



KANCO TEA & INDUSTRIES LIMITED
(Formerly : Dhanvaridhi Concerns Limited)

**Annual Report
&
Accounts 2009-2010**

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BOARD OF DIRECTORS

Mrs. A. Kanoria
Wholetime Director

Mr. U. Kanoria
Mr. G. Momen
Mr. N. Nayar
Mr. G. R. Banka
Directors

AUDITORS

M/s. Jain & Co.
Chartered Accountants

BANKERS

Punjab National Bank

REGISTERED OFFICE

Jasmine Tower, 3rd Floor
31, Shakespeare Sarani,
Kolkata 700 017
Telefax : 2281 5217
Email : kancotea@gmail.com

TEA ESTATES

**Mackeypore &
Lakmijan Tea Estate**
P. O. Nazira 785 685
Dist. Sivasagar (Assam)

SHARE REGISTRARS

CB Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019
Phone : 2280 6692/93/94
E-mail : cbmsl1@cal2.vsnl.net.in



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Kanco Tea & Industries Limited will be held at the "Bhartiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata – 700 017 on Friday, the 13th day of August, 2010 at 10.00 A.M., inter-alia, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2010, the Audited Balance Sheet as at that date and the Reports of the Board of Directors and Auditors.
2. To consider declaration of dividend for the financial year ended 31st March, 2010.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Messrs. Jain & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be decided by the Board, inclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on account of performance of their duties."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. Navin Nayar, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. Golam Momen, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation"
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. Umang Kanoria, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Mr. Gobind Ram Banka, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board
For KANCO TEA & INDUSTRIES LIMITED

Registered Office:
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata – 700 017
Dated: 21st of June, 2010

A. KANORIA
Whole-time Director



NOTICE (Contd.)

NOTES :

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll to vote instead of himself. The proxy need not be a member of the Company. A blank form of proxy is enclosed herewith and, if intended to be used, it should be returned duly completed at the registered office of the Company not less than forty-eight hours before the scheduled time of the commencement of the Annual General Meeting.
- No person shall be entitled to attend or vote at the meeting as a duly authorized representative of any body corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy by the Chairman of the meeting at which it was passed, shall have been deposited at the Registered Office of the Company not less than forty eight hours before the scheduled time of the commencement of the meeting.
- The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business items 4, 5, 6 & 7 above is annexed hereto.
- Brief resume of the Directors proposed for re-appointment is given as Annexure to the Directors' Report.
- The Register of Members and Share Transfer Books of the Company will remain closed from 11th of August, 2010 to 13th August, 2010 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members. Dividend shall be paid to those person whose names appear in the register of members on or before 11th of August, 2010.
- In order to protect the investors from fraudulent encashment of warrants, the members are requested to furnish their Bank Account Number (Current/Savings), the name of the Bank and Branch where they would like to deposit the dividend warrants for encashment, whenever dividend is declared by the Company. These particulars will be printed on the Dividend Warrant besides the name of the shareholders, so that these warrants cannot be encashed by anyone other than the shareholder. The above mentioned details should be furnished by the first/sole holder, directly to their respective Depositories in respect of shares held in electronic form and in case of shares held in physical form to the Compliance officer or Registrar & Share Transfer Agent M/s. C.B. Management Services Pvt. Ltd., P-22, Bondel Road, Kolkata - 700019. The Company is providing the facility of ECS to all shareholders, holding shares in electronic and physical form. The detailed information letter about the ECS facilities is annexed. This facility could also be used by the shareholders instead of Bank mandate system for receiving the credit of dividends, whenever dividend is declared by the Company.
- Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 as amended, dividend remaining unclaimed and unpaid for a period of seven years from the date of payment, is required to be transferred to the Investor Education and Protection Fund of the Central Government. After that there remains no claim of the members whatsoever on the said amount.
- Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956, by nominating in the Form-2B (given elsewhere in the Annual Report) any person to whom their shares in the Company shall vest in the event of their death.
- The shares of the Company shall be compulsorily traded in dematerialized mode. The Company has signed agreements with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depositories Service (India) Limited (CDSL).
- All the documents referred to in the accompanying notice, explanatory statement and the Register of Directors' shareholding and the Register of Contracts maintained under Sections 307 and 301 of the Companies Act, 1956



NOTICE (Contd.)

respectively are open for inspection at the registered office of the Company upto the date of Annual General Meeting. Register of Directors' shareholding shall be open for inspection upto 3 days after the Annual General Meeting.

- Shareholders may kindly note that no gifts/coupons will be distributed at the Annual General Meeting.
- In case you have any query relating to the enclosed Annual Accounts or about the operations of the Company, you are requested to send the same to the Company Secretary at the Registered Office of the Company at least seven days before the date of Annual General Meeting so that the information can be made available at the meeting.

Explanatory Statement u/s 173(2) of the Companies Act, 1956 in respect of item Nos. 4, 5 and 6 of the Notice are as under:

Item No. 4

Pursuant to Article 90 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Mr. Navin Nayar was appointed as an Additional Director of the Company with effect from 29th April, 2010 by the Board of Directors of the Company and holds the office as Director upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member of the Company together with deposit of Rs. 500/-, proposing the appointment of Mr. Navin Nayar as a director of the Company, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

Mr. Navin Nayar is a practicing chartered accountant by profession. He is on the Board of Cheviot Company Limited as a director and is also associated with other reputed Companies, either as a director or a consultant.

None of the Directors except Mr. Navin Nayar is in any way concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of shareholders.

Item No. 5

Pursuant to Article 90 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Mr. Golam Momen was appointed as an Additional Director of the Company with effect from 29th April, 2010 by the Board of Directors of the Company and holds the office as Director upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member of the Company together with deposit of Rs. 500/-, proposing the appointment of Mr. Golam Momen as a director of the Company, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

Mr. Momen is an eminent industrialist and an acute businessman. He has a rich experience in the Tea Industry, especially in valuation and marketing. He is presently the chairman of White cliff Group of Companies. Presently, he is also on the Board of reputed Companies like Apeejay Tea Limited, Birla VXL Limited, Baghmari Tea Company Limited, Bengal Tea & Fabrics Limited, Harrisons Malayalam Limited, Empire & Singlo Tea Limited and Williamson Magor & Co. Limited. He has also served in various committees associated with Tea.

None of the Directors except Mr. Golam Momen is in any way concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of shareholders.



NOTICE (Contd.)

Item No. 6

Pursuant to Article 90 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Mr. Umang Kanoria was appointed as an Additional Director of the Company with effect from 7th May, 2010 by the Board of Directors of the Company and holds the office as Director upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member of the Company together with deposit of Rs. 500/-, proposing the appointment of Mr. Umang Kanoria as a director of the Company, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

Mr. U. Kanoria besides being a Commerce Graduate with honours is an Associate Member of the Institute of Cost & Works Accountants of India (A.I.C.W.A.) and holds a Master's degree in Business Administration from Switzerland (M.B.A.). He has vast experience in Tea Industries and had served as a past president of Tea Association of India (TAI), at present is a member of its committee and was the past president of Indian Chamber of Commerce (ICC). He is also on board of some prominent listed companies.

None of the Directors except Mr. Umang Kanoria and Mrs. Anuradha Kanoria are in any way concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of shareholders.

Item No. 7

Pursuant to Article 90 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Mr. Gobind Ram Banka was appointed as an Additional Director of the Company with effect from 25th March, 2010 by the Board of Directors of the Company and holds the office as Director upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member of the Company together with deposit of Rs. 500/-, proposing the appointment of Mr. Gobind Ram Banka as a director of the Company, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

Mr. Gobind Ram Banka is I.Com by qualification and has experience of more than 30 years in the field of Tea Industry. He is not holding any shares of the Company.

None of the Directors except Mr. Gobind Ram Banka is in any way concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of shareholders.

By Order of the Board
For KANCO TEA & INDUSTRIES LIMITED

Registered Office:
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata – 700 017
Dated: 21st of June, 2010

A. KANORIA
Whole-time Director



DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Annual Report and Audited accounts for the year ended 31st March, 2010

FINANCIALS

Your Company's financial performance was as follows:

		2009-10
		Rs./Lacs
Profit Before Interest, Depreciation and Tax		633.25
Less: Interest		<u>124.97</u>
Gross Profit for the year		508.28
Less: Depreciation		<u>64.87</u>
Profit Before Tax		443.41
Less: Provision For-		
Net Current Tax	56.46	
Deferred Tax	(137.21)	
MAT Credit Entitlement	<u>15.15</u>	(65.60)
Profit/(Loss) After Taxation		509.01
Balance Brought Forward from Last Account		<u>22.49</u>
		531.50
Less: Proposed dividend @ Re.1.00 per share	17.07	
Less: Dividend Distribution Tax	<u>1.16</u>	18.23
Balance Carried to Balance Sheet		<u>513.27</u>

Performance of the Company for the year under review should be viewed in the light of transfer of Tea Division of Kanco Enterprises Limited comprising of Mackeypore and Lakmijan Tea estate, with effect from 1st April, 2009 and accordingly, comparative figures for the previous years are not given.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1/- (Rupees One) only per Equity Share for the year ended 31st March, 2010.

DEMERGER

During the year under review, the Hon'ble High Court of judicature at Calcutta has approved the Scheme of Arrangement in the nature of De-merger of the tea division of the Company. Accordingly the Tea Division of Kanco Enterprises Limited ('the De-merged Company') was transferred to and vested in with the Company. The appointed date for this de-merger was closing hours of **31st March, 2009** With this transfer of Tea Division of KEL, your Company has diversified into cultivation, manufacture and marketing of Black Tea.

CHANGE OF NAME

Following the Scheme of Arrangement, The name of the Company has been changed to Kanco Tea & Industries Limited to reflect the area of operations. Fresh Certificate of Incorporation dated 21st April, 2010 confirming the change in name of the Company has been received from Registrar of Companies, West Bengal.

SHARE CAPITAL

The Company will allot 12,11,609 Equity Shares of Rs.10/- each fully paid to the Shareholders of KEL (as on record



DIRECTORS' REPORT (Contd.)

date i.e. 17th May,2010), in the ratio of 1 fully paid Equity Share of Rs.10/- each of the Company for every 10 fully paid up Equity Shares of Rs.10/- each held in KEL, subject to certain formalities. Steps are also being taken to obtain listing of the Equity Shares on the Stock Exchange(s).

OPERATIONS

The Tea Business witnessed improved profitability due to prices ruling firm. The price realization was higher due to lower carry-forward stock from previous year, increased domestic demand and lower production in Sri Lanka and Kenya.

The performance highlights for the year ended 31st March, 2010 are as follows:

Particulars	Units	2009-2010	2008-2009	% Change
Production of Black Tea				
- Own	Kgs.	17,28,475	15,42,335	12.07
- From Purchased Green Leaves	Kgs.	2,94,498	4,52,963	(34.98)
Average Realisation	Rs./Kg	141.07	111.76	26.23

Tea made from purchase leaves in the current year was lower than previous year due to non-availability of leaves at commercially viable rates.

The increase in sales realization has been possible due to thrust on manufacture of quality teas, steps taken to mitigate shortage of labour, improved field practices and cost control measures.

The major components of capital expenditure of Rs.211.04 lacs incurred by your company are as follows:

- Your company has taken a detailed project for bringing tea areas under irrigation to mitigate the crop loss due to adverse weather condition and the first phase of the project has been successfully implemented.
- Major investment has been made in factory machineries to bring about further improvement in the quality of teas produced.
- A new genset has been purchased to tackle the shortage of power during season time.
- Your company has been taking advantage of Special Purpose Tea Fund Scheme announced by the Tea Board of India. A detailed plan has been chalked out to uproot and replant old bushes having lower yield. In the f.y. 2009-2010, 36.21 Ha. , 26.54 Ha. and 21.95 Ha. was replanted, rehabilitated and uprooted respectively.

The Outlook for the current year is a little weaker because Kenya and Sri Lanka has made large increase of crop as compared to previous year resulting in increased availability of tea. This has weakened sentiments and prices particularly of non-quality teas have been soft. Quality teas however continue to fetch prices comparable to last year. Your company because of it's dependence on quality teas still continues to fetch good prices. However, realization of teas manufactured from purchased leaves will be lower. The Board feels that with the emphasis on quality teas, your company is expected to perform satisfactorily. The weather condition in last few weeks in Assam has been adverse due to excess rain fall, which has caused set back to your estate's crop. The thrust on irrigation and replanting under SPTF will continue.

DIRECTORS

Mr. Navin Nayar and Golam Momen were appointed as Additional Directors of the Company with effect from 29th of April, 2010 and Mr. Umang Kanoria, was appointed as Additional Directors of the Company with effect from 7th of May, 2010. Mrs. Arati Nayar, Mr. Deepak Banka and Mr. Subhra Kanta Parhi have resigned from the Directorship of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state that:



DIRECTORS' REPORT (Contd.)

- Appropriate Accounting Standards as are applicable to the Annual Statement of Accounts for the financial year ended 31st March, 2010 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 19 (Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

FIXED DEPOSITS

The amount outstanding as on 31st March, 2010 on account of Fixed Deposits aggregating Rs. 84.68 lacs is yet to mature and all the deposits that matured during the year were repaid with interest due thereon and nothing remains unclaimed.

AUDITORS

Messrs. Jain & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and being eligible, has expressed their willingness to continue as auditors of the Company, if so appointed by the members.

EMPLOYEE PARTICULARS

The particulars of employees pursuant to section 217 (2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules.

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

A statement pursuant to section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the cooperation and support extended by the Employees, Banks/ Financial Institutions and all other business partners.

Registered Office:
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata – 700 017
Dated: 21st of June, 2010

By Order of the Board
For KANCO TEA & INDUSTRIES LIMITED

A. KANORIA
Whole-time Director



Annexure to the Directors' Report

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2010.

Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A

Particular with respect to Conservation of Energy

Current Year

(A) POWER & FUEL CONSUMPTION

(1) Electricity

(a) Purchased (Units)	12,70,858
Total Amount (Rs.)	75,17,698
Rate / Unit (Rs.)	5.92
(b) Own Generation	
Through Diesel(Units)	6,23,892
Unit per ltr.	5.70
Cost / Unit (Rs.)	5.82

(2) Others/Internal Generation

(a) Gas:	
Quantity (cm ³)	16,03,153
Total Cost (Rs.)	48,55,504
Rate/Unit (Rs./cm ³)	3028.72
(b) LDO/DIESEL	
Quantity(K.Ltr.)	-
Total Cost (Rs.)	-
Average (Rs./K.Ltr.)	-

(B) CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Current Year
(i) Black Tea	Kgs.	20,22,973
Electricity	Unit	0.94
Gas	CM ³	0.79

For the above, there is no prescribed standard.



Annexure to the Directors' Report (Contd.)

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company.
2. Benefits derived as a result of the 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 a percentage of total turnover.

The Company subscribed to Tea Research Association which is registered under Section 35(1) (ii) of the Income Tax Act, 1961, to carry out R&D on Tea. Their recommendations are adopted wherever feasible, in addition to our own efforts for obtaining better results.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company continues its efforts to enhance exports with vigorous steps to find new markets and develop existing ones.

	<u>2009-2010</u>
1. Foreign Exchange Earnings	Rs. NIL
2. Foreign Exchange Outgo	Rs. 32,20,384/-

Registered Office:
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata – 700 017
Dated: 21st of June, 2010

By Order of the Board
For KANCO TEA & INDUSTRIES LIMITED

A. KANORIA
Whole-time Director



AUDITORS' REPORT

TO THE MEMBERS OF KANCO TEA & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **KANCO TEA & INDUSTRIES LIMITED** as at 31st March, 2010, as well as the annexed Profit & Loss Account and the Cash Flow Statement for the year ended 31st March, 2010. 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 check 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 for our opinion.

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 in terms of Section 227(4A) of the Companies Act, 1956, (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) 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 those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Act.
- e) On the basis of written representations received from the Directors, as on 31st March 2010, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director under Clause (g) of Sub-section (1) of section 274 of the Act;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010.
 - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Jain & Co.,
Chartered Accountants
Registration No 302023E

P-21/22, Radhabazar Street,
Kolkata-700 001
Dated the 21st day of June, 2010

M.K. Jain
Partner
Membership No 55048



ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our Report of even date:

- 1) In respect of Fixed Assets.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - b) The fixed assets have been physically verified during the year by the management in accordance with a program of verification, the frequency whereof is reasonable. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - c) The company has not disposed off any substantial part of its fixed assets so as to effect its going concern.
- 2) In respect of Inventories.
 - a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verifications.
- 3) In respect of loans, secured or unsecured, granted or taken by the company to or from other companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956, according to the information and explanations given to us :
 - a) The Company has not granted any loans to any party during the year;
 - b) During the year the Company has taken interest free unsecured loan of Rs 15.00 lacs from one party and the amount outstanding at the close is Rs. Nil. The maximum amount involved during the year was Rs. 18.50 lacs.
 - c) The rate of interest and other terms and conditions of such loan are, in our opinion, not prejudicial to the interest of the company;
 - d) The Company is regular in payment of principal amount and interest.
- 4) In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of stores and spare parts, raw materials, plant and machinery, equipment and other assets and with regard to sale of goods and services. During the course of our previous assessment, no major weakness in internal control had come to our notice.
- 5) To the best of our knowledge and belief and according to information and explanations given to us, there were no particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, that were required to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- 6) The Company has accepted deposits from the public within the meaning of Sections 58A and Section 58AA of the Act and have complied with the rules framed thereunder.
- 7) The company has an adequate internal audit system commensurate with the size of the company and nature of its business.
- 8) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956,



Annexure to the Auditors' Report (Contd.)

and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- 9) According to the information and explanations given to us, in respect of statutory dues and other dues the Company is regular in depositing undisputed Statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities where applicable. There are no arrears of aforesaid statutory dues as at the last day of the financial year outstanding for a period of six months from the date they became payable.
- 10) The Company does not have any accumulated losses at the financial year ended 31st March, 2010 and it has not incurred cash losses in the current and immediate preceding financial year.
- 11) Based on our audit procedure and on the information and explanations given by the management, the Company has not defaulted in repayment of principal and interest, due to the Banks.
- 12) As informed to us the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other investments.
- 13) In our opinion the Company is not a chit fund or nidhi/mutual benefit fund/societies. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) order, 2003, are not applicable to the Company.
- 14) To the best of our knowledge and belief and according to the information and explanations given to us the Company has maintained proper records of the transactions for dealing in shares, securities and other investments and timely entries have made therein. The shares, securities and other investments have been held by the company in its own name.
- 15) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16) The Company has applied the money received as term loans during the year for the purposes for which the loans were obtained.
- 17) The Funds raised by the Company on short term basis have not been used during the year for long term investment.
- 18) The Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year and hence the question of the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
- 19) The company has not issued any debentures during the year and it has created proper security in respect of outstanding debentures.
- 20) The company has not raised any money through public issues during the year.
- 21) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Jain & Co.
Chartered Accountants
Registration No 302023E

P-21/22, Radhabazar Street
Kolkata-700 001
Dated the 21st day of June, 2010

M.K. Jain
Partner
Membership No 55048



BALANCE SHEET as at 31st March, 2010

	SCHEDULES	Current Year	
		Rs.	Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1A	89,60,000	
Share Capital Suspense	1B	1,21,16,084	
Reserves & Surplus	2	7,48,02,254	9,58,78,338
LOAN FUNDS			
Secured Loans	3	10,26,10,505	
Unsecured Loans	4	1,68,41,057	11,94,51,562
Deferred Tax Liabilities (Net)	5		41,67,130
			<u>21,94,97,030</u>
T O T A L			
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	11,48,00,866	
Less: Depreciation		51,23,852	
Net Block		10,96,77,014	
Advance for Capital Expenditure		70,000	10,97,47,014
Investments			
Current Assets, Loans and Advances			
Inventories	8	3,91,33,928	
Sundry Debtors	9	24,88,018	
Cash and Bank Balances	10	49,07,252	
Loans and Advances	11	8,07,39,813	
Total Current Assets, Loans and Advances		<u>12,72,69,011</u>	
Less: Current Liabilities & Provisions			
Current Liabilities	12	6,17,65,574	
Provisions		75,71,083	
Total Current Liabilities and Provisions		<u>6,93,36,657</u>	
Net Current Assets			5,79,32,354
Miscellaneous Expenditure	13		14,55,311
(To the extent not written off or adjusted)			<u>21,94,97,030</u>
T O T A L			
NOTES ON ACCOUNTS			
19			

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

As per Our Report Attached

For Jain & Co

Chartered Accountants

Registration No.302023E

M.K.JAIN

Partner

Membership No.55048

P-21/22, Radhabazar Street

Kolkata - 700 001

Dated : 21st Day of June,2010

A. KANORIA | Wholetime Director

U. KANORIA |

G. MOMEN | Directors

N. NAYAR |

G. R. BANKA |



PROFIT & LOSS ACCOUNT for the year ended 31st March, 2010

	<u>SCHEDULES</u>	<u>Current Year</u>	
		Rs.	Rs.
INCOME			
Sales & Operating Income:			
Finished Loose Tea (Including claims Rs.8,474/-)			26,82,61,503
Other Income	14		42,73,627
Closing Stock			3,17,29,911
			<u>30,42,65,041</u>
EXPENDITURE			
Opening Stock			1,80,67,161
Cultivation and Manufacturing Expenses	15		12,17,20,545
Payments to and Provisions for Employees	16		4,73,87,026
Selling and Distribution Expenses	17		1,68,78,057
Other Expenses	18		3,62,67,606
Excise Duty & Cess			6,19,679
Interest :			
On Loans		69,92,834	
On Fixed Deposits		6,34,421	
On Cumulative Deposits		1,46,285	
Others (Net)		<u>47,23,175</u>	
			1,24,96,715
Depreciation			<u>64,87,621</u>
			<u>25,99,24,410</u>
			4,43,40,631
Profit Before Taxation			
Less: Provision for Taxation			
Current Tax		56,46,059	
Deferred Tax		(1,37,21,364)	
Provision for MAT Credit Entitlement Written Back		<u>15,14,614</u>	
			<u>(65,60,691)</u>
Profit/(Loss) After Taxation			
Balance Brought Forward from Last Account			<u>22,49,296</u>
			5,31,50,618
Less: Proposed Dividend @ Rs.1.00 per share			17,07,609
Less: Tax on Proposed Dividend			<u>1,16,083</u>
Balance Carried to Balance Sheet			<u>5,13,26,926</u>
Earnings per Share Rs.			
Basic			102.62
Diluted			29.81

(Refer Note No.13 of Schedule 19)

NOTES ON ACCOUNTS

19

The Schedules referred to above form an integral part of the Profit & Loss Account

As per Our Report Attached

For Jain & Co

Chartered Accountants

Registration No.302023E

M.K.JAIN

Partner

Membership No.55048

P-21/22, Radhabazar Street

Kolkata - 700 001

Dated : 21st Day of June,2010

A. KANORIA Wholetime Director

U. KANORIA |
G. MOMEN | Directors

N. NAYAR |
G. R. BANKA |

**KANCO TEA & INDUSTRIES LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2010**For the year ended
31st March,2010 (Rs.)

Particulars	
A. CASH FLOW FROM OPERATING ACTIVITIES	4,43,40,631
Net Profit/(Loss) before tax & Extraordinary items	1,24,96,715
Interest paid	64,87,621
Depreciation	(13,28,270)
Interest Received	(7,539)
Profit/(Loss) on Fixed Assets Sold	(12,60,495)
Dividend Received	6,07,28,663
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	
ADJUSTMENT FOR :	1,22,12,732
Trade & Other Receivables	(1,44,77,860)
Inventories	(20,34,496)
Trade Payables	5,64,29,039
CASH GENERATED FROM OPERATIONS	(1,24,96,715)
Interest Paid/Payable	(33,82,024)
Income tax paid (Net of Refund)	4,05,50,300
CASH FLOW BEFORE EXTRAORDINARY ITEMS	0
Extra Ordinary Items	4,05,50,300
NET CASH FLOW FROM OPERATING ACTIVITIES	
B. CASH FLOW FROM INVESTING ACTIVITIES	(2,10,86,990)
Purchase of Fixed Assets	4,45,000
Fixed Assets Sold	13,28,270
Interest Received	12,60,495
Dividend Received	0
Sale of Investments	(2,00,002)
Purchase of Investments	(1,82,53,227)
Net Cash Flow from Investing Activities	
C. CASH FLOW FROM FINANCING ACTIVITIES	(1,67,81,539)
Increase in borrowings from Banks	37,42,743
Long Term Borrowings	(59,21,877)
Increase in Intercompany Loans and others	0
Share Capital Suspense	(14,55,311)
Demerger Expenses	0
Increase in Share Capital	(2,04,15,984)
NET CASH USED IN FINANCING ACTIVITIES	18,81,089
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	30,26,163
CASH AND CASH EQUIVALENTS AS AT (OPENING BALANCE)	49,07,252
CASH AND CASH EQUIVALENTS AS AT (CLOSING BALANCE)	

Notes

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3- Cash Flow Statement referred to in The Companies Accounting Standard Rules, 2006.
2. Cash and cash Equivalents represent cash and bank balances only.
3. In view of transfer of Tea Division to the Company as mentioned in Note 8 of Schedule 19, figures for the previous year have not been given, as the same are not in conformity with figures of the current year.

As per Our Report Attached
For Jain & Co
Chartered Accountants
Registration No.302023E
M.K.JAIN
Partner
Membership No.55048
P-21/22, Radhabazar Street
Kolkata - 700 001
Dated : 21st Day of June,2010

A. KANORIA Wholetime Director

U. KANORIA |
G. MOMEN | Directors
N. NAYAR |
G. R. BANKA |



SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2010

SCHEDULE '1A'	Current Year
SHARE CAPITAL	Rs.
Authorised	
5,00,000 Equity Shares of Rs.10/- each	50,00,000
1,00,000 Non Cumulative Redeemable Preference Shares of Rs.100/- each	1,00,00,000
	<u>1,50,00,000</u>
ISSUED, SUBSCRIBED AND PAID UP	
4,96,000 Equity Shares of Rs.10/- each fully paid up in cash	49,60,000
40,000 7% Non Cumulative Redeemable Preference Shares of Rs.100/- each	40,00,000
	<u>89,60,000</u>
SCHEDULE '1B'	
SHARE CAPITAL SUSPENSE	
12,11,609 Equity Shares of Rs.10/- each fully paid up to be issued pursuant to Scheme of Arrangement without payment being received in cash (Please refer Note No.8 of Schedule 19)	1,21,16,084
	<u>1,21,16,084</u>

Schedule 2	Balance as on		Balance as on
	April 1, 2009	Additions	March 31, 2010
RESERVES & SURPLUS	Rs.	Rs.	Rs.
General Reserve	1,89,60,000	-	1,89,60,000
Preference Share Redemption Reserve	40,00,000	-	40,00,000
Special Reserve	5,15,328	-	5,15,328
Balance as per Profit & Loss Account	22,49,296	4,90,77,630	5,13,26,926
	<u>2,57,24,624</u>	<u>4,90,77,630</u>	<u>7,48,02,254</u>

SCHEDULE '3'		Current Year
SECURED LOANS		Rs. Rs.
A. Term Loan from Punjab National Bank under National Bank for Agricultural and Rural Development Refinance Scheme:		5,78,63,594
B. Working Capital Loan from Punjab National Bank		3,53,17,283
C. From Tea Board Under Special Purpose Tea Fund Scheme		54,90,957
D. Car Loan against Hypothecation of Cars		
i) From ICICI Bank Limited	10,53,728	
ii) From HDFC Bank Limited	28,84,943	
		<u>39,38,671</u>
		<u>10,26,10,505</u>

SECURITY IN RESPECT OF EACH OF THE ABOVE IS GIVEN IN SERIATIM

- A. Secured by hypothecation of tea crops, plant and machinery, spare parts and furniture etc., present and future, and by extensions of equitable mortgage by deposit of title deeds of Tea Estates and also guaranteed by Mr.U.Kanoria.
- B. Secured by hypothecation of green tea leaves, before and after plucking, teas in process, finished tea in stock/ transit and/or lying with brokers relating to season 2010, book debts and by way of equitable mortgage of immovable properties and machineries of Tea Estates as collateral security and further guaranteed by Mr.U.Kanoria.
- C. Secured by hypothecation of tea crops and mortgage of title deeds of tea estates in favour of Tea Board ranking subsequent to charge created in favour of the Punjab National Bank.
- D. Secured by hypothecation of Motor cars.



SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2010

SCHEDULE '4'

UNSECURED LOANS

LOANS AND ADVANCES

	<u>Current Year</u>
	Rs.
From Bodies Corporate	80,14,420
Interest Accrued and Due	3,58,943
Fixed Deposits	73,85,000
Cumulative Deposits	<u>10,82,694</u>
	<u>1,68,41,057</u>

SCHEDULE '5'

DEFERRED TAX LIABILITY

Deferred Tax Liability being the Tax impact on -

Difference of Written Down Value of Fixed Assets
as per Income Tax Laws and Books

56,07,113
56,07,113

Deferred Tax Asset being the Tax impact on -

Expenses charged in books but allowance
thereof deferred under income Tax laws

14,39,983
14,39,983

Deferred Tax Liability (Net)

41,67,130

SCHEDULE '6'

FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	Pursuant to Scheme of Arrangement*	Additions	Sales and/or Adjustments	As at 31.03.2010	Additions	Deductions	Up to 31.03.2010	As at 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land & Plantation	3,03,38,738	-	-	3,03,38,738	-	-	-	3,03,38,738
Building & Water Supply Installation	1,68,30,492	2,20,000	-	1,70,50,492	3,98,854	-	3,98,854	1,66,51,638
Machinery & Electric Installation	3,08,65,276	1,64,64,000	1,31,717	4,71,97,559	38,67,807	1,18,789	37,49,018	4,34,48,541
Vehicles	77,46,214	42,60,893	16,69,513	1,03,37,594	13,32,698	12,44,980	87,718	1,02,49,876
Furniture & Fittings	97,17,453	1,59,030	-	98,76,483	8,88,262	-	8,88,262	89,88,221
Total	<u>9,54,98,173</u>	<u>2,11,03,923</u>	<u>18,01,230</u>	<u>11,48,00,866</u>	<u>64,87,621</u>	<u>13,63,769</u>	<u>51,23,852</u>	<u>10,96,77,014</u>
Advance for Capital Expenditure								70,000
Grand Total								<u>10,97,47,014</u>

*The Assets has been transferred from KEL at book values as on 01.04.2009 (Refer Note No.8 of Schedule 19)



SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2010

SCHEDULE '7'	<u>Face Value</u>	<u>Number</u>	<u>Current Year</u>
	Rs.		Rs.
INVESTMENTS (AT COST)			
1. LONG TERM : OTHER THAN TRADE AT COST			
IN SHARES			
I. Quoted Shares			
Gujarat Nylons Limited	10/-	100	3,468
Warren Tea Limited	10/-	10	2,133
The Methoni Tea Co. Limited	10/-	100	12,688
The Grob Tea Co. Limited	10/-	150	12,120
Rydak Syndicate Limited	10/-	100	12,688
Mangalore Refinery & Petrochemicals Ltd.	10/-	200	5,900
Oriental Carbon & Chemicals Limited	10/-	3,11,179	21,55,035
Kanco Enterprises Limited	10/-	33,14,291	3,53,55,657
India Glycols Ltd	10/-	6,600	24,13,875
Srei Infrastructure & Leasing Limited	10/-	2,214	5,20,193
Electro Steel Castings Limited	10/-	2,000	1,80,767
Reliance Industries Limited	10/-	650	11,07,115
(Market Value of Quoted Shares Rs.6,12,35,351)		TOTAL (A)	<u>4,17,81,639</u>
II. Unquoted Shares			
E T Resources Private Limited	10/-	81,244	12,54,025
B T Investments Private Limited	10/-	81,244	11,06,897
Cosmos Resources Private Limited	10/-	2,68,351	9,63,240
Facitcon Investments Private Limited	10/-	3,01,000	12,76,394
S T Investment Private Limited	10/-	1,59,500	15,98,250
Nidhi Private Limited	10/-	1,60,000	4,02,050
Innova Properties Pvt. Ltd.	10/-	77,500	7,78,875
Suryasakti Commodities Pvt. Ltd.	10/-	46,000	4,62,300
OCL Investments & Leasing Ltd.	10/-	5,36,000	5,38,681
		TOTAL (B)	<u>83,80,712</u>
		TOTAL (A+B)	<u>5,01,62,351</u>
TOTAL LONG TERM INVESTMENTS			
2. CURRENT INVESTMENTS : UNQUOTED			
Principal Floating Rate Fund (Market Value Rs.200163.54)	10	13,97,780	2,00,000
TOTAL CURRENT INVESTMENTS			<u>2,00,000</u>
GRAND TOTAL			<u>5,03,62,351</u>
SCHEDULE '8'			
INVENTORIES			
(Per inventories taken, valued and certified by the management)			71,09,823
Stores, Spare Parts and Food Grains			2,94,194
Stores in Transit			3,17,29,911
Stock in Trade: Finished Tea			<u>3,91,33,928</u>
SCHEDULE '9'			
SUNDRY DEBTORS(Unsecured,Considered Good)			
Over Six Months			
(a) Considered Good			39,546
(b) Considered Doubtful			6,25,620
			<u>6,65,166</u>
Less: Provision made for Doubtful Debts			<u>6,25,620</u>
			39,546
			<u>24,48,472</u>
Others - Considered Good			<u>24,88,018</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2010****SCHEDULE '10'****CASH AND BANK BALANCES**

	Current Year	
	Rs.	Rs.
Cash in Hand(Certified by the management)		14,46,490
Balances with Scheduled Banks		
In Current Accounts		29,07,188
In Fixed Deposit Account (Refer Note No.2 of Schedule 19)		5,27,764
Interest accrued but not due on Fixed Deposit		25,810
		<u>49,07,252</u>

SCHEDULE '11'**LOANS AND ADVANCES(Unsecured,Considered Good)**

Loans		5,70,69,692
Interest accrued and due on Unsecured Loan		7,51,233
Advances recoverable in cash or in kind or for value to be received		87,75,324
Prepaid Expenses		23,19,836
Housing Subsidy Receivable		53,862
Balances with Excise Department		33,085
Deposits		85,71,206
Interest accrued and due on Security Deposit		5,93,733
Sales Tax Refundable		5,156
Income Tax Refundable		32,029
Tax Deducted at Source		7,54,657
Advance payment of Tax		17,80,000
		<u>8,07,39,813</u>

SCHEDULE '12'**CURRENT LIABILITIES & PROVISIONS**

Current Liabilities		
Sundry Creditors :		
Due to Micro, Small and Medium Enterprises		
(Refer Note No.6 of Schedule 19)		
Others	3,61,20,174	3,61,20,174
Advances against Consignment of Tea		2,07,05,209
Interest accrued but not due on Secured Loans		46,37,813
Interest accrued but not due on Cumulative Deposits		3,02,378
		<u>6,17,65,574</u>
Provisions		
For Taxation		57,47,391
For Proposed Dividend		17,07,609
For Tax on Proposed Dividend		1,16,083
		<u>75,71,083</u>
		<u>6,93,36,657</u>

SCHEDULE '13'**MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Demerger Expenses		14,55,311
		<u>14,55,311</u>



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

	Current Year	
	Rs.	Rs.
SCHEDULE 14		
OTHER INCOME		
Interest (Gross) (Tax Deducted at source Rs.1,25,051)		
On Unsecured Loan	8,34,703	
On Fixed Deposit with Banks	39,214	
From Others	<u>4,54,353</u>	13,28,270
Subsidy Received from Tea Board		
Replanting Subsidy	4,68,095	
Under SPTF Scheme	10,98,192	
Orthodox Subsidy	<u>1,06,661</u>	16,72,948
Dividend Received		12,60,495
Profit on Sale of Fixed Asset (Net)		7,539
Miscellaneous Receipt		<u>4,375</u>
		<u>42,73,627</u>
SCHEDULE '15'		
CULTIVATION AND MANUFACTURING EXPENSES		
Cultivation Expenses		4,97,04,230
Manufacturing Expenses (Including Purchase of Green Tea Leaves Rs.2,52,05,914)		5,10,38,091
Power & Fuel		1,72,88,345
Stores and Spares Consumed		13,62,421
Tea Chest, Paper Sacks and Bags		<u>23,27,458</u>
		<u>12,17,20,545</u>
SCHEDULE '16'		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Bonus and Gratuity		3,11,66,701
(Including Provision for Bonus Rs.99,91,594; Excess Provision for Gratuity Rs.23,84,046; Excess Provision for Leave Encashment Rs.1,28,205 and Short Provision of Bonus for earlier year Rs.46,45,729)		
Contribution to Provident and Other Funds		71,63,967
Workmen & Staff Welfare Expenses		<u>90,56,358</u>
		<u>4,73,87,026</u>
SCHEDULE '17'		
SELLING AND DISTRIBUTION EXPENSES		
Freight and Other Sales Charges		1,24,14,709
Brokerage, Commission and Discount on Sales		
To Selling Agents	18,07,457	
To Others	<u>26,55,891</u>	44,63,348
		<u>1,68,78,057</u>



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010
SCHEDULE '18'

	Current Year	
	Rs.	Rs.
OTHER EXPENSES		
Rent		
Insurance Charges		25,80,319
Rates & Taxes		7,83,742
Transport & Maintenance		28,35,963
Miscellaneous Expenses		65,90,453
Difference in Foreign Exchange Rate (Net)		1,15,25,607
Repairs :		20,14,307
Machinery		
Building	36,41,429	
Others	49,58,342	
	<u>1,21,382</u>	
Remuneration to Wholetime Director (Refer Note No.10 of Schedule 19)		87,21,153
Directors' Fees		2,00,000
Demerger Expenses Written Off		4,500
Donation		3,63,828
Adjustment relating to previous years (net)		20,000
		<u>6,27,734</u>
		<u>3,62,67,606</u>

SCHEDULE 19

NOTES ON ACCOUNTS

	31st March, 2010 Rs.
1. Contingent liabilities not provided for ; Irrevocable Stand by Revolving Letter of Credit	4,01,746
2. Fixed Deposits of Rs.1,82,764 have been lodged with Bank for obtaining guarantee in favour of a party on behalf of the Company.	
3. Estimated amount of contracts remaining to be executed on capital account for Rs.1,28,900 but not provided for.	
4. Total Salaries, Wages, Bonus and Gratuity amount to Rs.6,79,53,043.	
5. Miscellaneous Expenses include payments to Auditors as under :	
Statutory Auditors :	
Audit Fees	71,695*
Tax Audit Fees	22,060*
Other Matters	59,308*
Re-imbusement of Expenses	4,275
	<u>1,57,338</u>
* Includes Service Tax	
6. Sundry Creditors do not include any amount due (Previous Year Rs.Nil/-) from suppliers as defined under the "Micro Small & Medium Enterprises Development Act,2006" as per the information available with the Company.	



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Continued) :

7. Additional Information pursuant to the provisions of Part II of the Schedule VI of the Companies Act, 1956 :

A. Licenced and Installed Capacity and Actual Production :

Class of Goods	LICENCED CAPACITY	INSTALLED CAPACITY	ACTUAL PRODUCTION
	2009-2010	2009-2010	2009-2010
Black Tea	Not Applicable	Not Applicable	*20,22,973 kgs
Green Tea Leaves	Not Applicable	Not Applicable	74,29,224 kgs

* Production Quantity in Gross (Waste, Gratis, etc. not excluded)

B. Opening and Closing Stock of Goods Produced :

Class of Goods	Unit	OPENING STOCK*		CLOSING STOCK	
		Quantity	Value Rs.	Quantity	Value Rs.
Black Tea	Kgs.	1,63,252	<u>1,80,67,161</u>	2,70,622	<u>3,17,29,911</u>
			<u>1,80,67,161</u>		<u>3,17,29,911</u>

* Stocks taken over pursuant to Scheme of Arrangement.

C. Particulars in respect of Purchases and Sales :

Class of Goods	Unit	PURCHASES		SALES	
		Quantity	Value Rs.	Quantity	Value Rs.
Black Tea	Kgs.	-	-	19,01,559	26,82,61,503
Green Tea Leaves	Kgs.	14,01,537	<u>2,52,05,914</u>	-	-
			<u>2,52,05,914</u>		<u>26,82,61,503</u>

D. Details of Raw Materials Consumed :

Green Tea Leaves Consumed (Raw Materials) 88,30,761 Kgs. of which 14,01,537 Kgs. Purchased - Value Rs.2,52,05,914/-

E. Value of Raw Materials, Spares Parts and Components Consumed :

	RAW MATERIALS		COMPONENTS CONSUMED	
	Rs.	%	Rs.	%
Imported	-	-	-	-
Indigenous	-	-	19,26,925	100.00
	-	-	<u>19,26,925</u>	<u>100.00</u>



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Continued)

F. Value of Imports on C.I.F. Basis :

	2009-2010
	Rs.
Spare Parts	-
Capital Goods	-
	-
	-

G. Expenditure in Foreign Currency :

Travelling Expenses	30,80,519
Subscription	1,36,258
Others	3,607
	<u>32,20,384</u>

H. Earnings in Foreign Currency :

F.O.B. Value of Exports	-
Direct	-
Through Export House	-
(Certified by the Management)	<u>-</u>

8. As per the Scheme of Arrangement (the "Scheme") between Kanco Tea & Industries Limited ("the Company") with Kanco Enterprises Limited ("KEL") :
- The Scheme between the Company with KEL was sanctioned by the Hon'ble High Court at Calcutta and the Tea Division of KEL comprising of Mackeypore & Lakmijan Tea Estates stands transferred to and vested in the Company with effect from 1st April,2009.
 - All the assets and properties, both movable and immovable, liabilities, debts, duties, obligations, industrial and other licenses, all other interests, rights and powers of every kind, etc., and employees pertaining to Tea Division of KEL, and the accumulated funds, provident funds, gratuity and superannuation funds, etc. as on 1st April,2009, as well as all transactions thereafter pertaining to such division have been transferred to the Company.
 - Necessary steps for transfer of title deeds of land, buildings, investments, loans, licenses, agreements, etc. in the name of the Company are being taken.
 - The Company will allot 12,11,609 Equity Shares of Rs.10/- each fully paid to the Shareholders of KEL (as on record date i.e. 17th May,2010), in the ratio of 1 fully paid Equity Share of Rs.10/- each of the Company for every 10 fully paid up Equity Shares of Rs.10/- each held in KEL, subject to certain formalities.
9. a) The name of the Company has been changed from Dhanvaridhi Concerns Limited to Kanco Tea & Industries Limited as per Fresh Certificate of Incorporation dated 21st April, 2010 issued by the Registrar of Companies, West Bengal.
- b) In view of transfer of Tea Division of KEL to the Company as detailed in Note.8, figures of the previous year have not been given in the accounts as the same are not comparable with figures of the current year and the figures of the previous year have been regrouped/rearranged. The summarised statement of Balance Sheet as at 31st March,2009 and Profit & Loss Account for the year ended 31st March, 2009 are appended below:



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

BALANCE SHEET as at 31st march, 2009

SOURCES OF FUNDS

Amount in Rs.

SHAREHOLDERS' FUNDS

Share Capital

Equity Shares

49,60,000

7%Non Cumulative Redeemable Preference Shares

40,00,000

89,60,000

Reserves & Surplus

General Reserve

1,89,60,000

Special Reserve

5,15,328

Preference Share Redemption Reserve

40,00,000

Balance per Profit & Loss Account

22,49,296

2,57,24,624

LOAN FUNDS

Unsecured Loans

1,37,82,954

TOTAL

4,84,67,578

APPLICATION OF FUNDS

Investments

5,15,79,879

Current Assets, Loans and Advances

Current Assets

12,426

Loans and Advances

47,23,121

47,35,547

Less: Current Liabilities & Provisions

Current Liabilities

77,05,000

Provisions

1,46,211

Total Current Liabilities and Provisions

78,51,211

Net Current Assets

(31,15,664)

Deferred Tax Asset

3,363

TOTAL

4,84,67,578

PROFIT & LOSS ACCOUNT for the year ended 31st March, 2009

INCOME

Interest Received

4,21,667

Dividend

1,85,387

Income from Financial Transactions

2,00,161

TOTAL

8,07,215

EXPENDITURE

Interest Paid

14,05,905

Rates & Taxes

4,350

Rent

6,000

Listing Fees

13,500

Advertisement

11,651

Auditors Remuneration

5,943

Directors Fees

3,000

Miscellaneous Expenses

16,418

TOTAL

14,66,767

Profit for the year

(6,59,552)

Less: Provision for Taxation

40,991

Net Profit for the year

(7,00,543)

Balance Brought Forward from Last Account

29,49,839

Balance Carried To Balance Sheet

22,49,296



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Contd.)

10. Computation of Net Profit under Section 198 of the Companies Act, 1956 read with Section 349 of the Act for the purpose of calculating Directors' Remuneration :

	2009 - 2010	
	Rs.	Rs.
Profit as per Profit & Loss Account :		4,43,40,631
Add : Director's Remuneration (As per details below)	3,19,000	
Directors' Fees	4,500	
		<u>3,23,500</u>
Less:: Profit on Fixed Assets Sold (Net)		4,46,64,131
Net Profit for the purpose of Computation of Director's Remuneration		<u>7,539</u>
		<u>4,46,56,592</u>

Remuneration including actual / estimated value of perquisites paid to Wholtime Director in terms of approval as per details below :

Director's Remuneration :	Rs.
Salary	
Contribution to Provident, Superannuation and Gratuity Fund	2,00,000
Other Benefits	59,000
	<u>60,000</u>
	<u>3,19,000</u>

11. Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits":

a. The Company during the year, has adopted accounting standard 15 (revised) "employee Benefits" issued by The Institute of Chartered Accountants of India.

b. Defined Contribution Plans:

Amount of Rs.46,18,685/- is recognised as expense and included in "Payments to and provision for Employees" in Schedule- 16 to the Profit & Loss Account.

c. Defined Benefit Plans:

i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

Particulars	Gratuity
	2009-2010
a. Present value of Defined Benefit obligation at the beginning of the year	1,33,84,162
b. Interest cost	1,00,70,733
c. Current service cost	9,04,161
d. Actuarial Losses/(Gains)	(6,08,454)
e. Benefits paid	(18,40,347)
f. Present value of Defined Benefit Obligation at the close of the year	<u>1,29,10,255</u>

ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

a. Fair value of Plan Assets at the beginning of the year	46,98,189
b. Add: Expected return on Plan Assets	4,61,028
c. Add/Less: Actuarial Losses/(Gains)	-
d. Add: Contributions	22,51,084
e. Benefits Paid	(18,40,347)
f. Fair value of Plan Assets at the close of the year	<u>55,69,954</u>



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Contd.)

iii. Amount Recognised in the Balancesheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to assets and liabilities recognised in the Balance Sheet.

Particulars	Gratuity
	2009-2010
a. Present value of Defined Benefit obligation	1,29,10,255
b. Fair value of plan Assets	55,69,954
c. Present value of unfunded obligation	(73,40,301)
d. Net Liability/(Asset) recognised in the Balance Sheet	(73,40,301)

iv. Amount recognised in the Profit and Loss Account are as follows:

a. Current Service Cost	9,04,161
b. Interest Cost	10,70,733
c. Expected return on Plan Assets	(4,61,028)
d. Actuarial Losses/(Gains)	(6,08,454)
e. Recognised in the Profit and Loss Account	9,05,412

v. Actuarial Assumptions at the Balancesheet date:

a. Discount Rate	8%
b. Expected rate of return on Plan Assets	-
c. Salary Escalation rate- Management Staff	3%
d. Salary Escalation rate- Non Management Staff	3%

The Estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vi. Amount recognised as an expense in respect of Compensated Leave Absences is Rs.(73,601)

vii Short term Liability amounting to Rs.Nil for leave encashment has been charges out to Profit & Loss Account.

(12) Related Party Disclosures

Related party disclosures ,as required by AS-18."Related Party Disclosures",are given below:

1. Relationships:

(i) Key Management Personnel and their relatives :

Mrs. Anuradha Kanoria
Mr. Umang Kanoria
Miss Stuti Kanoria
Master Satvik Kanoria

(ii) Enterprises over which the key management personnel and/or their relatives have significant influence :

B.T.Investments Pvt. Ltd
Cosmos Resources Pvt. Ltd
E.T.Resources Pvt. Ltd
Facitcon Investments Private Limited
Innova Properties Pvt. Ltd.
Kanco Enterprises Limited
Milan Agencies Pvt. Ltd.
Nidhi Pvt Limited
OCL Investments & Leasing Ltd.
S.T.Investment Pvt. Ltd.
Suryasakti Commodities Pvt. Ltd.

**SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010****SCHEDULE 19 (Contd.)**

2. The following transactions were carried out with the related parties in the ordinary course of business:

Details relating to parties referred to in item 1(i) and 1(ii) above:

Particulars	2009-2010 (Rs.)	
	In Relation to Item 1(i)	In Relation to Item 1(ii)
a. Rent Paid	Nil	6,18,000
b. Intercorporate Loan Given	Nil	1,16,42,000
c. Intercorporate Loan Received	Nil	15,74,000
d. Interest Free Loan Given	4,50,000	Nil
e. Interest Free Loan Received	Nil	5,20,074
f. Fixed Deposits Received	13,67,694	Nil
g. Fixed Deposits Paid	13,35,000	Nil
h. Remuneration	4,29,625	Nil
i. Interest Paid	2,76,635	2,81,366
j. Interest Received	Nil	12,04,895
k. Outstanding Balances at the end of the Financial Year		
i) Security Deposit	Nil	70,00,000
ii) (Payable)/	(22,92,694)	5,56,47,010

13. Earnings per share : Calculation of Basic and Diluted Earnings per Shares as required by AS-20 dealing with "Earning per Share" as given below :-

	2009-2010 Rs.
Profit after Tax	5,09,01,322
Weighted average number of Equity Shares of Rs.10/- each fully paid up	4,96,000
Earnings Per Share (in Re.)	
Basic	102.62
Diluted	29.81

14. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**1) Basis of Accounting**

- (a) The Company generally follows mercantile system of accounting unless otherwise stated and recognises income and expenditure on accrual basis except those with significant uncertainties.
- (b) The accounts have been prepared in accordance with historical cost convention method. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

2) Fixed Assets and Depreciation**(a) Fixed Assets :**

Fixed Assets are stated at cost of acquisition / book value and net of cenvat/subsidy less accumulated depreciation except on Land & Plantation.

(b) Depreciation :

- (i) Depreciation is being provided on Straight Line Method in terms of Section 205(2) (b) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.
- (ii) In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis.



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Contd.)

- 3) **Investments :**
 - (i) Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.
 - (ii) Current investments are carried at lower of cost and market value.
- 4) **Inventories :**
 - (a) Stores and spares are valued at Weighted Average Cost basis.
 - (b) Finished Tea is valued at net realisable value.
- 5) **Exchange Fluctuations**
 - (i) Foreign Currency Transactions are recorded at the rate of exchange prevailing on the dates when the relevant transactions take place.
 - (ii) Year end balances of foreign currency transactions are translated at exchange rates prevailing at the end of the year.
 - (iii) Any income or expense on account of exchange difference either on settlement or translation is recognised in the profit & loss account.
- 6) **Sales**

Sale of goods is recognised in the accounts on passing of title of goods, i.e. delivery as per terms of sales.
- 7) **Government Grants and Subsidy**

Capital grants and subsidy relating to specific assets are reduced from the gross value of the fixed assets. Other revenue grants and subsidy are credited to Profit & Loss Account or deducted from the related expenses.
- 8) **Employee Benefits**
 - (i) **Defined Contribution Plan:**

The Company has defined contribution plans in the form of Provident Fund, Pension Scheme, EDLI, Super Annuation Fund and Labour Welfare Fund and the contributions are charged to the Profit & Loss Account of the year when the contribution to the respective funds are due. There are no other contributions other than the contributions payable to the respective funds.
 - (ii) **Defined Benefit Plan:**
 - (a) **Fund Plan:** The Company has defined benefit plans in the form of Gratuity and Leave Encashment, the liability for which is determined on the basis of actuarial valuation at the end of the year. Gains and losses arising out of actuarial valuation are recognised immediately to the Profit & Loss account as income or expense.
 - (b) **Unfunded Plan:** The Company has unfunded Defined Benefit Plans in the form of Compensated Absences, as per Company Policy.
 - (iii) **Other Defined Benefits**

Provision for other defined benefit for long term leave encashment is made based on an independent actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gain & losses are recognised immediately in the Statement of Profit & Loss Account as income or expenses. Company recognised the undiscounted amount of short term employee benefits during the accounting period based on service rendered by an employee.
14. 9) **Borrowing Cost**

Borrowing costs in relation to acquisition and construction of assets are capitalised as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.
- 10) **Segment Reporting**

As the Company is having one segment only i.e. manufacturing of Black Tea, the reporting required as per AS - 19 "Segment Reporting" is not applicable.
- 11) **Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.



SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010

SCHEDULE 19 (Contd.)

12) Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An Impairment loss will be recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital.

13) Provisions and Contingent Liabilities

The Company recognised a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote, no provision or disclosure for contingent liability is made.

14) Information pursuant to Part IV of Schedule VI of the Companies Act, 1956 :

(i) Registration Details :

Registration No.	L15491WB1983PLC035793	State Code	21
Balance Sheet Date	31.03.2010		

(ii) Capital Raised during the year (Amount in Rs.Thousand) :

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

(iii) Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousand) :

Total Liabilities	2,19,497	Total Assets	2,19,497
Sources of Funds		Application of Funds	
Paid-up Capital	8,960	Net Fixed Assets	1,09,747
Share Capital Suspense	12,116	Investments	50,362
Reserves & Surplus	74,802	Net Current Assets	57,933
Secured Loans	1,02,611	Miscellaneous Expenditure	1,455
Unsecured Loans	16,841		
Deferred Tax Liability	4,167		

(iv) Performance of Company (Amount in Rs.Thousand) :

Turnover	2,72,535
Total Expenditure	2,28,194
Profit Before Tax	44,341
Profit After Tax	50,901
Earnings per Share	
Basic	102.62
Diluted	29.81
Dividend Rate %	10

(v) Generic Names of Three Principal Products / Services of the Company (as per monetary terms) :

Item Code No.	09024002	Product Description	Black Tea
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Signature to Schedules 1 to 19

As per Our Report Attached
For Jain & Co
Chartered Accountants
Registration No.302023E
M.K.JAIN
Partner
Membership No.55048
P-21/22, Radhabazar Street
Kolkata - 700 001
Dated : 21st Day of June,2010

A. KANORIA Wholetime Director
U. KANORIA
G. MOMEN Directors
N. NAYAR
G. R. BANKA