) of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed to this report.

### **DIRECTORS**

In accordance with the provisions of Article 150 of the Articles of Association of the Company, Mr. H. M. Gupta and Mr. R. N. Deogun retire at the forthcoming Annual General Meeting, but being eligible offer themselves for re-appointment.

The terms of appointment of Mr. H.M. Gupta, Executive Chairman and Mr. C.S. Bedi, Executive Director expired on 30th April, 2006 and 31st March, 2006 respectively. Your Directors recommend their reappointment for a further period of three years.

### **COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

Your Directors are pleased to provide the information required to be disclosed in accordance with Section 217(1)(e) of the Act, read with the above Rules, in Annexure I hereto forming part of the Report.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **(a) Industry Structure and Developments**

The year under review has been another year of setback to the Indian tea industry. The over supply position continued to keep the market depressed. With production increasing by 35 million kgs. and exports declining by 10 million kgs., the situation was further aggravated. The decline in prices especially in the orthodox category and to the lesser extent for CTC teas combined to produce averages which were among the lowest ever for North Indian teas, in the recent past.

Your Company's performance in the given grim scenario can be considered to be satisfactory in as much that due to its adherence to quality standards, the quality of its produce continued to be good and consistent. Despite the setback in orthodox prices the Company's orthodox averages were among the highest in the industry in Assam. Its CTC production too showed distinct improvement over the previous years.

Your Company continues to work on quality upgradation of its production. It is also working towards HACCP accreditation for its factories.

Despite prudent cost management, the inflationary pressure of the economy continued to push costs upwards. With the new agreement providing for increase in wages with effect from 1st November, 2005 and likely increase in oil prices, these pressures will continue, more so as the Industry is saddled with large social costs which see regular administrative price increases.

## **ROSSELL TEA LIMITED**

### **(b) Opportunities and Threats**

Among other areas, your Company sees opportunity in the area of continual quality upgradation and exports. The improvement in quality of your Company's teas has been recognized in the trade. During the year, the Company continued to export teas to Germany and Ireland. A breakthrough was made by exporting 46 MT directly to Iran for the first time. Your Company continued to increase its sales to the quality conscious Western Indian market.

In spite of being a very popular beverage in the country, tea has come under pressure from the other beverages. In the meantime, Indian Tea Association and Tea Board of India have initiated a study to ascertain Tea production in India and the initial findings suggest that figures estimated hitherto need upward revision in the last four to five years. The study also revised upwards the per capita consumption figures at 733 gms. leading to a domestic requirement of approx. 790 Million Kgs. The generic promotion of Tea and awareness about health benefits of tea, which are being chronicled the world over will help spur consumption growth in the medium term.

### **(c) Segment-wise Business Performance**

As in the previous year, direct shipments were made overseas thus tapping the Export Market Segment. We are pleased to report that out of total crop of 53.84 lac kgs. sold during the year, 1.96 lac kgs was exported representing 3.64 % of total quantity sold.

The Aerotech Services Division was set up towards the end of the year and no transaction took place in respect of this division.

### **(d) Outlook**

World crops are indicating a decline of approximately 45 million kgs. by the end of April, 2006. The Indian crop situation will also reflect a marginal decline by end-May. With hardly any carryover stocks into the 2006 season, the fundamentals are favourable for a strong market. We anticipate good demand at levels comparable to 2004 season for CTC teas. Orthodox due to a much smaller production base as compared to 2005 should also move up in prices.

This optimistic forecast is tempered by the condition that quality must come first and foremost and any compromises in this area are likely to be counterproductive. Further inflationary pressures will continue to exert pressure on margins hence prudent cost management must have priority. Our policy continues to be "a quality product through a prudent cost management regime".

### **(e) Risks and Concerns**

The cyclical nature of the Tea Industry and its dependence on weather conditions for production make the Industry vulnerable. This coupled with pricing determined by a supply demand equation can affect the markets adversely in years of high cropping. It is therefore necessary that Indian exports must measure upto around 200 million kgs if the Industry is to see price stability. Iran has opened up its markets to Indian exports. The situation though fluid in Iraq, is seeing movement of teas to this country. The improvement in relations with Pakistan could see increased trade in tea between the neighbours. There is a threat of Colas, herbal and flavoured teas eating into the black tea market share, especially as the younger generation does not take readily to tea. Costs are increasing without commensurate increase in productivity and this continues to put great pressure on margins.

Your Company has adopted necessary measures for -

- (i) enforcement of strict cost control regimes and prudent financial management.
- (ii) introduction of energy efficient and labour saving equipment
- (iii) improved productivity
- (iv) upgradation of the Company's produce
- (v) exploitation of market opportunity

**(f) Internal Control Systems and their adequacy**

Your Company has adequate Internal Control Systems at all levels of management and they are reviewed from time to time. The Internal Audit is carried out in house as well as by a firm of Chartered Accountants. The Audit Committee of the Board looks into Auditors' Review Report, which is deliberated upon and corrective action taken wherever required.

**(g) Financial and Operational Performance**

Your Company has substantially saved on its overall cost of borrowings by replacing high cost borrowings in Indian Rupee with low cost External Commercial Borrowings (ECB), although continuous hike in LIBOR has taken away much of the gains noticed earlier. With recent hike in interest rates and higher utilization of working capital limits from the Banks, the interest outgo has gone up to Rs.272.04 lacs as against Rs. 251.61 lacs in the previous year. This increase coupled with increase in the cost of other inputs and lower average price realization contributed to the operational loss before depreciation of Rs. 121.95 lacs against operational profit before depreciation of Rs. 346.03 lacs in the previous year. In spite of continuous losses over a period of time in earlier years, the financial base of your Company still remains sound and is expected to improve with better financial and operational performance.

**(h) Human Resources Development**

Human resources are a valuable asset at the Tea Estates of your Company and attention is continuously paid to their development and well being. Industrial relations at all the Estates remain satisfactory, where your Company employs more than 5200 personnel.

**PERSONNEL**

Your Directors record their appreciation for contribution and co-operation of all the employees.

Since none of the employees of the Company was in receipt of remuneration exceeding Rs.24.00 lacs per annum where employed for full year or Rs.2.00 lacs per month where employed for a part of the year, no particulars are required to be furnished as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975 [as amended by Companies (Particulars of Employees) (Amendment) Rules, 1999].

**AUDITORS**

M/s. S. S. Kothari & Co., Chartered Accountants, Auditors, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as Auditors of the Company.

For and on behalf of the Board

Place : Kolkata  
Date : 24th May, 2006

H. M. Gupta  
*Executive Chairman*

## Annexure I to Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 31st March, 2006

### Particulars with respect to Conservation of Energy

- |   |   |  |
|---|---|--|
| 1. Energy conservation measures taken   | : | Replacement of old and outdated equipments, wherever required with energy efficient equipment giving higher output with less energy consumption. |
| 2. Additional Investment and Proposals, if any, being implemented for being reduction of consumption of energy                          | : | Installation of energy saving equipment and modernisation of Factories at the Estates is being done in a phased manner.                          |
| 3. Impact of measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods | : | Improvement of energy utilisation resulting in economy in cost.  |

### Form A

	Year ended 31st March, 2006	Year ended 31st March, 2005
<b>A. Power &amp; Fuel Consumption :</b>		
1. Electricity		
a) Purchased		
Units (Kwh)	<b>24,38,355</b>	27,15,435
Total Amount (Rs.)	<b>1,66,22,137</b>	1,81,99,149
Rate/Unit (Rs.)	<b>6.82</b>	6.70
b) Own Generation		
i) Through Diesel Generator		
Units (Kwh)	<b>8,53,567</b>	5,76,934
Unit/Ltr of Diesel Oil	<b>2.61</b>	2.25
Fuel Cost/Unit (Rs.)	<b>10.83</b>	11.13
ii) Through Natural Gas Generator		
Units (Kwh)	<b>11,02,059</b>	10,59,900
Total Cost of Gas Consumed (Rs.)	<b>7,97,220</b>	7,04,917
Fuel Cost/ Unit (Rs.)	<b>0.72</b>	0.67
2. Natural Gas		
Quantity (Scm)	<b>36,81,995</b>	36,06,165
Total Cost (Rs.)	<b>99,98,570</b>	86,91,777
Average Rate/Unit (Rs.)	<b>2.72</b>	2.41
3. Liquefied Petroleum Gas		
Quantity (Kgs)	<b>16,865</b>	—
Total Cost (Rs.)	<b>6,90,193</b>	—
Average Rate/Unit (Rs.)	<b>40.92</b>	—
4. Furnace Oil		
Quantity (Ltr)	<b>70,608</b>	1,25,406
Total Amount (Rs.)	<b>14,50,997</b>	21,69,134
Average Rate/Unit (Rs.)	<b>20.55</b>	17.30
5. Coal (Coke/Rom) for Tea Processing		
Quantity (MT)	<b>1,788.210</b>	1,726.654
Total Cost (Rs.)	<b>43,61,546</b>	38,38,447
Average Rate/Unit (Rs.)	<b>2,439</b>	2,223

	Year ended 31st March, 2006	Year ended 31st March, 2005
<b>B. Consumption per Unit of Production :</b>		
Production - Tea (Gross) Kgs.	<b>55,86,878</b>	55,68,923
Electricity (Kwh)	<b>0.79</b>	0.78
Natural Gas (Scm)	<b>0.91</b>	0.89
Liquefied Petroleum Gas (Kg.)	<b>0.03</b>	—
Furnace Oil (Ltr)	<b>0.05</b>	0.05
Coal (Coke/Rom) (kgs)	<b>1.15</b>	1.15

**Research and Development (R & D)**

1. Specific areas in which R&D is carried out by the Company
2. Benefits derived as a result of above R&D
3. Future Plan of Action
4. Expenditure on R&D
  - (a) Capital
  - (b) Recurring
  - (c) Total
  - (d) Total R&D expenditure as percentage of total turnover

The Company is a member of the Tea Research Association, Kolkata which is registered under Section 35(1)(ii) of the Income Tax Act, 1961. A contribution of Rs.4.92 lacs (2005 - Rs.5.01 lacs) was made towards subscription for the year.

**Technology Absorption, Adaptation and Innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, production development, import substitution etc.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial Year), following information may be furnished
  - a) Technology imported
  - b) Year of import
  - c) Has technology been fully absorbed?
  - d) If not fully absorbed, areas where this has not taken place, reasons therefore, and future plans of action

In-house seminars, discussions with experts and training programme were held for innovative ideas of production and to update the staff.

There has been an overall improvement in productivity and economy in cost was achieved.

Not Applicable

**Foreign Exchange Earnings and Outgo**

During the year under review, your Company exported a sizeable quantity of teas to various overseas markets. The earnings in Foreign Exchange are given in Note 10.7 in Schedule 18 to the Accounts.

The foreign exchange outgo is given in Notes 10.6 and 10.8 in Schedule 18 to the Accounts.

For and on behalf of the Board

Place : Kolkata  
Date : 24th May, 2006

H. M. Gupta  
*Executive Chairman*

## Annexure II to Directors' Report

### REPORT ON CORPORATE GOVERNANCE

The Listing Agreement of the Stock Exchange in Clause 49 (Revised) has laid down a Code of Corporate Governance, which the Company has complied with as follows:

#### 1. Company's Philosophy on Code of Governance :

Your Board of Directors unequivocally supports the principles of Corporate Governance. Your Company espouses the cause of long-term success in all areas of its business and commits itself to achieving this by outstanding standards of productivity, quality and performance. It continues to evolve, learn and adapt for the common good of its stakeholders. Your Company is further committed to the well being of its employees and of the society that we live in, in general.

#### 2. Board of Directors – Composition :

The Board is headed by Executive Chairman, Mr. H.M. Gupta and comprises of persons who are expert in their respective fields. At present, half of the Board consists of Non-Executive Independent Directors. Particulars as on 31st March, 2006 are given below:

Director	Category	No. of Companies		
		Member of Board	Board Committees	
			Chairman	Member
Mr. H.M. Gupta	Executive Chairman	5	—	—
Dr. S.S. Bajjal	Non-Executive-Independent	8	5	10
Mr. H.M. Parekh	Non-Executive-Independent	11	2	6
Mr. P.L. Agarwal	Non-Executive-Independent	8	1	6
Mr. R.N. Deogun	Non-Executive	3	—	2
Mr. C.S. Bedi	Executive Director	1	—	1

#### Board Meetings and Annual General Meeting (AGM) :

During the year under review, 5 Board Meetings were held on 25.04.2005, 25.05.2005, 28.07.2005, 27.10.2005 and 31.01.2006.

The last AGM was held on 28.07.2005.

Details of attendance:

Director	No. of Board Meetings Attended	Whether attended last AGM
Mr. H.M. Gupta	3	Yes
Dr. S.S. Bajjal	3	Yes
Mr. H.M. Parekh	4	Yes
Mr. P.L. Agarwal	2	Yes
Mr. R.N. Deogun	4	Yes
Mr. C.S. Bedi	4	Yes

#### 3. Audit Committee :

The Audit Committee consists of 3 Non-Executive Directors. The Chairman and one of the Members are Independent Directors. The Committee has been meeting once in every quarter of the Financial Year.

A brief description of the terms of reference of the Audit Committee is:

1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. To recommend the appointment and removal of statutory auditors, fixation of audit fee and also approval for payment for any other services.
3. To review with management the annual financial statements before submission to the Board for approval,

with particular reference, inter alia, to disclosure of related party transactions, qualifications in the draft audit report etc.

4. To review with management the quarterly financial statements before submission to the Board for taking on record.
5. To review with the management, statutory and internal auditors, the adequacy of internal control systems.
6. To review the adequacy of internal audit function at present being conducted in house as well as by a firm of Chartered Accountants and to discuss with them any significant findings and follow up thereon.
7. To review the Company's financial and risk management policies.
8. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post audit discussion to ascertain any area of concern.

During the year under review, 4 Meetings of the Audit Committee were held on 25.05.2005, 28.07.2005, 26.10.2005 and 31.01.2006.

The composition and attendance of the members at the Audit Committee Meetings are as follows:

Name	No. of Audit Committee Meetings Attended
Dr. S.S. Bajjal, Chairman	2
Mr. H.M. Parekh	4
Mr. R.N. Deogun	4

The Vice President (Finance)-cum-Company Secretary acts as the Ex-Officio Secretary to the Committee. Statutory Auditors and Internal Auditors attend the Meeting whenever required. The Executive Director and other senior executives are also invited to attend and deliberate in the Meetings.

#### 4. Remuneration Committee :

The remuneration policy is decided by the Board within the statutory framework and approved by the General Body. The Remuneration Committee constituted on 3rd May, 2002 Consists of Non-Executive Independent Directors, namely Mr. H.M.Parekh, Chairman, Dr.S.S.Bajjal and Mr. P.L.Agarwal.

The broad terms of reference of the Remuneration Committee is to determine on behalf of the Board of Directors of the Company, the Company's policy on specific remuneration packages for Managing Director/ Executive Director of the Company.

During the year under review, a Meeting of the Remuneration Committee was held on 31st January, 2006.

Remuneration (Being Minimum Remuneration as per Terms of Service) paid to Directors during the year 2005-2006:

(Rs.)

Name of Directors	Salary	Contribution to P.F. and other Funds	Value of Perquisites	Total
Mr. H.M. Gupta, Executive Chairman	5,40,000	1,78,200	—	7,18,200
Mr. C.S.Bedi, Executive Director	7,80,000	2,57,400	4,84,528	15,21,928

- 1) Mr. H.M. Gupta  
 Service contract : 01.05.2001 to 30.04.2006 – Further renewed for a period of 3 years upto 30.04.2009, subject to approval by the Members of the Company.  
 Notice period : Three months  
 Severance Fee : Not Applicable
- 2) Mr. C.S.Bedi  
 Service contract : 01.04.2003 to 31.03.2006 – Further renewed for a period of 3 years upto 31.03.2009, subject to approval by the Members of the Company  
 Notice period : Three months  
 Severance Fee : Not Applicable

Non-Executive Directors	Board Fees	Committee Fees	Total
Dr. S.S. Bajjal	6,000	2,000	8,000
Mr. H.M. Parekh	8,000	10,000	18,000
Mr. P.L. Agarwal	4,000	1,000	5,000
Mr. R.N. Deogun	8,000	4,000	12,000

There are no stock option plans of the Company.

**5. Shareholders' Grievance and Share Transfer Committee :**

The Committee at present consists of 1 Non-Executive Director and the Executive Director, namely-

Mr. H.M. Parekh — Chairman (Non-Executive)

Mr. C.S. Bedi — Member (Executive Director)

The Committee, which meets as and when required, met 7 times during the year.

a)	No. of complaints received from Stock Exchange / SEBI	Nil
b)	No. of complaints not resolved / no action taken	Nil
c)	No. of pending Share transfers as on 21st May 2006	Nil

Name and designation of Compliance Officer :

Mr. N.K. Khurana, Vice President (Finance)-cum-Company Secretary

Shareholders' grievances are resolved expeditiously. There is no grievance pending as on date.

**6. General Body Meetings :**

Location and time where last three AGMs were held :

Date	Location	Time
09.09.2003	Kalakunj 48, Shakespeare Sarani, Kolkata-700 017	3.30 p.m.
29.07.2004	-Do-	3.00 p.m.
28.07.2005	-Do-	3.30 p.m.

No Special Resolution was passed in any of the aforesaid Annual General Meetings.

Postal Ballot: The following Special Resolutions were passed by Postal Ballot:

- For alteration in the Object Clause of the Memorandum of Association of the Company pursuant to Sec.17 of the Companies Act,1956 and
- Seeking consent of the Members empowering the Board of Directors of the Company pursuant to Sec.149(2A) of the Companies Act,1956 to commence and carry on any new activity.

For the purpose the Notice of Postal Ballot dated 25th May, 2005 was sent to all the Members in accordance with Companies (Passing of Resolutions by Postal Ballot) Rules, 2001. Mr. A.K.Labh, Practicing Company Secretary of M/s A.K.Labh & Co., Company Secretaries, Kolkata was appointed as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner. Out of 24,59,097 votes casted, 24,59,007 votes were in favour and 90 votes were against the Resolutions. This result of Postal Ballot was taken on record in the last Annual General Meeting held on 28th July, 2005.

No other General Meetings were held in course of the last three years.

**7. Other Disclosures :**

**A. Related party transactions :**

The Company has not entered into any transactions of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company. The transactions undertaken during the year have been disclosed in Note 12 of Schedule 18 forming part of the Accounts for the year ended 31st March, 2006.

**B. No penalties / strictures** have been imposed on the Company by Stock Exchange or SEBI or any statutory authority for non-compliance of any laws on any matter related to capital markets, during the last three years.

**C. Non-Mandatory requirements :** The Company has not yet adopted the Whistle Blower Policy and other non-mandatory requirements. However, the employees of the Company have readily access to the members of the Audit Committee.

**D. Mandatory requirements :** The CEO and CFO placed the required certificate before the Board certifying, inter alia, the authenticity of the Financial Statements and Cash Flow Statement for the year ended 31st March, 2006. All other mandatory requirements have been duly complied with, as far as practicable.

**E. Declaration of compliance with the Code of Conduct :**

All the Directors and Senior Management personnel have affirmed compliance with the Code of Conduct as approved and adopted by the Board of Directors on 25th April, 2005

**F. Code for Prevention of Insider Trading :**

In accordance with Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (as amended), the Company has formulated a Code of Conduct, termed as "Rossell Tea Ltd. Code of Conduct for prohibition of Insider Trading" in terms of the above regulations, with effect from 24th October, 2002.

**8. Means of Communication :**

a) Quarterly results and the half-yearly results are published in leading newspapers such as Business Standard (English) (all editions) and Aajkal (Bengali) (Kolkata).

b) Company's Website: [www.rosselltea.com](http://www.rosselltea.com). Results are also sent to the Stock Exchanges for display on their Websites.

Company's E-mail address: [enquiry@rosselltea.com](mailto:enquiry@rosselltea.com)

c) Management discussion and Analysis Report are covered by the Directors' Report.

d) No presentation was made to any Institutional Investor or Analyst during the year.

**9. General Shareholders' Information :**

**(a) AGM date, time and venue:**

27th July, 2006 at 10.30 A.M.

Kala Kunj, 48, Shakespeare Sarani, Kolkata-700 017

**(b) Financial calendar & Publication of Results :**

The Financial Year of the Company is April to March.

## ROSSELL TEA LIMITED

Publication of Results are as follows:

Period	Approval by the Board of Directors
1st quarter ended June 30, 2005	On 28.07.2005
2nd quarter ended September 30, 2005	On 27.10.2005
1st Half: April – September, 2005	On 27.10.2005
3rd quarter ended December 31, 2005	On 31.01.2006
Final Audited Results for the Year including for the 4th quarter ended March 31, 2006	On 24.05.2006

**(c) Book Closure period :**

Friday, 21st July, 2006 to Thursday, 27th July, 2006 ( both days inclusive)

**(d) Dividend payment date :**

No dividend is recommended by the Board of Directors for the year.

**(e) Listing on Stock Exchanges :**

The Company's securities are listed at:

1. The Calcutta Stock Exchange Association Ltd.,  
7, Lyons Range, Kolkata-700 001
2. The Gauhati Stock Exchange Ltd.,  
Saraf Building Annexe, A.T. Road, Guwahati-781 001

Listing Fees as prescribed, have been paid to all the aforesaid Stock Exchanges for the Financial Year 2006-2007.

**Stock Code :**

Stock Exchange	Stock Code
The Calcutta Stock Exchange Association Ltd.	17341
The Gauhati Stock Exchange Ltd.	GGL

**(f) Stock Price Data :**

There was no transaction of the Equity Shares of the Company at any of the Stock Exchanges during the year ended 31st March, 2006. However, at Calcutta Stock Exchange the last trading of Company's Equity Shares took place on 26th February, 2003 at Rs.18.80 per Equity Share.

In view of non-trading of Company's Equity Shares, no performance indicator could be highlighted.

**(g) Share Transfer System :**

The Company's shares are compulsorily traded in the demat form with effect from 29th January, 2001 for all categories of shareholders. All transfers are routed through the respective Accounts maintained with the Depository Participants (DPs) of the Investor.

**Code No. allotted by NSDL/CDSL: (ISIN) INE 847C01012**

Existing holders in physical mode are advised to open a Depository Account prior to any transaction.

**(h) Registrars and Share Transfer Agents :**

CB Management Services Private Limited, Kolkata are acting as the Registrars and Share Transfer Agents, including Depository Registrars for the Equity Shares of the Company.

**(i) Dematerialisation of Shares :**

As on 20th May, 2006, 4,42,630 Nos. of Equity Shares, representing 9.76% of the Equity Capital have been dematerialised.

(j) (i) **Distribution of shareholding as on 31st March, 2006**

Group of Shares	No. of Shareholders	%	No. of Shares held	% to Total Shares
1 to 500	6,312	99.11	2,72,620	6.01
501 to 1000	12	0.19	7,948	0.17
1001 to 2000	7	0.11	9,671	0.21
2001 to 3000	3	0.05	7,550	0.17
3001 to 4000	3	0.05	11,717	0.26
4001 to 5000	2	0.03	8,514	0.19
5001 to 10000	8	0.12	61,979	1.37
10001 & higher	22	0.34	41,56,518	91.62
<b>Total</b>	<b>6,369</b>	<b>100.00</b>	<b>45,36,517</b>	<b>100.00</b>

(ii) **Shareholding pattern as at 31st March, 2006**

Category Shareholders	No. of Shareholders	No. of Shareholding	% to Shareholding
Foreign Companies	1	11,10,000	24.47
Non-Resident Individuals	7	286	—
Foreign Institutional Investors	—	—	—
Financial Institutions	5	82,282	1.81
Mutual Funds & UTI	1	2	—
Directors & their relatives	7	99,957	2.21
Resident Individuals	6,238	6,16,292	13.59
Nationalised Banks	4	18,090	0.40
Other Bodies Corporate	106	26,09,608	57.52
<b>Total</b>	<b>6,369</b>	<b>45,36,517</b>	<b>100.00</b>

(k) **Plant Locations :**

The Company owns five Tea Estates in Assam, as given below as on date. Each estate has its own well-equipped Factory for processing of Black Tea :

**ASSAM**

**Dist. Dibrugarh**

Dikom, Romai

**Dist. Tinsukia**

Nokhroy

**Dist. Nalbari**

Nagrijuli

**Dist. Golaghat**

Bokakhat

Note: Particulars of Area under Tea, Crop & Yield are given later in the Report.

Besides, the Company has undertaken operation and running of Borahi Factory located at Borahi T.E., P.O. Sonari, Dist. Sibsagar, Assam owned by Jyoti Holdings Pvt. Ltd., its fully owned Subsidiary, with effect from 1st April, 2003. Agricultural operations at Borahi T.E. were also undertaken during the year 2005-2006, except during January, 2006.

## ROSSELL TEA LIMITED

**(l) Address for correspondence :**

**Registrars & Share Transfer Agents including Depository Registrar**

CB Management Services Private Limited,  
P-22, Bondel Road,  
Kolkata-700 019  
Tel: (033) 2280-6692/6693/6694/2486/2937  
Fax:(033) 2247-0263  
E-Mail: cbmsl1@cal2.vsnl.net.in

**Compliance Officer**

Mr. N. K. Khurana  
Vice President(Finance)-cum-Company Secretary,  
Rossell Tea Limited,  
14B, Gurusaday Road,  
Kolkata-700 019.  
Tel: (033) 2240-4794/2247-3035  
Fax: (033) 2240-5269  
E-Mail: nk.khurana@rosselltea.com

**(m) Shareholders have been advised about the following as per Circular dated 2nd February, 2006 :**

1. Re-appointment of Mr. H. M. Gupta as Executive Chairman subject to their approval in the Annual General Meeting.
2. Re-appointment of Mr. C. S. Bedi as Executive Director subject to their approval in the Annual General Meeting.

## **Auditors' Certificate on Compliance with the conditions of Corporate Governance**

### **TO THE MEMBERS OF ROSSELL TEA LIMITED**

We have examined the compliance of conditions of Corporate Governance by Rossell Tea Limited for the year ended 31st March, 2006 as stipulated in Clause 49 (Revised) of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance and Share Transfer Committee.

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 S.S. Kothari & Co.  
*Chartered Accountants*

R.K. Roy Chaudhury  
*Partner*

Membership No. 8816

Place: Kolkata

Date: 24th May, 2006

## **Auditors' Report**

### **To the Members of Rossell Tea Limited**

We have audited the attached Balance Sheet of Rossell Tea Limited as at 31st March, 2006, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date. 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.

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 of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

We report that:

1. 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.
2. In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of books.
3. The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
4. In our opinion, the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - (a) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2006 ,
  - (b) in the case of the Profit and Loss Account of the loss for the year ended on that date and
  - (c) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.
7. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India under Section 227(4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate, we further state that:
  - i. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
  - (b) As explained to us, these fixed assets have been physically verified by the management during the year which in our opinion is reasonable having regard to size of the Company and nature of its business. No material discrepancies were noticed on such verification as compared to book records.
  - (c) Substantial part of the Fixed Assets have not been disposed off during the year.
  - ii. (a) The inventory excluding materials in transit and those lying with third parties have been physically verified by the management during the year, at reasonable intervals.

## ROSSELL TEA LIMITED

- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper record of inventory. The discrepancies noticed on verification of stocks as compared to book records were not material and these have been properly dealt with in the books of account.
- iii. (a) The Company has not granted any loans secured or unsecured to any company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. However, the Company maintains a Current Account with the Subsidiary Company.
- (b) The Company has taken unsecured loans from three other Companies and from the Managing Director covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 13.37 crores and year end balance of loan taken from such parties was Rs. 11.74 crores.
- (c) The rate of interest and terms and conditions on which unsecured loans have been taken from Companies covered in the Register maintained under Section 301 of the Companies Act, 1956 are, in our opinion, not prima facie prejudicial to the interest of the Company.
- (d) There is no stipulation with regard to repayment of principal and payment of interest on unsecured loans. However, the Company is paying interest amount generally on yearly basis.
- (e) In view of Clause (d) above, there is no overdue amount.
- iv. In our opinion and according to the explanations given, internal control procedures for the purchase of inventory and fixed assets and for the sale of goods are commensurate with the size of the Company and nature of its business. During the course of audit, we have not noticed any continuing failure to correct the major weaknesses in internal control system. The Company has no sale of Services.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted Deposits from the Public during the year.
- vii. The Internal Audit system in existence is commensurate with the size of the Company and nature of its business.
- viii. The Central Government has prescribed for the maintenance of cost records under Clause (d) of sub-sec. (1) of Sec.209 of the Companies Act, 1956. We have broadly reviewed the records and Accounts maintained by the Company. We are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of such records.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, service tax, excise duty, cess and other material statutory dues applicable to it.

There is no arrears outstanding statutory dues as at the last day of the financial year for a period of more than 6 months from the date they became payable.

- (b) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited

on account of any dispute except a sum of Rs.19,108 for Assam General Sales Tax has not been deposited on account of dispute for which a rectification petition is pending before the Superintendent of Taxes, Tinsukia.

- x. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our report but no cash losses were incurred during the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank. The Company has not taken loan from any financial institution or raised any money through issue of Debentures.
- xii. The Company has not granted loans and advances on the basis of Security by way of pledge of shares, debentures and other securities. Accordingly, the Clause 4(xii) of the Order is not applicable to the Company.
- xiii. In our opinion, the Company is not a chit fund or a nidhil / mutual benefit fund/society. Accordingly, the Clause 4(xiii) of the Order is 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 Clause 4(xiv) of the Order is not applicable to the Company.
- xv. The Company has not given guarantee for loans taken by others from Banks or financial institutions. Accordingly, the Clause 4(xv) of the Order is not applicable.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- xviii. The Company has not made any allotment of shares during the year under audit. Accordingly, the Clause 4(xviii) of the Order is not applicable to the Company.
- xix. During the period covered by our audit, the Company has not issued any debentures. Accordingly, the Clause 4(xix) of the Order is not applicable to the Company.
- xx. The Company has not raised money by Public Issue during the year. Accordingly, the Clause 4(xx) of the Order is not applicable to the Company.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.S. Kothari & Co.  
*Chartered Accountants*

R.K. Roy Chaudhury  
*Partner*

Membership No. 8816

Place: Kolkata  
Date: 24th May, 2006

**ROSSELL TEA LIMITED**

**Balance Sheet as at 31st March, 2006**

	Schedule	As at 31.03.2006		As at 31.03.2005	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1		8,53,65,170		8,53,65,170
Reserves and Surplus	2		<u>21,06,98,214</u>		<u>21,05,00,466</u>
			<u>29,60,63,384</u>		<u>29,58,65,636</u>
<b>Loan Funds</b>					
Secured Loans	3		25,96,65,015		25,24,03,422
Unsecured Loans	4		<u>12,18,78,564</u>		<u>10,64,13,521</u>
			<u>38,15,43,579</u>		<u>35,88,16,943</u>
<b>TOTAL</b>			<u>67,76,06,963</u>		<u>65,46,82,579</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5		58,18,27,618		56,48,83,620
Less: Depreciation			<u>7,08,53,383</u>		<u>5,96,69,660</u>
Net Block			<u>51,09,74,235</u>		<u>50,52,13,960</u>
Capital Work-in-Progress			<u>3,08,150</u>		<u>86,597</u>
			<u>51,12,82,385</u>		<u>50,53,00,557</u>
<b>Investments</b>	6		41,78,604		41,78,604
<b>Current Assets, Loans and Advances</b>					
Inventories	7	3,46,70,350		2,95,94,630	
Sundry Debtors	8		34,55,207		2,14,534
Cash and Bank Balances	9		41,91,654		45,42,105
Other Current Assets	10		27,13,709		8,43,823
Loans and Advances	11		<u>5,31,86,957</u>		<u>6,61,40,864</u>
			<u>9,82,17,877</u>		<u>10,13,35,956</u>
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	12		5,12,89,318		4,66,39,519
Provisions	13		<u>18,72,827</u>		<u>19,09,235</u>
			<u>5,31,62,145</u>		<u>4,85,48,754</u>
<b>Net Current Assets</b>			4,50,55,732		5,27,87,202
<b>Deferred Tax Asset</b>			6,32,00,000		5,60,00,000
<b>Miscellaneous Expenditure</b>					
(to the extent not written off or adjusted)					
Preliminary Expenses			—		39,502
<b>Profit and Loss Account</b>					
Deficit as per Annexed Account		5,38,90,242		3,63,76,714	
Less: General Reserve		—	<u>5,38,90,242</u>	—	<u>3,63,76,714</u>
<b>TOTAL</b>			<u>67,76,06,963</u>		<u>65,46,82,579</u>

**Notes on Accounts** 18

Schedules 1 to 13 and Schedule 18 referred to above form an integral part of the Balance Sheet in terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

Place : Kolkata  
Date : 24th May, 2006

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta  
Executive Chairman  
C. S. Bedi  
Executive Director

Dr. S. S. Bajjal  
Director  
R. N. Deogun  
Director

H. M. Parekh  
Director  
P. L. Agarwal  
Director

**Profit and Loss Account for the year ended 31st March, 2006**

	Schedule	2005-2006 Rs.	2004-2005 Rs.
<b>INCOME</b>			
Sales		41,99,53,482	48,25,76,207
Other Income	14	1,44,41,156	25,49,855
		<u>43,43,94,638</u>	<u>48,51,26,062</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in Stock	15	(65,60,957)	1,47,501
Expenses	16	42,59,47,274	42,52,13,172
Interest	17	2,72,03,601	2,51,61,474
Depreciation		1,19,09,162	1,15,85,236
		<u>45,84,99,080</u>	<u>46,21,07,383</u>
<b>PROFIT /(LOSS) BEFORE EXTRAORDINARY ITEMS</b>		<b>(2,41,04,442)</b>	2,30,18,679
Amortisation of Goodwill arising on Amalgamation		(8,64,086)	(8,64,087)
<b>PROFIT /(LOSS) BEFORE TAXATION</b>		<b>(2,49,68,528)</b>	2,21,54,592
Fringe Benefit Tax		(11,50,000)	—
Provision for Current Taxation		—	(2,50,000)
<b>PROFIT /(LOSS) AFTER CURRENT TAXATION</b>		<b>(2,61,18,528)</b>	2,19,04,592
Deferred Taxation Adjustment (Note 13)		72,00,000	(4,80,00,000)
<b>(LOSS) AFTER DEFERRED TAXATION ADJUSTMENT</b>		<b>(1,89,18,528)</b>	(2,60,95,408)
Balance brought forward		(3,63,76,714)	(6,47,97,278)
Transfer from General Reserve		—	5,52,49,972
Transfer from Exchange Rate Variation Reserve		14,05,000	—
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>(5,38,90,242)</b>	<u>(3,56,42,714)</u>
<b>APPROPRIATION</b>			
Transfer to Exchange Rate Variation Reserve		—	7,34,000
Balance carried forward		(5,38,90,242)	(3,63,76,714)
		<u>(5,38,90,242)</u>	<u>(3,56,42,714)</u>
<b>Basic and Diluted Earnings per Equity Share</b>			
Based on Profit/(Loss) after Current Taxation		(5.76)	4.83
Based on Profit/(Loss) after Deferred Taxation Adjustment		(4.17)	(5.75)

**Notes on Accounts** 18

Schedules 14 to 18 referred to above form an integral part of the Profit and Loss Account

In terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta  
Executive Chairman  
C. S. Bedi  
Executive Director

Dr. S. S. Bajjal  
Director  
R. N. Deogun  
Director

H. M. Parekh  
Director  
P. L. Agarwal  
Director

Place : Kolkata  
Date : 24th May, 2006

**Schedules to the Balance Sheet**

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
50,00,000 (2005 - 50,00,000) Equity Shares of Rs.10 each	<b>5,00,00,000</b>	5,00,00,000
4,00,000 (2005 - 4,00,000) Redeemable Preference Shares of Rs. 100 each	<b>4,00,00,000</b>	4,00,00,000
	<b><u>9,00,00,000</u></b>	<b><u>9,00,00,000</u></b>
<b>Issued &amp; Subscribed</b>		
45,36,517 (2005 - 45,36,517) Equity Shares of Rs. 10 each fully paid up	<b>4,53,65,170</b>	4,53,65,170
4,00,000 (2005 - 4,00,000) 9% Redeemable Preference Shares of Rs. 100 each fully paid up in cash	<b>4,00,00,000</b>	4,00,00,000
	<b><u>8,53,65,170</u></b>	<b><u>8,53,65,170</u></b>
Notes :		
1. Of the above 30,35,717 Equity Shares have been issued for consideration other than cash.		
2. 9% Non-Cumulative Redeemable Preference Shares were allotted on 24th October, 2002 and shall be redeemed within 5 years from such date as per terms of issue.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance as per last Account	<b><u>14,64,82,598</u></b>	<b><u>14,64,82,598</u></b>
<b>Capital Reserve</b>		
Balance as per last Account	<b>1,91,61,868</b>	1,91,61,868
Add : Proceeds received on closure of Fractional Entitlement Account	<b>2,748</b>	—
Add : Compensation received for acquisition of Land	<b>16,00,000</b>	—
	<b><u>2,07,64,616</u></b>	<b><u>1,91,61,868</u></b>
<b>General Reserve</b>		
Balance as per last Account	—	5,52,49,972
Less : Transfer to Profit and Loss Account	—	<u>5,52,49,972</u>
	—	—
<b>Preference Shares Redemption Reserve</b>		
Balance as per last Account	<b><u>4,00,00,000</u></b>	<b><u>4,00,00,000</u></b>
<b>Exchange Rate Variation Reserve</b>		
Balance as per last Account	<b>48,56,000</b>	41,22,000
Add : Transfer from Profit and Loss Account	—	7,34,000
Less : Transfer to Profit and Loss Account	<b>14,05,000</b>	—
	<b><u>34,51,000</u></b>	<b><u>48,56,000</u></b>
	<b><u>21,06,98,214</u></b>	<b><u>21,05,00,466</u></b>



**ROSSELL TEA LIMITED**

**SCHEDULE 5  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31.03.2005	Additions during the year	Disposal during the year	Cost As at 31.03.2006	As at 31.03.2005	Additions for the year	Written back during the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill (Note 1.11)	8,64,087	—	8,64,087	—	—	—	—	—	—	8,64,087
Land and Planted Teas	32,59,78,479	87,28,281	—	33,47,06,760	—	—	—	—	33,47,06,760	32,59,78,479
Buildings	8,99,54,315	53,845	—	9,00,08,160	1,11,54,263	18,78,864	—	1,30,33,127	7,69,75,033	7,88,00,052
Plant and Machinery	11,22,18,393	95,11,946	—	12,17,30,339	3,38,53,219	72,12,613	—	4,10,65,832	8,06,64,507	7,83,65,174
Furniture and Fittings	77,99,901	13,990	—	78,13,891	31,75,119	4,93,029	—	36,68,148	41,45,743	46,24,782
Vehicles	1,93,95,676	4,82,450	10,67,682	1,88,10,444	73,74,356	17,48,566	7,25,439	83,97,483	1,04,12,961	1,20,21,320
Office and Other Equipment	86,72,769	85,255	—	87,58,024	41,12,703	5,76,090	—	46,88,793	40,69,231	45,60,066
<b>Total</b>	<b>56,48,83,620</b>	<b>1,88,75,767</b>	<b>19,31,769</b>	<b>58,18,27,618</b>	<b>5,96,69,660</b>	<b>1,19,09,162</b>	<b>7,25,439</b>	<b>7,08,53,383</b>	<b>51,09,74,235</b>	<b>50,52,13,960</b>
Previous year	55,29,72,206	1,37,49,537	18,38,123	56,48,83,620	4,85,73,531	1,15,85,236	4,89,107	5,96,69,660	50,52,13,960	

**ROSSELL TEA LIMITED**

	<u>As at 31.03.2006</u>	<u>As at 31.03.2005</u>
	<u>Rs.</u>	<u>Rs.</u>
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>At Cost</b>		
<b>Trade Investment</b>		
<b>Unquoted :</b>		
<b>Jyoti Holdings Private Limited (Subsidiary Company)</b>		
2,50,300 (2005 - 2,50,300) Equity Shares of Rs. 10 each fully paid up	25,03,000	25,03,000
50,000 (2005 - 50,000) Equity Shares of Rs.10 each fully paid up in Assam Hospitals Limited	5,00,000	5,00,000
<b>Other Investments</b>		
<b>Unquoted :</b>		
1,15,000 (2005 - 1,15,000) 17% Secured Redeemable Non-Convertible Debentures of Rs.100 each fully paid up in Punjab Wireless Systems Limited	1,15,00,000	1,15,00,000
<b>Quoted :</b>		
13,840 (2005 - 13,840) Equity Shares of Rs.10 each fully paid up in Mysore Petro Chemicals Limited	7,49,793	7,49,793
	<u>1,52,52,793</u>	<u>1,52,52,793</u>
Less : Provision for diminution in the value of Investments (Note 6)	1,10,74,189	1,10,74,189
	<u>41,78,604</u>	<u>41,78,604</u>
<b>Aggregate Book value (Net of Provisions)</b>		
Quoted Investments	25,604	25,604
Unquoted Investments	41,53,000	41,53,000
	<u>41,78,604</u>	<u>41,78,604</u>
Market value of Quoted Investments	<u>3,57,072</u>	<u>1,32,587</u>

**SCHEDULE 7**

**INVENTORIES**

Stock of Tea at lower of cost and net realisable value	2,18,70,977	1,53,10,020
Stock of Stores and Spares at or under cost	1,27,99,373	1,42,84,610
	<u>3,46,70,350</u>	<u>2,95,94,630</u>

**ROSSELL TEA LIMITED**

	<b>As at 31.03.2006</b>	As at 31.03.2005
	<u>Rs.</u>	<u>Rs.</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured, Considered Good		
Debts outstanding for a period exceeding six months	—	—
Other Debts	<b>34,55,207</b>	2,14,534
	<u><b>34,55,207</b></u>	<u>2,14,534</u>

**SCHEDULE 9****CASH AND BANK BALANCES**

Cash in Hand	<b>2,55,821</b>	4,19,666
Remittance -in- Transit	<b>21,73,000</b>	7,62,000
With Scheduled Banks		
on Current Accounts	<b>11,79,576</b>	12,02,222
on EEFC Account in USD	—	15,80,678
on Margin Money Account	<b>4,31,143</b>	3,94,789
on Unpaid Dividend Accounts	<b>1,52,114</b>	1,80,002
on Fractional Entitlement Account	—	2,748
	<u><b>41,91,654</b></u>	<u>45,42,105</u>

**SCHEDULE 10****OTHER CURRENT ASSETS**

Interest Accrued on Deposits	<b>14,148</b>	12,759
Other Receivables	<b>26,99,561</b>	8,31,064
	<u><b>27,13,709</b></u>	<u>8,43,823</u>

**SCHEDULE 11****LOANS AND ADVANCES**

Unsecured, Considered Good		
Advances for Capital Assets	<b>26,38,950</b>	46,60,443
Advances recoverable in cash or in kind or for value to be received	<b>4,54,46,040</b>	5,62,30,325
Deposits	<b>51,01,967</b>	52,50,096
	<u><b>5,31,86,957</b></u>	<u>6,61,40,864</u>

**ROSSELL TEA LIMITED**

	<b>As at 31.03.2006</b>	As at 31.03.2005
	<b>Rs.</b>	Rs.
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (Due to Small Scale Industrial Undertaking - Rs. 2,56,163 inclusive of Rs. 1,16,436 due to M/s Swastika Enterprises)	<b>1,84,21,471</b>	1,62,93,863
Other Liabilities	<b>3,09,37,987</b>	2,86,49,673
Interest Accrued but not Due	<b>17,77,747</b>	15,13,234
Unpaid Dividend*	<b>1,52,113</b>	1,80,001
Refund of Sale proceeds of Fractional Entitlement	—	2,748
	<b><u>5,12,89,318</u></b>	<u>4,66,39,519</u>

[Transfer to Investor Protection Fund Rs. 25,138 (A/c 1997-1998) during the year.]

\*Investor Education and Protection Fund shall be credited by this Amount, when due.

**SCHEDULE 13****PROVISIONS**

Provision for Taxation (Net)	<b>18,72,827</b>	19,09,235
	<b><u>18,72,827</u></b>	<u>19,09,235</u>

**Schedules to the Profit and Loss Account**

	<b>2005-2006</b>	2004-2005
	<b>Rs.</b>	Rs.
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest		
On Other Deposits [Tax deducted at source Rs. 4,093 {2005 - Rs. 8,966}]	<b>41,993</b>	52,045
On Income Tax Refund	<b>44,514</b>	—
Dividend	—	37,500
Rent Received [Tax deducted at source Rs. 376,992 {2005 - Rs. 351,288}]	<b>16,80,000</b>	16,80,000
Subsidy - Replanting	<b>10,64,108</b>	1,85,586
- Tea Board Orthodox Subsidy Scheme	<b>72,50,379</b>	—
Sale of DEPB Licence	<b>3,89,236</b>	2,01,853
Sundry Receipts	<b>39,70,926</b>	3,92,871
	<b><u>1,44,41,156</u></b>	<u>25,49,855</u>

**ROSSELL TEA LIMITED****2005-2006**  
**Rs.****2004-2005**  
**Rs.****SCHEDULE 15****(INCREASE)/DECREASE IN STOCK**

Opening Stock of Tea	<b>1,53,10,020</b>	1,54,57,521
Less: Closing Stock of Tea	<b>2,18,70,977</b>	1,53,10,020
	<b><u>(65,60,957)</u></b>	<u>1,47,501</u>

**SCHEDULE 16****EXPENSES**

Consumption of Stores and Spare Parts	<b>4,87,96,008</b>	4,76,56,722
Purchase of Green Leaf	<b>3,99,69,476</b>	6,00,30,298
Power and Fuel	<b>4,73,97,268</b>	4,68,95,027
Excise Duty and Tea Cess	<b>16,74,190</b>	69,06,265
Processing Charges	<b>21,64,850</b>	22,63,026
Cess on Green Leaf	<b>58,44,780</b>	59,03,469
Salaries, Wages and Bonus	<b>15,63,17,396</b>	14,34,50,215
Contribution to Provident and other Funds	<b>2,32,59,176</b>	2,16,54,982
Workmen and Staff Welfare	<b>2,74,37,763</b>	2,43,21,137
Rent	<b>79,76,521</b>	52,91,227
Rates and Taxes	<b>6,07,923</b>	4,25,472
Repairs to Building	<b>57,97,438</b>	73,71,290
Repairs to Machinery	<b>94,92,830</b>	67,89,115
Other Repairs and Maintenance	<b>4,98,817</b>	26,30,200
Vehicles Maintenance	<b>36,72,671</b>	34,96,087
Transportation	<b>1,08,85,934</b>	1,10,51,367
Shipment Charges	<b>19,56,061</b>	12,70,495
Sale Charges	<b>85,39,640</b>	63,55,858
Brokerage	<b>28,96,285</b>	32,18,806
Commission on Sales	<b>14,04,633</b>	9,34,985
Insurance	<b>20,12,657</b>	20,52,224
Directors' Fee	<b>43,000</b>	38,000
Auditors' Remuneration	<b>1,91,705</b>	1,37,084
Preliminary Expenses	<b>39,502</b>	35,184
Miscellaneous Expenses	<b>1,48,19,098</b>	1,46,21,292
Loss on Exchange (Net)	<b>21,18,610</b>	1,41,595
Loss on Disposal of Fixed Assets (Net)	<b>1,33,042</b>	2,71,750
	<b><u>42,59,47,274</u></b>	<u>42,52,13,172</u>

**SCHEDULE 17****INTEREST**

On Bank Overdraft	<b>63,08,229</b>	58,01,802
On Term Loans to Banks	<b>1,15,31,879</b>	90,74,494
On Intercompany Deposits	<b>63,94,272</b>	73,83,603
On Unsecured Loan from Managing Director (Executive Chairman)	<b>29,69,221</b>	29,01,575
	<b><u>2,72,03,601</u></b>	<u>2,51,61,474</u>

**SCHEDULE 18**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.**

**1. Significant Accounting Policies**

**1.1 Basis of Accounting**

The financial statements have been prepared in accordance with historical cost concept.

**1.2 Fixed Assets**

Fixed Assets are stated at cost of acquisition, net of subsidy received, where applicable and depreciated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

The cost of Extension Planting on cultivable land including cost of development is capitalised. However, cost of upkeep and maintenance of the areas still not matured for plucking and cost of replanting in existing areas are charged to revenue.

Profit or Loss on disposal of Fixed Assets is recognised in the Profit and Loss Account.

**1.3 Foreign Currency Transaction**

Foreign Currency Transactions are converted and accounted for at the rates prevailing on the dates of transaction. Year-end current assets (Monetary Items) and liabilities are restated at the year-end exchange rate and resultant net gain or loss is adjusted in the Profit and Loss Account as prescribed by Accounting Standard-11, Accounting for the Effect of Changes in Foreign Exchange Rates, issued by the Institute of Chartered Accountants of India. Exchange Rate Variation Reserve has been created for recognition of gain/loss on External Commercial Borrowing (ECB) in Foreign Exchange.

**1.4 Investments**

Investments are stated at cost of acquisition and treated as long term investments.

**1.5 Inventories**

Stock of Tea is valued at lower of cost and net realisable value and that of stores and spares is valued at or under cost.

**1.6 Staff Benefits**

- a) Annual Gratuity liability is actuarially ascertained and funded.
- b) Contribution for pension to the eligible employees, is made to the approved Superannuation Fund.
- c) Leave encashment liability is provided for as per the eligibility criteria in this regard.

**1.7 Borrowing Cost**

Borrowing cost is recognised as an expense to the extent, the same has been incurred for the year, unless such cost is directly attributable to the acquisition, construction or production of a qualifying asset and capitalised as part of the cost of that asset as prescribed by Accounting Standard-16, Borrowing Cost, issued by the Institute of Chartered Accountants of India.

**1.8 Revenue Recognition**

Items of income and expenditure are recognised on accrual and prudent basis.

**1.9 Replanting Subsidy**

Replanting Subsidy is recognised as income in the Profit and Loss Account in the year of receipt on prudent basis.

**1.10 Amortisation of Preliminary Expenses**

Preliminary Expenses are being amortised over a period of 10 years.

**1.11 Amortisation of Goodwill**

Goodwill recognised in accordance with AS-14, Accounting for Amalgamation, is being amortised over a period of 5 years as per the said Accounting Standard.

## ROSSELL TEA LIMITED

2. The Company purchased and acquired Romai T.E., Dist. Dibrugarh, Assam as a going concern with effect from 1st April, 2002. The Conveyance Deed in respect thereof is still in the process of execution in the name of the Company.
3. Estimated amount of contracts remaining to be executed on Capital Account and not provided (net of advance) for **Rs. 3,25,000** (2005 - Rs. 41,00,000).
- 4.1 Estimated amount of Contingent Liability not provided for Sales Tax **Rs. 19,108** (2005 - Rs.19,108).
- 4.2 Bank Guarantees outstanding **Rs. 5,62,161** (2005 - Rs. 4,34,230)
- 4.3 Forward Exchange Contracts, for Payables, outstanding **Rs. Nil** (2005 - Rs. 1,36,33,800).
- 5.1 Advances recoverable in cash or in kind include dues from
  - a) Jyoti Holdings Private Limited, Subsidiary Company **Rs. 4,15,40,491** (2005 - Rs. 4,55,60,188).
  - b) An Officer of the Company **Rs. 92,000** (2005 - Rs. 1,77,000) (Maximum amount due at any time during the year – Rs. 1,77,000).
- 5.2 Deposits include the following balances:
  - a) With Excise Authorities **Rs. Nil** (2005 - Rs. 7,022).
  - b) With NABARD deposited under the Tea Development Account Scheme, 1990 **Rs. 1,000** (2005 - Rs. 1,000).
6. The Company had invested Rs. 1,15,00,000 in 1,15,000 17% Secured Redeemable Non-convertible Debentures of Rs. 100 each in Punjab Wireless Systems Limited, which Company has gone into liquidation. No interest has been received on these Debentures since 1st July, 1999 and accordingly not considered in these accounts. Pending receipt of redemption proceeds, if any, from the liquidator, 90% of book value of these Debentures was provided towards likely diminution in such value during the year 2000-2001 and being carried forward awaiting conclusion of liquidation proceedings of the said Company.
7. The total amount paid/payable to Executive Chairman and Executive Director as Minimum Remuneration and charged in these accounts under various heads:

	<b>2005-2006</b>	2004-2005
	<b>Rs.</b>	Rs.
Salary	<b>13,20,000</b>	12,00,000
Contribution to Provident and other Funds	<b>4,35,600</b>	3,96,000
Cost of benefits	<b>4,84,528</b>	4,19,023
	<b><u>22,40,128</u></b>	<u>20,15,023</u>

8. Auditors' Remuneration		
Audit Fees	<b>1,12,240</b>	88,160
Tax Audit Fees	<b>16,530</b>	13,224
For Certification Job	<b>55,100</b>	33,700
Reimbursement of Expenses	<b>7,835</b>	2,000
	<b><u>1,91,705</u></b>	<u>1,37,084</u>

9. Repairs to Buildings and Repairs to Machinery in Schedule 16 are exclusive of salaries and wages amounting to **Rs. 12,42,420** ( 2004 - 2005 - Rs. 8,79,103 ) and **Rs. 16,11,899** ( 2004-2005 - Rs.15,71,393 ) respectively, which have been included in Salaries, Wages and Bonus.

**10. The Company manufactures Black Tea and the relevant information pursuant to the provisions of Paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956 is given below:**

	<u>2005-2006</u>	<u>2004-2005</u>
<b>10.1</b> Licensed Capacity	<b>Not Applicable</b>	Not Applicable
Installed Capacity	<b>Not Ascertainable</b>	Not Ascertainable
<b>10.2</b> Saleable Production (Kgs.)	<b>54,69,687</b>	54,46,847
<b>10.3</b> Opening Stock (Kgs.)	<b>2,20,433</b>	2,23,104
- Value (Rs.)	<b>1,53,10,020</b>	1,54,57,521
Sales (including claims, damages		
Samples etc.) (Kgs.)	<b>53,83,921</b>	54,49,518
- Value (Rs.)	<b>41,99,53,482</b>	48,25,76,207
Closing Stock (Kgs)	<b>3,06,199</b>	2,20,433
- Value (Rs.)	<b>2,18,70,977</b>	1,53,10,020
<b>10.4</b> (i) Raw Materials Consumed (Green Leaf) (Indigenous) (Kgs)	<b>1,97,24,635</b>	1,86,24,943
(own cultivation)		
- Value	<b>Not required to be disclosed</b>	Not required to be disclosed
(ii) Raw Materials Purchased and Consumed (Green Leaf) (Indigenous) (kgs.)	<b>47,49,812</b>	57,08,627
- Value (Rs.)	<b>3,99,69,476</b>	6,00,30,298
<b>10.5</b> Stores and Spares Consumed and debited to various heads of Account in the Profit and Loss Account (Indigenous) (Rs.)	<b>7,88,35,723</b>	7,43,32,359
<b>10.6</b> Expenditure in Foreign Currency (Rs.)		
Foreign Travel	<b>2,21,055</b>	3,29,763
Subscription	<b>48,639</b>	—
Interest on Foreign Currency Term Loan (Net of TDS)	<b>80,53,165</b>	47,13,074
<b>10.7</b> Earnings in Foreign Currency F.O.B. Value of Export Sales	<b>3,52,48,275</b>	3,21,33,045
<b>10.8</b> Value of Imports calculated on C.I.F. Basis : Capital Goods	<b>56,91,102</b>	28,99,964

## ROSSELL TEA LIMITED

11. The Company was a single segment Company engaged in the business of integrated activities of Cultivation, Manufacture and Sale of Black Tea only till 31st January, 2006. On and from 1st February, 2006, Aerotech Services Division of the Company was created for undertaking the business of repairs and maintenance of avionics equipment. However, no transactions took place in respect of this new Division. Thus, there are no separate reportable segments in terms of AS-17- Segment Reporting issued by the Institute of Chartered Accountants of India.
12. The following are the Related Party transactions undertaken by the Company during this accounting period in terms of AS-18 - Related Party Disclosures issued by the Institute of Chartered Accountants of India:

### a) Name of related party and nature of relationship

Enterprise where Control Exists	- Jyoti Holdings Private Limited, Subsidiary Company, (Fully owned) (Owner of Borahi T.E.)
Key Management Personnel	- Mr. H.M. Gupta, Executive Chairman Mr. C.S.Bedi , Executive Director
Associate Company	- BMG Enterprises Ltd.
Enterprises over which the Key Management Personnel or their relatives have significant influence	- BMG Investments Private Limited Harvin Estates Private Limited

### b) Particulars of transactions during the year ended 31st March, 2006

Nature of transaction	Enterprise where Control exists Rs.	Key Management Personnel and relatives Rs.
1. Re-imburement received for Salary and Allowance in respect of Management Staff Seconded to them	7,54,651 (5,32,612)	— —
2. Purchase of Green Leaf	— (1,23,26,288)	— —
3. Payment of Processing Charges at Borahi Factory	21,64,850 (22,63,026)	— —
4. Payment of Agricultural Rent for Plantations at Borahi T.E.	55,00,000 (30,00,000)	— —
5. Net decrease in Current Account Balance	40,19,697 (48,91,566)	— —
6. Rent for Residential Accommodation	— (—)	3,60,000 (3,00,000)
7. Unsecured Loan taken (Net)	— (—)	30,90,000 (3,50,00,000)
8. Interest paid on Unsecured Loans taken	— (—)	29,69,221 (29,01,575)
9. Remuneration Paid	— (—)	22,40,128 (20,15,023)

	<b>Associate Company</b>	<b>Enterprises where significant influence is exercisable as aforesaid</b>
	Rs.	Rs.
1. Interest paid on Unsecured Loans taken	<b>27,99,220</b> (28,31,143)	<b>35,59,778</b> (45,19,370)
2. Rent received for Office Space	<b>16,80,000</b> (16,80,000)	— —
3. Rent Paid for Office Space	— —	<b>6,00,000</b> (6,00,000)
4. Re-imburement received for Administrative Overheads	<b>24,18,384</b> (22,38,629)	— —
5. Net decrease in Inter Corporate Deposits	— (3,05,00,000)	— —
6. Net increase in Inter Corporate Deposits	<b>95,40,000</b> (—)	<b>42,00,000</b> (18,00,000)

*Previous year's figures are in bracket*

13. The Company adopted the Accounting Standard AS-22 – Accounting for taxes on Income, in earlier years and recognised Deferred Tax Credit (net) amounting to Rs. 5,60,00,000 as on 31st March, 2005. During the year, a review with respect to the carrying amount of Deferred Tax Asset was done. Based on such review and the future profitability of the Company as projected by the Management based on convincing evidence, the carrying amount of Deferred Tax Asset in the Balance Sheet as on 31st March, 2006 was revised upward to Rs. 6,32,00,000, comprising of the following:

Unabsorbed losses under Central Income Tax	Rs. 2,93,00,000
Unabsorbed Depreciation under Central Income Tax	Rs. 1,44,00,000
Unabsorbed losses under Assam Agricultural Income Tax	Rs. 1,95,00,000
	<u>Rs. 6,32,00,000</u>

14. In view of the Arrangement with Jyoti Holdings Private Limited, Subsidiary Company, for running and maintenance of entire Tea Plantations comprising Borahi T.E. with effect from 1st October, 2004 in the previous year till 31st December, 2005 in the current year and again from 1st February, 2006, the current year's figures are not comparable with those of the previous year.
15. The Company has assessed the valuation of Fixed Assets in the light of Professional advice as obtained by the Management in this regard. Based on such advice, there has been no impairment in the value of Fixed Assets and therefore, no provision for impairment of such Assets is considered necessary by the Management as per Accounting Standard AS-28, Impairment of Assets, issued by the Institute of Chartered Accountants of India.

**16. Earnings per Equity Share**

The calculation of earnings per share is based on **45,36,517** (2005 – 45,36,517) Equity Shares (Face Value Rs.10) outstanding at the end of the year on the following amounts: -

	<b>2005-2006</b>	<b>2004-2005</b>
	<u>Rs.</u>	<u>Rs.</u>
Profit(Loss) after Current Taxation	<b>(2,61,18,528)</b>	2,19,04,592
Profit (Loss) after Deferred Taxation Adjustment	<b>(1,89,18,528)</b>	(2,60,95,408)

17. Previous year's figures have been rearranged wherever necessary.

	N. K. Khurana	H. M. Gupta	Dr. S. S. Bajjal	H. M. Parekh
Place : Kolkata	<i>Vice President (Finance)</i>	<i>Executive Chairman</i>	<i>Director</i>	<i>Director</i>
Date : 24th May, 2006	<i>-cum-Company Secretary</i>	C. S. Bedi	R. N. Deogun	P. L. Agarwal
		<i>Executive Director</i>	<i>Director</i>	<i>Director</i>

**ROSSELL TEA LIMITED**

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956 is given below :

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	63513	State Code	21
Balance Sheet Date	31.03.2006		

**II. Capital raised during the year (Amount in Rs.'000)**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)**

<b>Total Liabilities</b>		<b>Total Assets*</b>	
<b>Source of Funds</b>	<b>6,77,607</b>	<b>Application of Funds</b>	<b>6,77,607</b>
Paid-up Capital	85,365	Net Fixed Assets	5,11,282
Reserves and Surplus	2,10,698	Investments	4,179
Secured Loans	2,59,665	Net Current Assets	45,056
Unsecured Loans	1,21,879	Deferred Tax Asset	63,200
		Profit & Loss Account	53,890

\* Net of Current Liabilities and Provisions

**IV. Performance of the Company (Amount in Rs. '000)**

Turnover	4,19,954
Other Income	14,441
Total Expenditure	4,58,499
(Loss) Before Tax and Extraordinary Item	(24,104)
(Loss) After Tax	(18,919)
Earnings per Share (in Rs.)	(4.17)
Dividend Rate	Nil

**V. Generic names of three principal products/services of the Company (as per monetary terms)**

Product Description	Item Code No. (ITC Code)
Black Tea	09.02
Aerotech Services	—

Place : Kolkata	N. K. Khurana	H. M. Gupta	Dr. S. S. Bajjal	H. M. Parekh
Date : 24th May, 2006	Vice President (Finance)	Executive Chairman	Director	Director
	-cum-Company Secretary	C. S. Bedi	R. N. Deogun	P. L. Agarwal
		Executive Director	Director	Director

**Cash Flow Statement for the year ended 31st March, 2006**

	2005-2006		2004-2005	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash Flow from Operating Activities</b>				
Profit (Loss) before Tax and Extraordinary items		(2,41,04,442)		2,30,18,679
Adjustment for :				
Depreciation	1,19,09,162		1,15,85,236	
Interest	2,72,03,601		2,51,61,474	
Loss on Disposal of Fixed Assets (Net)	1,33,042		2,71,750	
Unrealised Loss (Gain) on Exchange	14,05,365		(7,34,315)	
Preliminary Expenses written off	39,502	4,06,90,672	35,184	3,63,19,329
		<u>1,65,86,230</u>		<u>5,93,38,008</u>
Items Considered in Investing Activity :				
Interest on Deposits etc.	(86,507)		(52,045)	
Dividend	—	(86,507)	(37,500)	(89,545)
Operating Profit before Working Capital Changes		<u>1,64,99,723</u>		<u>5,92,48,463</u>
Adjustment for :				
Current Assets	7,46,135		(45,67,313)	
Current Liabilities	46,49,799	53,95,934	11,25,018	(34,42,295)
Cash Generated from Operations		<u>2,18,95,657</u>		<u>5,58,06,168</u>
Interest Paid	(63,08,229)		(58,01,802)	
Direct Taxes (Net of refund)	(11,86,407)	(74,94,636)	(9,60,254)	(67,62,056)
Cash Flow before Extraordinary items		<u>1,44,01,021</u>		<u>4,90,44,112</u>
Extraordinary items		—		—
<b>Net Cash Flow from Operating Activities</b>		<u>1,44,01,021</u>		<u>4,90,44,112</u>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets including Advances for Capital Assets		(1,70,75,827)		(1,41,29,275)
Sale of Fixed Assets		2,09,201		2,13,179
Compensation received from acquisition of Land		16,00,000		—
Interest Received		86,507		52,045
Dividend Received		—		37,500
<b>Net Cash Flow from Investing Activities</b>		<u>(1,51,80,119)</u>		<u>(1,38,26,551)</u>
<b>C. Cash Flow from Financing Activities</b>				
Intercompany Deposits(ICD) taken- including interest accrued thereon		1,54,65,043		44,81,328
Repayment of External Commercial Borrowings		(3,29,80,365)		(1,12,20,685)
Proceeds from Short Term Borrowings From Banks		2,13,36,593		(1,85,11,148)
Repayment of Term Loans to Banks		—		(2,50,00,000)
Proceeds of Short Term Loan from Bank		1,75,00,000		3,75,05,173
Proceeds of Fractional Entitlement Account		2,748		—
Interest on Term Loans / ICD		(2,08,95,372)		(1,93,59,672)
<b>Net Cash Flow from Financing Activities</b>		<u>4,28,647</u>		<u>(3,21,05,004)</u>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>		<u>(3,50,451)</u>		<u>31,12,557</u>
<b>Cash and Cash Equivalents as at 31.03.2005</b> (Opening Balance)		<u>45,42,105</u>		<u>14,29,548</u>
<b>Cash and Cash Equivalents as at 31.03.2006</b> (Closing Balance)		<u>41,91,654</u>		<u>45,42,105</u>

**Note :** The above Statement has been prepared under the Indirect Method as given in Accounting Standard on Cash Flow Statement (AS - 3) issued by the Institute of Chartered Accountants of India.

In terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta  
Executive Chairman  
C. S. Bedi  
Executive Director

Dr. S. S. Bajjal  
Director  
R. N. Deogun  
Director

H. M. Parekh  
Director  
P. L. Agarwal  
Director

Place : Kolkata  
Date : 24th May, 2006

## Statement Regarding Subsidiary Company

Pursuant to Section 212 of the Companies Act, 1956

### Jyoti Holdings Private Limited

- (A) The Financial Year of the Subsidiary Company ended on : 31st March, 2006
- (B) Holding Company's Interest
- (a) Number and face value : 2,50,300 Equity Shares of Rs.10 each fully paid.
- (b) Extent of holding : 100%
- (C) Net aggregate amount of Subsidiary's Profit, so far as it concerns Members of the Holding Company and not dealt with in the Holding Company's Accounts:
- i) for the Subsidiary's financial year ended 31st March, 2006 : Rs. 42,25,567
- ii) for its previous financial years (Net) : Rs. 13,56,213
- (D) Net aggregate amount of Subsidiary's Profit/Loss, so far as it concerns Members of the Holding Company and dealt with in the Holding Company's Accounts:
- i) for the Subsidiary's financial year ended 31st March, 2006 : Nil
- ii) for its previous financial year : Nil

Place : Kolkata	N. K. Khurana	H. M. Gupta	Dr. S. S. Bajjal	H. M. Parekh
Date : 24th May, 2006	<i>Vice President (Finance)</i>	<i>Executive Chairman</i>	<i>Director</i>	<i>Director</i>
	<i>-cum-Company Secretary</i>	C. S. Bedi	R. N. Deogun	P. L. Agarwal
		<i>Executive Director</i>	<i>Director</i>	<i>Director</i>

## **Report of the Auditors to the Board of Directors of Rossell Tea Ltd.**

We have audited the attached Consolidated Balance Sheet of Rossell Tea Ltd. and its subsidiary (the Group) as at 31st March, 2006, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These Consolidated Financial Statements are the responsibility of Rossell Tea Ltd.'s management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with the 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary, Jyoti Holdings Private Limited, whose financial statements reflect total assets of Rs.548.07 lacs as at 31st March, 2006 and total revenues of Rs.76.71 lacs for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on the report of the other auditors.

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, Accounting Standard 23, Accounting for investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Rossell Tea Ltd. and its subsidiary, included in the consolidated financial statements.

On the basis of the information and explanations given to us and on consideration of the separate audit report on individual audited financial statements of Rossell Tea Ltd., and its aforesaid subsidiary, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Rossell Tea Ltd. and its subsidiary as at 31st March, 2006,
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Rossell Tea Ltd. and its subsidiary for the year ended on that date, and
- (c) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of Rossell Tea Ltd. and its subsidiary for the year ended on that date.

For S. S. Kothari & Co.  
*Chartered Accountants*

R. K. Roy Chaudhury  
*Partner*

Membership No.8816

Place : Kolkata  
Date : 24th May, 2006

**ROSSELL TEA LIMITED**

**Consolidated Balance Sheet as at 31st March, 2006**

	Schedule	As at 31.03.2006		As at 31.03.2005	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1		8,53,65,170		8,53,65,170
Reserves and Surplus	2		<u>21,06,98,214</u>		<u>21,05,00,466</u>
			<u>29,60,63,384</u>		<u>29,58,65,636</u>
<b>Loan Funds</b>					
Secured Loans	3		25,96,65,015		25,24,03,422
Unsecured Loans	4		<u>12,18,78,564</u>		<u>10,64,13,521</u>
			<u>38,15,43,579</u>		<u>35,88,16,943</u>
<b>TOTAL</b>			<u>67,76,06,963</u>		<u>65,46,82,579</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5		63,44,53,054		61,75,09,056
Less: Depreciation			<u>7,35,96,555</u>		<u>6,18,40,762</u>
Net Block			<u>56,08,56,499</u>		<u>55,56,68,294</u>
Capital Work-in-Progress			<u>3,08,150</u>		<u>86,597</u>
			<u>56,11,64,649</u>		<u>55,57,54,891</u>
<b>Investments</b>	6		16,75,604		16,75,604
<b>Current Assets, Loans and Advances</b>					
Inventories	7	3,55,67,036		3,03,06,977	
Sundry Debtors	8		34,55,207		2,14,534
Cash and Bank Balances	9		42,58,087		46,10,275
Other Current Assets	10		27,13,709		8,43,823
Loans and Advances	11		<u>1,38,00,372</u>		<u>2,28,56,846</u>
			<u>5,97,94,411</u>		<u>5,88,32,455</u>
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	12		5,64,71,031		5,13,64,805
Provisions	13		<u>1,15,537</u>		<u>12,88,055</u>
			<u>5,65,86,568</u>		<u>5,26,52,860</u>
<b>Net Current Assets</b>			32,07,843		61,79,595
<b>Deferred Tax Asset</b>			6,32,40,000		5,60,00,000
<b>Miscellaneous Expenditure</b>					
(to the extent not written off or adjusted)					
Preliminary Expenses			10,405		51,988
<b>Profit and Loss Account</b>					
Deficit as per Annexed Account			<u>4,83,08,462</u>		<u>3,50,20,501</u>
<b>TOTAL</b>			<u>67,76,06,963</u>		<u>65,46,82,579</u>
<b>Notes on Accounts</b>	18				

Schedules 1 to 13 and Schedule 18 referred to above form an integral part of the Balance Sheet

In terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

Place : Kolkata  
Date : 24th May, 2006

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta  
Executive Chairman  
C. S. Bedi  
Executive Director

Dr. S. S. Bajjal  
Director  
R. N. Deogun  
Director

H. M. Parekh  
Director  
P. L. Agarwal  
Director

**Consolidated Profit and Loss Account for the year ended 31st March, 2006**

	Schedule	2005-2006 Rs.	2004-2005 Rs.
<b>INCOME</b>			
Sales		41,99,53,482	48,25,76,207
Other Income	14	1,44,47,423	25,50,620
		<u>43,44,00,905</u>	<u>48,51,26,827</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in Stock	15	(65,60,957)	1,47,501
Expenses	16	42,10,73,904	41,93,18,616
Interest	17	2,72,03,601	2,51,61,474
Depreciation		1,24,81,232	1,21,45,611
		<u>45,41,97,780</u>	<u>45,67,73,202</u>
<b>PROFIT /(LOSS) BEFORE EXTRAORDINARY ITEMS</b>		<b>(1,97,96,875)</b>	2,83,53,625
Amortisation of Goodwill arising on Amalgamation		(8,64,086)	(8,64,087)
<b>PROFIT /(LOSS) BEFORE TAXATION</b>		<b>(2,06,60,961)</b>	2,74,89,538
Fringe Benefit Tax		(11,72,000)	—
Provision for Taxation – Current Year		(1,00,000)	(2,68,000)
<b>PROFIT /(LOSS) AFTER CURRENT TAXATION</b>		<b>(2,19,32,961)</b>	2,72,21,538
Deferred Taxation Adjustment		72,40,000	(4,80,00,000)
<b>(LOSS) AFTER DEFERRED TAXATION ADJUSTMENT</b>		<b>(1,46,92,961)</b>	(2,07,78,462)
Balance brought forward		(3,50,20,501)	(6,87,58,011)
Transfer from General Reserve		—	5,52,49,972
Transfer From Exchange Rate Variation Reserve		14,05,000	—
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>(4,83,08,462)</b>	<b>(3,42,86,501)</b>
<b>APPROPRIATION</b>			
Transfer to Exchange Rate Variation Reserve		—	7,34,000
Balance carried forward		(4,83,08,462)	(3,50,20,501)
		<u>(4,83,08,462)</u>	<u>(3,42,86,501)</u>
<b>Basic and Diluted Earnings per Equity Share</b>			
<b>Based on Profit/(Loss) after Current Taxation</b>		<b>(4.83)</b>	6.00
<b>Based on Profit/(Loss) after Deferred Taxation Adjustment</b>		<b>(3.24)</b>	(4.58)

**Notes on Accounts** 18

Schedules 14 to 18 referred to above form an integral part of the Profit and Loss Account

In terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

Place : Kolkata  
Date : 24th May, 2006

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta Executive Chairman	Dr. S. S. Bajjal Director	H. M. Parekh Director
C. S. Bedi Executive Director	R. N. Deogun Director	P. L. Agarwal Director

**Schedules to the Consolidated Balance Sheet**

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
50,00,000 (2005 - 50,00,000) Equity Shares of Rs.10 each	<b>5,00,00,000</b>	5,00,00,000
4,00,000 (2005- 4,00,000) Redeemable Preference Shares of Rs. 100 each	<b>4,00,00,000</b>	4,00,00,000
	<b><u>9,00,00,000</u></b>	<b><u>9,00,00,000</u></b>
<b>Issued &amp; Subscribed</b>		
45,36,517 (2005 - 45,36,517) Equity Shares of Rs. 10 each fully paid up	<b>4,53,65,170</b>	4,53,65,170
4,00,000 (2005- 4,00,000) 9% Redeemable Preference Shares of Rs. 100 each fully paid up in cash	<b>4,00,00,000</b>	4,00,00,000
	<b><u>8,53,65,170</u></b>	<b><u>8,53,65,170</u></b>
Notes :		
1. Of the above 30,35,717 Equity Shares have been issued for consideration other than cash.		
2. 9% Non-Cumulative Redeemable Preference Shares were allotted on 24th October, 2002 and shall be redeemed within 5 years from such date as per terms of issue.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance as per last Account	<b><u>14,64,82,598</u></b>	14,64,82,598
<b>Capital Reserve</b>		
Balance as per last Account	<b>1,91,61,868</b>	1,91,61,868
Add : Proceeds received on closure of Fractional Entitlement Account	<b>2,748</b>	—
Add : Compensation received for acquisition of Land	<b>16,00,000</b>	—
	<b><u>2,07,64,616</u></b>	<b><u>1,91,61,868</u></b>
<b>General Reserve</b>		
Balance as per last Account	—	5,52,49,972
Less : Transfer to Profit and Loss Account	—	5,52,49,972
	—	—
<b>Preference Shares Redemption Reserve</b>		
Balance as per last Account	<b><u>4,00,00,000</u></b>	<b><u>4,00,00,000</u></b>
<b>Exchange Rate Variation Reserve</b>		
Balance as per last Account	<b>48,56,000</b>	41,22,000
Add : Transfer to Profit and Loss Account	—	7,34,000
Less : Transfer to Profit and Loss Account	<b>14,05,000</b>	—
	<b><u>34,51,000</u></b>	<b><u>48,56,000</u></b>
	<b><u>21,06,98,214</u></b>	<b><u>21,05,00,466</u></b>

**ROSSELL TEA LIMITED**

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>From Banks</b>		
<b>Foreign Currency Term Loan</b>		
External Commercial Borrowing from		
The Bank of Nova Scotia	<b>13,33,50,000</b>	16,49,25,000
[Secured by equitable mortgage of Dikom T.E. pari passu with State Bank of India and equitable mortgage of Bokakhat T.E. pari passu with IndusInd Bank Ltd.]		
<b>Rupee Term Loan</b>		
<b>Term Loan from HDFC Bank Ltd.</b>		
[Secured by hypothecation of tea crop and movable assets of Nokhroy and Nagrijuli T.Es. and collaterally secured by equitable mortgage of Nokhroy T.E.]	<b>7,50,00,000</b>	5,75,00,000
<b>Car Finance from ICICI Bank Ltd.</b>		
[Secured by hypothecation of Vehicles financed through this loan]	—	2,79,793
<b>Cash Credit Accounts</b>		
HDFC Bank Ltd.	<b>53,56,122</b>	24,64,800
[Secured by hypothecation of tea crop and movable assets of Nokhroy and Nagrijuli T.Es. and collaterally secured by equitable mortgage of Nokhroy T.E.]		
State Bank of India	<b>2,76,15,954</b>	2,50,67,121
[Secured by hypothecation of tea crop and movable assets of Dikom and Romai T.Es. and collaterally secured by equitable mortgage of Dikom T.E. pari passu with The Bank of Nova Scotia. Additionally, secured by a Corporate Guarantee to the extent of Rs.200 Lacs provided by Jyoti Holdings Pvt Ltd., the subsidiary Company, which in turn is secured by Equitable Mortgage of Borahi T.E.]		
UTI Bank Limited	—	21,66,708
[Secured by hypothecation of tea crop and movable assets of Bokakhat T.E. and collaterally secured by equitable mortgage of Bokakhat T.E. pari passu with The Bank of Nova Scotia]		
IndusInd Bank Ltd.	<b>1,83,42,939</b>	—
[Secured by hypothecation of tea crop and movable assets of Bokakhat T.E. and collaterally secured by equitable mortgage of Bokakhat T.E. pari passu with The Bank of Nova Scotia]		
	<b><u>25,96,65,015</u></b>	<b><u>25,24,03,422</u></b>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Intercompany Deposits	<b>7,93,40,000</b>	6,56,00,000
Loan from Managing Director (Executive Chairman)	<b>3,80,90,000</b>	3,50,00,000
Interest accrued and due thereon	<b>44,48,564</b>	58,13,521
	<b><u>12,18,78,564</u></b>	<b><u>10,64,13,521</u></b>

**ROSSELL TEA LIMITED**

**SCHEDULE 5  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 31.03.2005	Additions during the year	Disposal during the year	Cost As at 31.03.2006	As at 31.03.2005	Additions for the year	Written back during the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill	8,64,087	—	8,64,087	—	—	—	—	—	—	8,64,087
Land and Planted Teas	36,65,09,727	87,28,281	—	37,52,38,008	—	—	—	—	37,52,38,008	36,65,09,727
Buildings	9,45,06,431	53,845	—	9,45,60,276	1,14,65,294	19,57,395	—	1,34,22,689	8,11,37,587	8,30,41,137
Plant and Machinery	11,89,84,326	95,11,946	—	12,84,96,272	3,54,47,868	76,40,856	—	4,30,88,724	8,54,07,548	8,35,36,458
Furniture and Fittings	81,06,969	13,990	—	81,20,959	32,53,370	5,12,667	—	37,66,037	43,54,922	48,53,599
Vehicles	1,98,56,976	4,82,450	10,67,682	1,92,71,744	75,60,051	17,93,855	7,25,439	86,28,467	1,06,43,277	1,22,96,925
Office and Other Equipment	86,80,540	85,255	—	87,65,795	41,14,179	5,76,459	—	46,90,638	40,75,157	45,66,361
<b>Total</b>	<b>61,75,09,056</b>	<b>1,88,75,767</b>	<b>19,31,769</b>	<b>63,44,53,054</b>	<b>6,18,40,762</b>	<b>1,24,81,232</b>	<b>7,25,439</b>	<b>7,35,96,555</b>	<b>56,08,56,499</b>	<b>55,56,68,294</b>
Previous year	60,55,75,126	1,37,72,053	18,38,123	61,75,09,056	5,01,84,258	1,21,45,611	4,89,107	6,18,40,762	55,56,68,294	

**ROSSELL TEA LIMITED**

	<u>As at 31.03.2006</u>	<u>As at 31.03.2005</u>
	<u>Rs.</u>	<u>Rs.</u>
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>At Cost</b>		
<b>Trade Investment</b>		
<b>Unquoted :</b>		
50,000 (2005 - 50,000) Equity Shares of Rs.10 each fully paid up in Assam Hospitals Limited	5,00,000	5,00,000
<b>Other Investments</b>		
<b>Unquoted :</b>		
1,15,000 (2005 - 1,15,000) 17% Secured Redeemable Non-Convertible Debentures of Rs.100 each fully paid up of Punjab Wireless Systems Limited	1,15,00,000	1,15,00,000
<b>Quoted :</b>		
13,840 (2005 - 13,840) Equity Shares of Rs.10 each fully paid up in Mysore Petro Chemicals Limited	<u>7,49,793</u>	<u>7,49,793</u>
	<u>1,27,49,793</u>	<u>1,27,49,793</u>
Less : Provision for diminution in the value of Investments	<u>1,10,74,189</u>	<u>1,10,74,189</u>
	<u>16,75,604</u>	<u>16,75,604</u>
<b>Aggregate Book Value (Net of Provisions)</b>		
Quoted Investments	25,604	25,604
Unquoted Investments	<u>16,50,000</u>	<u>16,50,000</u>
	<u>16,75,604</u>	<u>16,75,604</u>
Market value of Quoted Investments	<u>3,57,072</u>	<u>1,32,587</u>
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
Stock of Tea at lower of cost and net realisable value	2,18,70,977	1,53,10,020
Stock of Stores and Spares at or under cost	<u>1,36,96,059</u>	<u>1,49,96,957</u>
	<u>3,55,67,036</u>	<u>3,03,06,977</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured, Considered Good	—	—
Debts outstanding for a period exceeding six months	—	—
Other Debts	<u>34,55,207</u>	<u>2,14,534</u>
	<u>34,55,207</u>	<u>2,14,534</u>

**ROSSELL TEA LIMITED**

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	2,78,939	4,48,665
Remittance-in-Transit	21,73,000	7,62,000
With Scheduled Banks		
on Current Accounts	12,22,891	12,41,393
on EEFC Account in USD	—	15,80,678
on Margin Money Account	4,31,143	3,94,789
on Unpaid Dividend Accounts	1,52,114	1,80,002
on Fractional Entitlement Account	—	2,748
	<u>42,58,087</u>	<u>46,10,275</u>
<b>SCHEDULE 10</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest Accrued on Deposits	14,148	12,759
Other Receivables	26,99,561	8,31,064
	<u>27,13,709</u>	<u>8,43,823</u>
<b>SCHEDULE 11</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured, Considered Good		
Advances for Capital Assets	26,38,950	46,60,443
Advances recoverable in cash or in kind or for value to be received	47,76,646	1,16,13,074
Deposits	63,84,776	65,83,329
	<u>1,38,00,372</u>	<u>2,28,56,846</u>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	2,18,72,336	1,93,28,835
Other Liabilities	3,26,68,835	3,03,39,987
Interest Accrued but not due	17,77,747	15,13,234
Unpaid Dividend	1,52,113	1,80,001
Refund of Sale proceeds of Fractional Entitlement	—	2,748
	<u>5,64,71,031</u>	<u>5,13,64,805</u>
<b>SCHEDULE 13</b>		
<b>PROVISIONS</b>		
Provision for Taxation (Net)	1,15,537	12,88,055
	<u>1,15,537</u>	<u>12,88,055</u>

## Schedules to the Consolidated Profit and Loss Account

	2005-2006 Rs.	2004-2005 Rs.
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest		
On Other Deposits	41,993	52,045
On Income Tax Refund	47,776	—
Dividend	—	37,500
Rent Received	16,80,000	16,80,000
Subsidy - Replanting	10,64,108	1,85,586
- Tea Board Orthodox Subsidy Scheme	72,50,379	—
Sale of DEPB Licence	3,89,236	2,01,853
Sundry Receipts	39,73,931	3,93,636
	<u>1,44,47,423</u>	<u>25,50,620</u>
<b>SCHEDULE 15</b>		
<b>(INCREASE)/DECREASE IN STOCK</b>		
Opening Stock of Tea	1,53,10,020	1,54,57,521
Less: Closing Stock of Tea	2,18,70,977	1,53,10,020
	<u>(65,60,957)</u>	<u>1,47,501</u>
<b>SCHEDULE - 16</b>		
<b>EXPENSES</b>		
Consumption of Stores and Spare Parts	4,87,96,008	4,87,07,604
Purchase of Green Leaf	3,99,69,476	4,77,04,010
Power and Fuel	4,74,59,908	4,69,53,113
Excise Duty and Tea Cess	16,74,190	69,06,265
Cess on Green Leaf	63,46,095	63,83,510
Salaries, Wages and Bonus	15,78,88,359	15,07,06,993
Contribution to Provident and other Funds	2,34,28,208	2,27,43,777
Workmen and Staff Welfare	2,76,59,053	2,56,01,469
Rent	25,48,716	23,33,420
Rates and Taxes	6,11,287	4,28,615
Repairs to Building	58,05,386	74,51,272
Repairs to Machinery	94,92,830	67,89,115
Other Repairs and Maintenance	4,98,817	26,38,411
Vehicles Maintenance	36,72,671	34,96,087
Transportation	1,08,85,934	1,10,51,367
Shipment Charges	19,56,061	12,70,495
Sale Charges	85,39,640	63,55,858
Brokerage	28,96,285	32,18,806
Commission on Sales	14,04,633	9,34,985
Insurance	20,16,623	20,52,721
Directors' Fee	43,000	38,000
Auditors' Remuneration	2,17,429	1,59,624
Preliminary Expenses	41,583	37,265
Miscellaneous Expenses	1,49,70,060	1,49,42,489
Loss on Exchange (Net)	21,18,610	1,41,595
Loss on Disposal of Fixed Assets (Net)	1,33,042	2,71,750
	<u>42,10,73,904</u>	<u>41,93,18,616</u>

## ROSSELL TEA LIMITED

	<u>2005-2006</u> Rs.	<u>2004-2005</u> Rs.
<b>SCHEDULE - 17</b>		
<b>INTEREST</b>		
On Bank Overdraft	<b>63,08,229</b>	58,01,802
On Term Loans to Banks	<b>1,15,31,879</b>	90,74,494
On Intercorporate Deposits	<b>63,94,272</b>	73,83,603
On Unsecured Loan from Managing Director (Executive Chairman)	<b>29,69,221</b>	29,01,575
	<b><u>2,72,03,601</u></b>	<b><u>2,51,61,474</u></b>

## SCHEDULE - 18

### NOTES ON CONSOLIDATED ACCOUNTS

#### 1. Basis of Preparation of Accounts

The accompanying financial statements have been prepared to comply, in all material aspects, with applicable statutory/ regulatory provisions, accounting standards and generally accepted accounting principles and practices prevailing in India.

#### 2. Consolidation Procedure

Consolidated financial statements of the Group, comprising Rossell Tea Limited (Parent) and its fully owned subsidiary, Jyoti Holdings Private Limited (Subsidiary) have been prepared on the basis of

- (a) Audited Accounts of the Parent for the year ended 31st March, 2006
- (b) Audited Accounts of the Subsidiary for the year ended 31st March, 2006
- (c) Line by Line aggregation of each item of asset / liability/ income /expenses of the Subsidiary with the respective item of the Parent, and after eliminating all intra group transactions and unrealised profit/ loss, if any, as per Accounting Standard -21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

#### 3. List of Subsidiaries considered for preparation of Consolidated Financial Statements

Rossell Tea Limited (Parent) is having only one Subsidiary, Jyoti Holdings Private Limited (Subsidiary), a Company incorporated in India under the Companies Act, 1956. The proportion of ownership interest of the Parent in the Subsidiary is 100%.

#### 4. Changes in Consolidation Process as compared to 2004-2005

The Consolidated financial statements have been prepared on the same basis as that adopted in respect of previous accounting year, 2004-2005 with no change in the Consolidation Process.As per Paragraph 30 of Accounting Standard-21, Consolidated Financial Statements, comparative figures for the previous year have been presented.

## **5. Significant Accounting Policies**

The following uniform Accounting Policies have been adopted by both Parent and Subsidiary and accordingly for preparing these Consolidated financial statements:

### **5.1 Basis of Accounting**

The financial statements have been prepared in accordance with historical cost concept.

### **5.2 Fixed Assets**

Fixed Assets are stated at cost of acquisition, net of subsidy received, where applicable and depreciated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

The cost of Extension Planting on cultivable land including cost of development is capitalised. However, cost of upkeep and maintenance of the areas still not matured for plucking and cost of replanting in existing areas are charged to revenue.

Profit or Loss on disposal of Fixed Assets is recognised in the Profit and Loss Account.

### **5.3 Foreign Currency Transaction**

Foreign Currency Transactions are converted and accounted for at the rates prevailing on the dates of transaction. Year-end current assets (Monetary Items) and liabilities are restated at the year-end exchange rate and resultant net gain or loss is adjusted in the Profit and Loss Account as prescribed by Accounting Standard-11, Accounting for the Effect of Changes in Foreign Exchange Rates, issued by the Institute of Chartered Accountants of India.

### **5.4 Investments**

Investments are stated at cost of acquisition and treated as long term investments.

### **5.5 Inventories**

Stock of Tea is valued at lower of cost and net realisable value and that of stores and spares is valued at or under cost.

### **5.6 Staff Benefits**

- a) Annual Gratuity liability is actuarially ascertained and funded.
- b) Contribution for pension to the eligible employees, is made to the approved Superannuation Fund.
- c) Leave encashment liability is provided for as per the eligibility criteria in this regard.

### **5.7 Borrowing Cost**

Borrowing cost is recognised as an expense to the extent, the same has been incurred for the year, unless such cost is directly attributable to the acquisition, construction or production of a qualifying asset and capitalised as part of the cost of that asset as prescribed by Accounting Standard-16, Borrowing Cost, issued by the Institute of Chartered Accountants of India.

### **5.8 Revenue Recognition**

Items of income and expenditure are recognised on accrual and prudent basis.

### **5.9 Replanting Subsidy**

Replanting Subsidy is recognised as income in the Profit and Loss Account in the year of receipt on prudent basis.

### **5.10 Amortisation of Preliminary Expenses**

Preliminary Expenses are being amortised over a period of 10 years.

## **6. Segment Reporting**

The Parent is engaged in the business of Cultivation, Manufacture and Sale of Black Tea and the Subsidiary is engaged in the business of Cultivation and Sale of Green Leaves. Both have been identified as one Segment only and therefore, Accounting Standard-17, Segment Reporting is not applicable for these financials statements.

## ROSSELL TEA LIMITED

### 7. The following are the Related Party transactions undertaken by the Company during this accounting period in terms of AS-18 - Related Party Disclosures issued by the Institute of Chartered Accountants of India:

#### a) Name of related party and nature of relationship

Key Management Personnel	Mr. H. M. Gupta, Executive Chairman Mr. C. S. Bedi, Executive Director
Associate Company	BMG Enterprises Ltd.
Enterprises over which the Key Management Personnel or their relatives have significant influence	BMG Investments Pvt Ltd. Harvin Estates Pvt Ltd.

#### b) Particulars of transactions during the year ended 31st March, 2006

Nature of transaction	Key Management Personnel and relatives	Associate Company	Enterprises where significant influence is exercisable as aforesaid
	Rs.	Rs.	Rs.
a. Net increase in Inter Corporate Deposits/ Unsecured Loan taken	<b>30,90,000</b> (3,50,00,000)	<b>95,40,000</b> (—)	<b>42,00,000</b> (18,00,000)
b. Net decrease in Inter Corporate Deposits	— (—)	— (3,05,00,000)	— (—)
c. Interest paid on Unsecured Loans taken	<b>29,69,221</b> (29,01,575)	<b>27,99,220</b> (28,31,143)	<b>35,59,778</b> (45,19,370)
d. Rent received for Office Space	— (—)	<b>16,80,000</b> (16,80,000)	— (—)
e. Rent paid for space taken	<b>3,60,000</b> (3,00,000)	— (—)	<b>6,00,000</b> (6,00,000)
f. Re-imbursement received for Administrative Overheads	— (—)	<b>24,18,384</b> (22,38,629)	— (—)
g. Remuneration paid	<b>22,40,128</b> (20,15,023)	— (—)	— (—)

Previous year's figures are in bracket

### 8. Additional statutory information disclosed in separate financial statements of the Parent and the Subsidiary having no bearing on the true and fair view of the Consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the Consolidated financial statements in view of the general clarification issued by the Institute of Chartered Accountants of India.

### 9. Earnings Per Equity Share

The calculation of earnings per share is based on **45,36,517** (2005 - 45,36,517) Equity Shares of Rs.10 outstanding at the end of the year.

	<u>2005 - 2006</u> Rs.	<u>2004 - 2005</u> Rs.
Profit / (Loss) after Current Taxation	<b>(2,19,32,961)</b>	2,72,21,538
Profit / (Loss) after Deferred Taxation adjustment	<b>(1,46,92,961)</b>	(2,07,78,462)

Place : Kolkata	N. K. Khurana Vice President (Finance)	H. M. Gupta Executive Chairman	Dr. S. S. Bajjal Director	H. M. Parekh Director
Date : 24th May, 2006	-cum-Company Secretary	C. S. Bedi Executive Director	R. N. Deogun Director	P. L. Agarwal Director

**Consolidated Cash Flow Statement for the year ended 31st March, 2006**

	2005-2006		2004-2005	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash Flow from Operating Activities</b>				
Profit (Loss) before Tax and Extraordinary items		(1,97,96,875)		2,83,53,625
Adjustment for :				
Depreciation	1,24,81,232		1,21,45,611	
Interest	2,72,03,601		2,51,61,474	
Loss on Disposal of Fixed Assets (Net)	1,33,042		2,71,750	
Unrealised Loss (Gain) on Exchange	14,05,365		(7,34,315)	
Preliminary Expenses written off	41,583	4,12,64,823	37,265	3,68,81,785
		<u>2,14,67,948</u>		<u>6,52,35,410</u>
Items Considered in Investing Activity :				
Interest on Deposits etc.	(89,769)		(52,045)	
Dividend	—	(89,769)	(37,500)	(89,545)
Operating Profit before Working Capital Changes		<u>2,13,78,179</u>		<u>6,51,45,865</u>
Adjustment for :				
Current Assets	6,62,059		(44,94,269)	
Current Liabilities	10,86,530	17,48,589	(41,99,657)	(86,93,926)
Cash Generated from Operations		<u>2,31,26,768</u>		<u>5,64,51,939</u>
Interest Paid	(63,08,229)		(58,01,802)	
Direct Taxes (Net of refund)	(24,22,517)	(87,30,746)	(16,34,851)	(74,36,653)
Cash Flow before Extraordinary Items		<u>1,43,96,022</u>		<u>4,90,15,286</u>
Extraordinary Items		—		—
<b>Net Cash Flow from Operating Activities</b>		<u>1,43,96,022</u>		<u>4,90,15,286</u>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets including				
Advances for Capital Assets		(1,70,75,827)		(1,41,51,791)
Sale of Fixed Assets		2,09,201		2,13,179
Compensation received from acquisition of Land		16,00,000		—
Interest Received		89,769		52,045
Dividend Received		—		37,500
<b>Net Cash Flow from Investing Activities</b>		<u>(1,51,76,857)</u>		<u>(1,38,49,067)</u>
<b>C. Cash Flow from Financing Activities</b>				
Intercompany Deposits(ICD) taken including				
interest accrued thereon		1,54,65,043		44,81,328
Repayment of External Commercial Borrowings		(3,29,80,365)		(1,12,20,685)
Proceeds from Short Term Borrowings From Banks		2,13,36,593		(1,85,11,148)
Repayment of Term Loan to Banks		—		(2,50,00,000)
Proceeds of Short Term Loan from Bank		1,75,00,000		3,75,05,173
Proceeds of Fractional Entitlement Account		2,748		—
Interest on Term Loans / ICD		(2,08,95,372)		(1,93,59,672)
<b>Net Cash Flow from Financing Activities</b>		<u>4,28,647</u>		<u>(3,21,05,004)</u>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>		<u>(3,52,188)</u>		<u>30,61,215</u>
<b>Cash and Cash Equivalents as at 31.03.2005 (Opening Balance)</b>		<u>46,10,275</u>		<u>15,49,060</u>
<b>Cash and Cash Equivalents as at 31.03.2006 (Closing Balance)</b>		<u>42,58,087</u>		<u>46,10,275</u>

Note : The above Statement has been prepared under the Indirect Method as given in Accounting Standard on Cash Flow Statement (AS - 3) issued by the Institute of Chartered Accountants of India

In terms of our Report of even date.

For S. S. Kothari & Co.  
Chartered Accountants  
R. K. Roy Chaudhury  
Partner

N. K. Khurana  
Vice President (Finance)  
-cum-Company Secretary

H. M. Gupta  
Executive Chairman  
C. S. Bedi  
Executive Director

Dr. S. S. Bajjal  
Director  
R. N. Deogun  
Director

H. M. Parekh  
Director  
P. L. Agarwal  
Director

Place : Kolkata  
Date : 24th May, 2006

## **Report of the Board of Directors for the year ended 31st March, 2006**

Your Directors have pleasure in presenting their Eleventh Annual Report together with Audited Accounts for the year ended 31st March, 2006.

### **HOLDING COMPANY**

The entire Share Capital of your Company is held by Rossell Tea Ltd. and their nominee and accordingly your Company remains a Public Company within the meaning of Companies Act, 1956 (as amended).

### **FINANCIAL RESULTS**

	<u>2005-2006</u>	<u>2004-2005</u>
	Rs. in lacs	Rs. in lacs
<b>Profit before Depreciation and Taxation</b>	<b>48.80</b>	58.95
Less: Depreciation	<u>5.72</u>	<u>5.60</u>
<b>Profit before Taxation</b>	<b>43.08</b>	53.35
Taxation		
- Current Taxation (Net)	<b>1.00</b>	0.18
- Fringe Benefit Tax	<b>0.22</b>	—
- Deferred Taxation	<u>(0.40)</u>	<u>—</u>
<b>Profit after Taxation</b>	<b>42.26</b>	53.17
<b>Balance Brought Forward</b>	<u>13.56</u>	<u>(39.61)</u>
<b>Balance Carried Forward</b>	<u>55.82</u>	<u>13.56</u>

### **DIVIDEND**

In view of the necessity to plough back the resources of the Company, no Dividend for the year on Equity Shares is being recommended by the Board.

### **PERFORMANCE**

As reported in the previous year, your Company had entered into another arrangement with effect from 1st October, 2004 with the Holding Company, Rossell Tea Limited, whereby Borahi T.E. was given to them for their running and maintenance for carrying out agricultural activities thereat. This arrangement was terminated by efflux of time on 31st December, 2005 and re-entered on and from 1st February, 2006. Thus, your Company carried out agricultural operations during January, 2006 only, when no Green Leaf could be plucked. In view of this, your Company earned monthly agricultural rent only, apart from the Processing Charges for allowing the use of facilities at Borahi Factory.

The year under review ended with an operational profit before depreciation of Rs. 48.80 lacs as against Rs.58.95 lacs during the previous year. After providing for Depreciation, Current Taxation, net of write back in respect of earlier years, Fringe Benefit Tax and Deferred Taxation, the profit after tax was lower at Rs. 42.26 lacs as against Rs. 53.17 lacs in the previous year.

### **PROSPECTS**

The arrangement for running and operation of Borahi Factory with Rossell Tea Ltd., the Holding Company has further been extended by 11 months. Thus, the Factory is being run and operated by Rossell Tea Ltd. By another arrangement as aforesaid, the agricultural operations are also being carried out by them. Thus, your Company foresees a constant stream of income not subject to vagaries of nature or fluctuation in tea prices.

**STAFF WELFARE AND SOCIAL ACTIVITIES**

The Company continuously undertakes various workers' welfare programmes and is actively involved in various schemes to implement certain need-based programmes.

The Company always participates in socio-welfare schemes being undertaken by ITA for the benefit of the people of Assam in general.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors state and confirm the following:

- (i) That in preparation of the Company's Annual Accounts for the year ended 31st March, 2006 the applicable accounting standards have been followed and proper explanations have been provided for material departures, where applicable.
- (ii) That the Directors have selected such accounting policies and applied them and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended 31st March, 2006 and of the Profit of the Company for the year.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularity.
- (iv) That the Directors have prepared the Annual accounts on a going concern basis.

**DIRECTORS**

Dr. S. S .Baijal and Mr. N.K. Khurana retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

Since your Company was not engaged in the manufacturing of Black Tea during the year, the provisions of Companies (Disclosure of Particulars In the Report of the Board of Directors) Rules, 1988 are not applicable to your Company.

**PERSONNEL**

Your Directors record their appreciation for contribution and co-operation of all the employees.

Since none of the employees of the Company was in receipt of remuneration exceeding Rs.24.00 lacs per annum where employed for full year or Rs.2.00 lacs per month where employed for a part of the year, no particulars are required to be furnished as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975 [as amended by Companies (Particulars of Employees) (Amendment) Rules, 1999].

**AUDITORS**

M/s. Datta Gupta & Associates, Chartered Accountants, Auditors, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

For and on behalf of the Board

Place : Kolkata  
Date : 24th May, 2006

Dr. S.S. Baijal  
Chairman

## **Auditors' Report**

### **To the Members of Jyoti Holdings Private Limited**

We have audited the attached Balance Sheet of Jyoti Holdings Private Limited as at 31st March, 2006 and the Profit and Loss Account of the Company for the year ended on that date.

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.

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 of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

We report that :

1. 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.
2. In our opinion the Company has kept proper books of account as required by law so far as appears from our examination of books.
3. The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
4. In our opinion, the Balance Sheet as at 31st. March, 2006 and the Profit and Loss Account for the year ended on that date, comply with the accounting standards referred to in sub- section (3C) of section 211 of the Companies Act, 1956.
5. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
7. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub- section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we further report that
  - (i)
    - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) As explained to us, these fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification as compared to book records.
  - (ii)
    - (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
    - (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
    - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material.
  - (iii) The Company has not taken any loans from companies covered in the register maintained under section 301 of the Companies Act, 1956. However the Company maintains a current account with the Holding Company.
  - (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory, fixed assets and with regard to sale of goods. As such, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.
  - (v)
    - (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the

- Companies Act, 1956, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and as such the question of complying with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 does not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed maintenance of Cost Records under section 209(1)(d) of the Companies Act, 1956 in respect of companies engaged in production, processing or manufacture of tea and tea products. Since during the year under audit, the Company has not been engaged in the production, processing or manufacture of tea and tea products, the provisions of Cost Accounting Records (Plantation Products) Rules, 2002, do not apply.
- (ix) (a) The Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts of income tax, sales tax, custom duty, excise duty and cess were in arrears as on 31st March, 2006 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses as at 31st March, 2006 and it has not incurred any cash losses in the financial year ended on that date.
- (xi) Since the Company has not taken any loans or advances from financial institution or bank, the question of repayment and default thereof does not arise.
- (xii) The Company has not given any loans or advances in the nature of loans to any party.
- (xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has given corporate guarantee to the extent of Rs. 200 lacs to a Bank as additional security for cash credit limit, availed by Holding Company, Rossell Tea Limited. The terms and conditions of such guarantee are not prejudicial to the interest of the Company.
- (xvi) As the Company has not availed of any term loan facility, the question of application of the same does not arise.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments, except the balance in current account with the holding company remain utilised for acquisition of fixed assets from them in earlier year as per a Scheme of Arrangement. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) The Company has not made any allotment of shares during the year under audit.
- (xix) During the period covered by our audit, the Company has not issued any debentures.
- (xx) The Company has not made any public issues during the period covered by our audit.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Datta Gupta & Associates  
*Chartered Accountants*

S. Datta Gupta  
*Proprietor*  
Membership No. 52953

Place : Kolkata  
Date : 24th May, 2006

**JYOTI HOLDINGS PRIVATE LIMITED**

**Balance Sheet as at 31st March, 2006**

	<u>Schedule</u>	<u>As at 31.03.2006</u>		<u>As at 31.03.2005</u>	
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1	<b>25,03,000</b>		25,03,000	
Reserves and Surplus					
Balance in Profit and Loss Account		<b>55,81,780</b>		13,56,213	
<b>TOTAL</b>		<b><u>80,84,780</u></b>		<u>38,59,213</u>	
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	2	<b>5,26,25,436</b>		5,26,25,436	
Less: Depreciation		<b><u>27,43,172</u></b>		<u>21,71,102</u>	
Net Block		<b>4,98,82,264</b>		5,04,54,334	
<b>Current Assets, Loans and Advances</b>					
Inventories	3	<b>8,96,686</b>		7,12,347	
Cash and Bank Balances	4	<b>66,433</b>		68,170	
Loans and Advances	5	<b>39,11,196</b>		28,97,349	
		<b><u>48,74,315</u></b>		<u>36,77,866</u>	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	6	<b><u>4,67,22,204</u></b>		<u>5,02,85,473</u>	
<b>Net Current Assets</b>		<b>(4,18,47,889)</b>		(4,66,07,607)	
<b>Deferred Tax Asset</b>		<b>40,000</b>		—	
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)					
Preliminary Expenses		<b>10,405</b>		12,486	
<b>TOTAL</b>		<b><u>80,84,780</u></b>		<u>38,59,213</u>	

**Notes on Accounts** 9

Schedules 1 to 6 and Schedule 9 referred to above form an integral part of the Balance Sheet

In terms of our Report of even date.

For Datta Gupta & Associates  
*Chartered Accountants*

S. Datta Gupta  
*Proprietor*

Place : Kolkata  
Date : 24th May, 2006

Dr. S. S. Bajjal  
*Chairman*

V. K. Gupta  
*Director*

N. K. Khurana  
*Director*

P. Dutta  
*Director*

**Profit and Loss Account for the year ended 31st March, 2006**

	<u>Schedule</u>	<u>2005–2006</u> Rs.	<u>2004–2005</u> Rs.
<b>INCOME</b>			
Sales - Green Leaves		—	1,23,26,288
Other Income	7	<u>76,71,117</u>	<u>52,63,791</u>
		<u>76,71,117</u>	<u>1,75,90,079</u>
<b>EXPENDITURE</b>			
Expenses	8	<u>27,91,480</u>	1,16,94,758
Depreciation		<u>5,72,070</u>	5,60,375
		<u>33,63,550</u>	<u>1,22,55,133</u>
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>43,07,567</b>	53,34,946
Fringe Benefit Tax		<b>22,000</b>	—
Deferred Taxation Adjustment		<b>(40,000)</b>	—
Provision for Taxation (Net of Adjustment of Earlier Year)		<b>1,00,000</b>	18,000
<b>PROFIT (LOSS) AFTER TAXATION</b>		<b>42,25,567</b>	53,16,946
Balance Brought Forward		<b>13,56,213</b>	(39,60,733)
<b>Balance Carried Forward</b>		<b>55,81,780</b>	13,56,213
<b>Earning per Share (Basic &amp; Diluted)</b>		<b>16.88</b>	21.24

**Notes on Accounts** 9

Schedules 7 to 9 referred to above form an integral part of the Profit and Loss Account

In terms of our Report of even date.

For Datta Gupta & Associates  
*Chartered Accountants*

S. Datta Gupta  
*Proprietor*

Place : Kolkata  
Date : 24th May, 2006

Dr. S. S. Bajjal  
*Chairman*

V. K. Gupta  
*Director*

N. K. Khurana  
*Director*

P. Dutta  
*Director*

**JYOTI HOLDINGS PRIVATE LIMITED**

**Schedules to the Balance Sheet**

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
2,51,000 ( 2005 - 2,51,000) Equity Shares of Rs.10 each	<u>25,10,000</u>	<u>25,10,000</u>
<b>Issued &amp; Subscribed</b>		
2,50,300 ( 2005 - 2,50,300) Equity Shares of Rs.10 each	<u>25,03,000</u>	<u>25,03,000</u>
[Of the above 2,50,000 (2005 - 2,50,000) Equity Shares have been issued for consideration other than Cash]		
[The entire Equity Share Capital is held by the Holding Company, Rossell Tea Limited]		

**SCHEDULE 2**

**FIXED ASSETS**

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 31.03.2005	Additions during the year	Cost as at 31.03.2006	As at 31.03.2005	Additions for the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land and Planted Teas	4,05,31,248	—	<b>4,05,31,248</b>	—	—	—	<b>4,05,31,248</b>	4,05,31,248
Buildings	45,52,116	—	<b>45,52,116</b>	3,11,031	78,531	<b>3,89,562</b>	<b>41,62,554</b>	42,41,085
Plant and Machinery	67,65,933	—	<b>67,65,933</b>	15,94,649	4,28,243	<b>20,22,892</b>	<b>47,43,041</b>	51,71,284
Furniture and Fittings	3,07,068	—	<b>3,07,068</b>	78,251	19,638	<b>97,889</b>	<b>2,09,179</b>	2,28,817
Vehicles	4,61,300	—	<b>4,61,300</b>	1,85,695	45,289	<b>2,30,984</b>	<b>2,30,316</b>	2,75,605
Office and Other Equipment	7,771	—	<b>7,771</b>	1,476	369	<b>1,845</b>	<b>5,926</b>	6,295
	5,26,25,436	—	<b>5,26,25,436</b>	21,71,102	5,72,070	<b>27,43,172</b>	<b>4,98,82,264</b>	5,04,54,334
Previous year	5,26,02,920	22,516	5,26,25,436	16,10,727	5,60,375	21,71,102	5,04,54,334	

	<u>As at 31.03.2006</u> Rs.	<u>As at 31.03.2005</u> Rs.
<b>SCHEDULE 3</b>		
<b>INVENTORIES</b>		
Stock of Stores & Spares at or under cost	<u>8,96,686</u>	<u>7,12,347</u>
	<u>8,96,686</u>	<u>7,12,347</u>

**SCHEDULE 4**

**CASH AND BANK BALANCES**

Cash in Hand	<b>23,118</b>	28,999
With Scheduled Banks on Current Accounts	<b>43,315</b>	39,171
	<u>66,433</u>	<u>68,170</u>

**JYOTI HOLDINGS PRIVATE LIMITED**

	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
	<u>Rs.</u>	<u>Rs.</u>

**SCHEDULE 5**

**LOANS AND ADVANCES**

Unsecured, Considered Good		
Advance recoverable in cash or in kind or for value to be received	<b>8,71,097</b>	9,42,936
Income Tax Refundable (Net)	<b>17,57,290</b>	6,21,180
Deposits	<b>12,82,809</b>	13,33,233
	<u><b>39,11,196</b></u>	<u>28,97,349</u>

**SCHEDULE 6**

**CURRENT LIABILITIES**

Sundry Creditors (Due to Small Scale Industrial Undertakings - Nil)	<b>34,50,865</b>	30,34,972
Other Liabilities	<b>17,30,848</b>	16,90,313
Due to Rossell Tea Limited, Holding Company	<b>4,15,40,491</b>	4,55,60,188
	<u><b>4,67,22,204</b></u>	<u>5,02,85,473</u>

**Schedules to the Profit and Loss Account**

	<b>2005-2006</b>	<b>2004-2005</b>
	<u>Rs.</u>	<u>Rs.</u>

**SCHEDULE 7**

**OTHER INCOME**

Processing Charges [Tax Deducted At Source - Rs. 48,493 (2004-2005 - Rs. 47,297)]	<b>21,64,850</b>	22,63,026
Agricultural Rent [Tax Deducted At Source - Rs. 12,34,200 (2004-2005 - Rs. 6,27,300)]	<b>55,00,000</b>	30,00,000
Interest on Income Tax Refund	<b>3,262</b>	—
Sundry Receipts	<b>3,005</b>	765
	<u><b>76,71,117</b></u>	<u>52,63,791</u>

**JYOTI HOLDINGS PRIVATE LIMITED**

	<b>2005-2006</b>	2004-2005
	<b>Rs.</b>	Rs.
<b>SCHEDULE 8</b>		
<b>EXPENSES</b>		
Consumption of Stores and Spare Parts	—	10,50,882
Power and Fuel	<b>62,640</b>	58,086
Cess on Green Leaf	<b>5,01,315</b>	4,80,041
Salaries, Wages and Bonus	<b>15,70,963</b>	72,56,778
Contribution to Provident and other Funds	<b>1,69,032</b>	10,88,795
Workmen and Staff Welfare	<b>2,21,290</b>	12,80,332
Rent	<b>72,195</b>	42,193
Rates and Taxes	<b>3,364</b>	3,143
Repairs to Building	<b>7,948</b>	79,982
Other Repairs and Maintenance	—	8,211
Insurance	<b>3,966</b>	497
Auditors' Remuneration	<b>25,724</b>	22,540
Miscellaneous Expenses	<b>1,50,962</b>	3,21,197
Preliminary Expenses	<b>2,081</b>	2,081
	<b><u>27,91,480</u></b>	<u>1,16,94,758</u>

**SCHEDULE 9**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.**

**1. Significant Accounting Policies**

**1.1 Basis of Accounting**

The financial statements have been prepared in accordance with historical cost concept.

**1.2 Fixed Assets**

Fixed Assets are stated at cost of acquisition and depreciated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

**1.3 Inventories**

Stock of stores and spares is valued at or under cost.

**1.4 Staff Benefits**

- a) Annual Gratuity liability is actuarially ascertained and funded.
- b) Contribution for pension to the eligible employees, is made to the approved Superannuation Fund.
- c) Leave encashment liability is provided for as per the eligibility criteria in this regard.

**1.5 Revenue Recognition**

Items of income and expenditure are recognised on accrual and prudent basis.

**1.6 Amortization of Preliminary Expenses**

Preliminary expenses are being written off over a period of 10 years.

- 2. As per an Arrangement entered into by the Company with Rossell Tea Limited, the Holding Company, with effect from 1st April, 2003, the Factory at its Borahi T.E., with other related facilities, have been given for running and operation to them for processing their Green Leaves into Black Tea. As per another arrangement entered into by the Company with Rossell Tea Limited, the Holding Company, with effect from 1st October, 2004, the running and maintenance of Borahi Tea Estate of the Company had been taken over by them upto 31st December, 2005. The same arrangement was renewed again on and from 1st February, 2006. Accordingly, during the year, Rossell Tea Ltd. has grown and cultivated Green Leaves at Borahi T.E.
- 3. Estimated amount of contracts remaining to be executed on Capital Account and not provided (net of advances) for **Rs. Nil** ( 2005 - Nil).
- 4. Estimated amount of Contingent Liability not provided for— **Rs. Nil** ( 2005 –Nil)
- 5. The Company provided a Corporate Guarantee to a Bank for securing the Working Capital facility made available by them to Rossell Tea Ltd., Holding Company, to the extent of Rs. 200 lacs. This Corporate Guarantee is in turn secured by Equitable Mortgage of Borahi T.E.
- 6. Repairs to Buildings in Schedule 8 are exclusive of salaries and wages amounting to **Rs. 7,661** (2004-2005 - Rs.64,652) , which have been included in Salaries, Wages and Bonus.
- 7. Auditors' Remuneration:

	<b>2005-2006</b>	2004-2005
	<u>Rs.</u>	<u>Rs.</u>
Audit Fees	<b>21,045</b>	16,530
For certification job	<b>2,204</b>	6,010
Reimbursement of Expenses	<b>2,475</b>	—
	<u><b>25,724</b></u>	<u>22,540</u>

## JYOTI HOLDINGS PRIVATE LIMITED

### 8. The relevant information pursuant to the Provisions of Paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956 is given below:

	<u>2005-2006</u>	<u>2004-2005</u>
<b>8.1 Black Tea</b>		
Licensed Capacity	<b>Not Applicable</b>	Not Applicable
Installed Capacity	<b>Not Ascertainable</b>	Not Ascertainable
<b>8.2 Green Leaves</b>		
Cultivated and Sold (Kgs.)	—	9,86,103
— Value (Rs.)	—	1,23,26,288
<b>8.3 Stores and Spares Consumed</b> (Indigenous) (Rs.)	—	14,09,754

9. Provision for taxation has been made for current Central Income Tax liability only and no provision for Agricultural Income Tax is considered necessary in view of carried forward agricultural losses. Accordingly, the Company has recognised Deferred Tax Asset in respect of such losses in accordance with the Accounting Standard AS-22- Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, on the basis of future profitability of the Company as projected by the Management based on convincing evidence.

10. The following are the Related Party transactions undertaken by the Company during this accounting period in terms of AS-18 - Related Party Disclosures issued by the Institute of Chartered Accountants of India:

a) **Name of related party and nature of relationship:**

Holding Company	-	Rossell Tea Ltd.
Key Management Personnel	-	Mr. N.K. Khurana and Mr.P Dutta, Directors

b) **Particulars of transactions during the year ended 31st March, 2006 with the Holding Company**

<u>Nature of Transaction</u>	<u>Volume of the Transactions</u>	
	<u>2005-2006</u> <u>(Rs.)</u>	<u>2004-2005</u> <u>(Rs.)</u>
Reimbursement made in respect of Salary and Allowances for Management Staff seconded by them.	<b>7,54,651</b>	5,32,612
Agricultural rent received	<b>55,00,000</b>	30,00,000
Sale of Green Tea Leaves	—	1,23,26,288
Processing Charges received for allowing the use of Borahi Tea Factory	<b>21,64,850</b>	22,63,026
Net decrease in Current Account balance	<b>40,19,697</b>	48,91,566

11. The Company has assessed the valuation of Fixed Assets in the light of Professional advice as obtained by the Management in this regard. Based on such advice, there has been no impairment in the value of Fixed Assets and therefore, no provision for impairment of such Assets is considered necessary by the Management as per Accounting Standard AS-28, Impairment of Assets, issued by the Institute of Chartered Accountants of India.

**12. Earnings per Equity Share**

The calculation of earnings per share is based on the profit after taxation of **Rs. 42,25,567** (2005–Rs. 53,16,946 ) and on **2,50,300** (2005 – 2,50,300) Equity Shares (Face Value Rs.10) outstanding at the end of the year.

**13.** In view of the new arrangement entered into by the Company as stated in Note 2 above, the Previous Year's figures are not comparable with that of current year.

**Information pursuant to Part IV of Schedule VI of the Companies Act, 1956  
Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No.	21-71703	State Code	21
Balance Sheet Date	31.03.2006		

**II. Capital raised during the year (Amount in Rs.'000)**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)**

<b>Total Liabilities</b>		<b>Total Assets*</b>	
<b>Sources of Funds</b>	<b>8,085</b>	<b>Application of Funds</b>	<b>8,085</b>
Paid-up Capital	2,503	Net Fixed Assets	49,882
Reserves and Surplus	5,582	Investments	Nil
Secured Loans	Nil	Net Current Assets	(41,848)
Unsecured Loans	Nil	Deferred Tax Assets	40
		Miscellaneous Expenditure	11

\* Net of Current Liabilities and Provisions

**IV. Performance of the Company (Amount in Rs. '000)**

Turnover	—
Other Income	7,671
Total Expenditure	3,363
Profit Before Tax	4,308
Profit After Tax	4,226
Earnings per Share (in Rs.)	16.88
Dividend Rate	Nil

**V. Generic names of three principal products/services of the Company (as per monetary terms)**

<b>Product Description</b>	<b>Item Code No. (ITC Code)</b>
Black Tea	09.02
Green Leaves	

Place : Kolkata  
Date : 24th May, 2006

Dr. S. S. Bajjal  
Chairman

V. K. Gupta  
Director

N. K. Khurana  
Director

P. Dutta  
Director

## ROSSELL TEA LIMITED

### STATEMENT OF APPROXIMATE AREA, CROP AND YIELD

<u>TEA ESTATES</u>	<u>Tea Bearing Area in Hectares</u>	<u>Crop (Kgs.) 2005-06</u>	<u>Yield per Bearing Hectare</u>
DIKOM	617	13,16,419	2,134
NOKHROY	330	6,97,284	2,113
NAGRIJULI	572	10,06,708	1,760
BOKAKHAT	288	4,82,914	1,677
ROMAI	314	7,02,469	2,237
	<u>2,121</u>	<u>42,05,794</u>	<u>1,983</u>

# ROSSELL TEA LIMITED

REGISTERED OFFICE : 14B, GURUSADAY ROAD, KOLKATA-700 019.

## ATTENDANCE SLIP

I hereby record my presence at the TWELFTH ANNUAL GENERAL MEETING of the Company at Kala Kunj, 48, Shakespeare Sarani, Kolkata-700017 at 10.30 a.m. on Thursday, the 27th July, 2006.

.....  
Full name of the Shareholder  
(in block capitals)

.....  
No. of Shares held

.....  
Signature

Folio No. .... / DP ID No.\* ..... & Client ID No.\* .....  
\* Applicable for members holding shares in electronic form.

.....  
Full name of Shareholder/Proxy  
(in block capitals)

.....  
Signature

**NOTE :** Shareholder/Proxy wishing to attend the meeting must bring the Admission Slip to the meeting and hand over duly signed at the registration counter.

# ROSSELL TEA LIMITED

REGISTERED OFFICE : 14B, GURUSADAY ROAD, KOLKATA-700 019.

## PROXY FORM

I/We .....  
of .....being a Member/Members of ROSSELL TEA LIMITED  
hereby appoint .....of.....  
or failing him/her .....of.....  
or failing him/her .....of.....  
as my/ our Proxy to attend and vote for me/ us and on my/ our behalf at the Twelfth Annual General Meeting of the Company to be held on Thursday, the 27th July, 2006 at 10.30 a.m. and at any adjournment thereof.

Dated this ..... day of ..... 2006.

Signed by the said \_\_\_\_\_

Affix  
Revenue  
Stamp

Folio No. ....

Notes : If a Member is unable to attend the Meeting, he/she may complete this Proxy Form and send it to the Company at its Registered Office so as to reach not less than 48 hours before the time of holding the Meeting.

