

MAC CHARLES (INDIA) LIMITED

32nd Annual Report 2011-12





CORONET



ORCHID

BOARD OF DIRECTORS

| | |
|---|--------------------------|
| Mr. C. B. Pardhanani | Chairman |
| Mr. P. B. Appiah | Director |
| Mr. M. R. Prasanna | Director |
| Mr. M. R. B. Punja (w.e.f. 29.06.2011) | Director |
| Ms. S. C. Pardhanani | Managing Director |

VICE PRESIDENT FINANCE & COMPANY SECRETARYMr. M.S. Reddy *B.Com., L.L.B., MBIM, FCA, FCS***REGISTERED OFFICE**

Le MERIDIEN - BANGALORE
 28, Sankey Road, Bangalore - 560 052
 Tel : 080-2226 2233 / 2228 2828
 Fax : 080-2226 7676 / 2226 2050
 e-mail : leme.bangalore@lemeridien.com
 Visit us at : www.lemeridien-bangalore.com

PRINCIPAL BANKERS

State Bank of India, Bangalore
 State Bank of Mysore, Bangalore

AUDITORS

K. B. Nambiar & Associates
 101, President Chambers
 # 8, Richmond Road
 Bangalore - 560 025

REGISTRARS & SHARE TRANSFER AGENTS

BgSE Financials Limited
 (Subsidiary of Bangalore Stock Exchange Ltd.,)
 Registrar & Transfer Agent (RTA Division)
 No. 51, 1st Cross, J.C. Road,
 Bangalore - 560 027.
 Tel : 080 - 4132 9661 / 4157 5234
 Fax : 080 - 2227 6674
 Email : manager_rta@bfsi.co.in
 rta_admin@bfsi.co.in

INVESTORS' QUERIES

e-mail : secretarial.bangalore@lemeridien.com
 secretarial@lemeridian-bangalore.com

CONTENTS

| | |
|---|----|
| Notice of Annual General Meeting | 2 |
| Directors' Report | 3 |
| Auditors' Certificate on Corporate Governance | 5 |
| Auditors' Report | 6 |
| Balance Sheet | 8 |
| Profit & Loss Account | 9 |
| Cash Flow Statement | 10 |
| Notes to Financial Statements for the year ended March 31, 2012 | 11 |
| Corporate Governance Report | 22 |
| Management Discussion & Analysis Report | 27 |
| Statement on Subsidiary Company | 29 |
| Consolidated Financial Statements | 30 |

Thirtysecond Annual General Meeting of MAC CHARLES (INDIA) LTD. will be held on THURSDAY the 6th SEPTEMBER 2012 at Hotel Le Meridien, No. 28, Sankey Road, Bangalore - 560 052 at 3 p.m.

Note:

- (a) *As a measure of economy, copies of Annual Report will not be distributed at the Meeting. Members are requested to kindly bring their copies to the Meeting.*
- (b) *Children accompanying a member/proxy will not be allowed inside the meeting hall.*

MAC CHARLES (INDIA) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 32nd Annual General Meeting of MAC CHARLES (INDIA) LIMITED will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore – 560 052, on Thursday the 6th September, 2012 at 3 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 2012 together with the Directors' and Auditors' report thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. M. R. Prasanna, who retires by rotation, and being eligible, seeks re-election.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Bangalore
24 July 2012

M. S. REDDY
Company Secretary

NOTES

- a) The Register of Members and Share Transfer Book will remain closed from 25th August 2012 to 6th September 2012 for the purpose of payment of dividend, if any, to be declared at this meeting to those members whose names appear on the Company's Register of Members on 24th August, 2012.
- b) A member entitled to attend and vote is entitled to appoint a proxy (whether a member or not) to attend and vote instead of himself but a proxy so appointed has no right to speak at the meeting. Proxy form duly completed and signed by all Members should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Meeting. Blank proxy form is annexed hereto.
- c) Members holding shares in multiple folios in Physical category are requested to apply for consolidation to the Registrar and Transfer Agent (R&T Agent)/Company along with relevant Share Certificates.
- d) Members desirous of changing their shareholding from physical category to electronic category (dematerialization) may apply with their respective Depository Participants (DP's). The Company's shares are already admitted with CDSL and NSDL for dematerialization purpose and the ISIN allotted to your Company's equity shares is INE435D01014.
- e) The dividend, if any, in respect of Equity Shares held in electronic category will be paid on basis of beneficial ownership, details of which are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the said purpose.
- f) For effecting change of Address/Bank details/Electronic Clearing Services (ECS) Mandate, if any, Members are requested to notify

the same to the following :

- (i) If shares are held in Physical category, to the Company/ R&T Agent of the Company, i.e., BgSE Financials Limited, RTA Division, Stock Exchange Tower, No.51, 1st Cross, J.C. Road, Bangalore – 560 027.
 - (ii) If shares are held in electronic category, to their respective Depository Participant (DP). The Company/ R&T Agent will not entertain request for noting change of Address/Bank details/ECS Mandate, if any.
- g) Pursuant to the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended on 31 March 2005 which remain unclaimed is due for transfer to the Investor Education & Protection Fund (IEPF) on or before 12.01.2013. Members who have so far not encashed the Dividend Warrants for the above mentioned dividend year are advised to submit their claim to the Company's R&T Agents namely BgSE Financials Limited, Bangalore, by quoting their folio number / DP Id & Client Id. On or before 13.12.2012. It may be noted that once the unclaimed dividend amount is transferred to IEPF as aforesaid, no claim shall lie on the Company in respect of such unclaimed dividend amount.
- h) Members are requested to :-
- (i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.
 - (ii) Quote their folio/DP & Client Id No. in all correspondence with the R&T Agent/Company.
 - (iii) Note that briefcase, mobile phone, bag, eatables and other belongings will not be allowed to be taken inside the venue of the meeting for security purpose and shareholders will be required to take care of their belongings.
 - (iv) As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos.17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Mac Charles (India) Limited proposes to send all shareholder communications such as the Notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id. with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its Registered Office or send an E-mail to secretarial.bangalore@lemeridien.com; secretarial@lemeridien-bangalore.com by providing their Folio Number / DP Id and Client Id as reference.
 - (v) Members having specific queries regarding accounts are requested to deposit their queries in writing at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the meeting, so as to make the management to furnish the clarification.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 32nd Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2012.

FINANCIAL RESULTS

(In Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---------------------|--------------|
| Total Income | 51,79,25,539 | 60,71,55,528 |
| Profit before Depreciation, Finance Costs and Tax | 16,83,55,790 | 26,79,26,918 |
| Less : Depreciation | 6,00,16,382 | 5,38,41,295 |
| Less : Finance Costs | 6,05,149 | 7,07,462 |
| Profit before Tax & Exceptional Item | 10,77,34,259 | 21,33,78,164 |
| Add : Exceptional Items | 10,18,12,075 | 13,95,99,356 |
| Profit before Tax | 20,95,46,334 | 35,29,77,520 |
| Less : Provision of Tax | 6,00,98,579 | 7,20,88,574 |
| Profit after Tax | 14,94,47,755 | 28,08,88,946 |
| Add : Balance brought forward from the previous year | 11,32,35,061 | 7,37,29,638 |
| Amount available for Appropriation | 26,26,82,816 | 35,46,18,584 |
| APPROPRIATIONS | | |
| (i) General Reserves | 2,00,00,000 | 15,00,00,000 |
| (ii) Dividend : | 7,86,06,312 | 7,86,06,312 |
| A dividend of 60% i.e., Rs.6/- per equity share was recommended by the Board of Directors on July 24 2012 | | |
| iii) Corporate Dividend Tax | 1,24,48,292 | 1,27,77,211 |
| iv) Balance carried to Balance Sheet | 15,16,28,212 | 11,32,35,061 |
| | 26,26,82,816 | 35,46,18,584 |

HOTEL OPERATIONS

During the year under report, the economy has not recovered from economic recession especially in the developed countries. The Indian economy has also not recovered resulting in lower Hotel room occupancy and average room rate. Hence, sales turn over of the Company has decreased from Rs.6071.56 lakhs to Rs.5179.26 lakhs as compared to the previous year. During the year under report, the hotel business is hit by the entry of new five star hotels in the city of Bangalore resulting in stiff competition. Hence, it will be difficult to improve the working results in current financial year.

FUTURE PROSPECTS

The future of the hotel industry is entirely dependant on the state of the country's economy. The outlook for the Financial Year 2012-13 is tough due to severe competition with added new five star hotels in the city of Bangalore and slowing down of the global & local economy in general. However the Company is taking effective steps to strengthen and promote sales & marketing initiatives.

FINANCE

During the year under report, the financial position of the Company has further been strong despite the fall in Hotel business. The Company's diversification into electricity generation through Wind Turbine Generators and other sources of income have helped the

bottomline. The segment performance is furnished elsewhere in this Annual Report. However, the ongoing renovation of the Hotel is consuming the substantial funds of the Company.

DIVIDEND

Your Directors have recommended a dividend of Rs.6/- per Equity Share (last year Rs.12/- per equity share on pre-bonus share capital) for the financial year ended March 31, 2012, amounting to Rs.9,10,54,604/- (inclusive of tax of Rs.1,24,48,292/-). The said dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on 24th August, 2012.

BONUS SHARES

During the year under report, the Company has issued bonus shares to the existing shareholders in the ratio of 1:1.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operating Management, hereby confirms that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures ;
- it has in the selection of the accounting policies, consulted the Statutory Auditors and has 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 as at March 31, 2012 and of the profit of the Company for that period ;
- it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records; and
- it has prepared the annual accounts on a going concern basis.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings during the year were Rs.2,225.29 lacs which is 43% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.233.60 lacs.

SUBSIDIARY COMPANIES

At the beginning of the year, the Company had one Subsidiary Company, Airport Golf View Hotels & Suites Pvt. Ltd.

As required under the Listing Agreements with the Stock Exchanges, a Consolidated Financial Statement of the Company and its Subsidiary is attached. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under Section 211(3C) of the Companies Act, 1956 ("Act"). These financials statements disclose the assets, liabilities, income, expenses and other details of the Company, its subsidiary.

Pursuant to the provision of Section 212(8) of the Act, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary Company with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2012 is included in the Annual Report. The annual accounts of these subsidiary and the related detailed information will be made available to any member of the Company/ its subsidiary seeking such information at any point of time and are

MAC CHARLES (INDIA) LIMITED

also available for inspection by any member of the Company/its subsidiary at the registered office of the Company. The annual accounts of the said subsidiary will also be available for inspection, as above, at the Head Office/Registered Office of the respective subsidiary company. The Company shall furnish a copy of details of annual accounts of subsidiary to any member on demand.

DUES TO SMALL SCALE UNDERTAKINGS

There are no dues payable to small scale undertakings.

CORPORATE GOVERNANCE

Members are aware that the Corporate Governance code has become a statutory requirement as per listing guidelines framed by the Stock Exchanges. Members will be happy to know that their Company is complying with the stipulations of the new code as on date. In line with this requirement of the code, a Corporate Governance Report and a Management Discussion and Analysis Report of the Company is furnished elsewhere in this Annual Report.

ENERGY CONSERVATION

Conservation of energy continues to be on top priority of the management. The following energy conservation measures have been taken:

- During the year under report, placed order for two more Wind Turbine Generators with a capacity of 3.00 MW apart from existing one number of 2.10 MW and two numbers of 1.50 MW each environment friendly Wind Turbine Generators which generate electricity of about 1.15 crore units p.a. of green power which will be utilized partially for captive consumption of the Hotel and the balance units generated is being sold to Govt. of Karnataka/ third party consumers.
- an effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.
- substantially switched over to CFL & LED lamps from conventional lamps with a view to saving energy upto 60% on lighting.
- installed solar panels which are feeding hot water required for the guest rooms.

Employed throughout the year :

| Name | Ms. S. C. Pardhanani | Mr. M.S. Reddy* | Mr. G. Vijay |
|------------------------------------|---|---|--|
| Age | 43 Years | 58 Years | 50 years |
| Remuneration | Rs.98,02,275/- | Rs.21,85,420/- | Rs.32,21,488/- |
| Qualification | B.Com., DBM | B.Com.,L.L.B., MBIM., from London, UK, FCA, FCS | B.com.,Diploma in Hotel Mgmt.from Florida, USA, Advance Mgmt. from Cornell University, USA |
| Experience | 9 Years | 31 years | 25 years |
| Date of commencement of employment | 01.10.2002 | 13.08.1983 | 01.10.2005 |
| Last Employment held | Executive Director – Mac Charles (India) Ltd. | Company Secretary & Chief Accounts Officer, Sri Krishna Rajendra Mills Ltd., Mysore | Director of Operation, Harsha Hospitality Management, USA |
| Designation | Managing Director | Vice President Finance and Company Secretary | Vice President and Director of Development |

Note : Ms. S. C. Pardhanani, Managing Director is the daughter of Mr. C.B.Pardhanani, the Chairman of the Company.

*He retired on 18.06.2012 and he has been reappointed on two year contract basis w.e.f. 01.07.2012 in the same capacity on full time basis.

- imported and installed three highly fuel efficient screw chillers for our AC plant.
- replaced windows with double glazed reflective glass with a view to save power on AC consumption.
- installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damage to electric motors and other installations.
- thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- imported and installed two temperature control systems to reduce power consumption.
- constituted an energy conservation committee to monitor power consumption regularly.

TECHNOLOGY ABSORPTION

In the opinion of the Board, the required particulars, pertaining to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as hotel forms part of the service industry and the Company does not have any significant manufacturing operations. However, the management has been adopting the latest technology like LCD TV systems, high speed internet installed in all the guest rooms, latest high speed computers, modern guest amenities, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video conferencing facility, latest models of soundfree fridges in guest rooms and various latest hotel operational equipments. Further the Hotel has been conforming to the stringent Le Meridien's International Standards.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act. 1956, read with Companies (particulars of employees) Rules, 1975, is appended below :

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 :

EMPLOYEES

The relationship with employees has been cordial. The total number of persons employed by the Company is 387 as at 31 March 2012.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. C.B. Pardhanani, Mr. P. B. Appiah, Mr. J. Matthan, who resigned with effect from 28th July, 2011 and Mr. M.R.B. Punja who has been inducted as a member of the Audit Committee with effect from 28th July, 2011. Mr. P.B. Appiah, became Chairman of the Audit Committee with effect from 28th July, 2011. The Audit Committee is discharging its duties and functions in consultation with the Internal and Statutory Auditors: (a) To review the adequacy of the internal control system and internal Audit Reports and their compliance thereof; (b) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; and (c) To review with the management, the financial statements before submission to the Board.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to Directors Report.

AUDITORS

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

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors have been conducting quarterly audits of all operations of the Company and their findings

have been reviewed regularly by the Audit Committee. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

DELISTING FROM BANGALORE STOCK EXCHANGE

The Company has delisted the shares of the Company from Bangalore Stock Exchange as there was no trading and does not provide any tangible benefit to the shareholders of the Company for the last several years.

DEMATERIALISATION

The equity shares of the Company have been admitted for dematerialization with both the Depositories viz., Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL). The ISIN allotted to your Company's equity shares is INE435D01014.

ACKNOWLEDGEMENTS

Your Directors are grateful to the Shareholders for their support and co-operation extended to the Company for many years. The Directors also thank the Banks namely State Bank of India and State Bank of Mysore for their co-operation and support. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, Karnataka State Government and Foreign collaborators M/s.Le Meridien. The Directors also acknowledge the dedicated services rendered by the officers and all the staff of the Company.

For and on behalf of the Board

Bangalore
24 July 2012

C.B. Pardhanani
Chairman

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
THE MEMBERS OF MESSRS. MAC CHARLES (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by MESSRS.MAC CHARLES (INDIA) LIMITED, for the year ended 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of 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 Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month as at 31 March 2012, as per the records maintained by the Company and as taken on record by the Share Transfer cum Share Holders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For K. B. NAMBIAR & ASSOCIATES
Chartered Accountants
(Firm Regn. No. 002313S)

Bangalore
24 July 2012

V.V. GABRIEL
Partner (M.No.213936)

MAC CHARLES (INDIA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of MESSRS. MAC CHARLES (INDIA) LIMITED ('the Company') as at 31 March 2012 and also the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, ('the Order') as amended, issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (i) 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, subject to Note No.29 regarding non-confirmation of balances ;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;

- (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 Companies Act, 1956 ;
- (v) On the basis of written representations received from the Directors, as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 ;
- (vi) 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 significant accounting policies and notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012 ;
 - (b) in the case of the Statement of Profit and Loss, of the PROFIT for the year ended on that date ; and
 - (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **K. B. Nambiar & Associates**
Chartered Accountants
(Firm Regn. No. 002313S)

Bangalore
24 July 2012

V. V. Gabriel
Partner (M.No.213936)

ANNEXURE TO THE AUDITORS' REPORT DATED 24 JULY 2012

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The process of numbering the fixed assets and updating the same into the fixed assets register is in progress.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed during such verification.
- (c) Fixed Assets disposed off during the year were not substantial.
- (ii) (a) Physical verification of inventory has been conducted by the management at reasonable intervals.
- (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 the nature of its business.
- (c) The Company is maintaining proper records of its inventory. The discrepancies noticed on physical verification of stocks as compared to book records are not material and have been properly dealt with in the books of account.
- (iii) (a) The Company has granted an unsecured loan to its wholly owned subsidiary. The maximum amount outstanding during the year was Rs.3,58,98,614/- and the year-end balance of the loan is Rs.2,43,01,392/-.
- (b) Having regard to the fact that the loan granted to its wholly owned subsidiary is interest free and unsecured and also that no agreement/contract is entered into with the subsidiary, the terms and conditions of loan granted to the subsidiary are in our opinion prima facie not prejudicial to the interests of the Company.
- (c) In the absence of an agreement/contract there is no stipulation as to repayment and as such paragraph 4(iii)(c) of the order is not applicable to the Company in respect of repayment of the principal amount.
- (d) Since there is no stipulation regarding repayment of principal, paragraph 4(iii)(d) of the order is not applicable to the Company in respect of overdue amount in excess of rupees one lakh.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4(iii)(e) to 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the company's explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations,

there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

- (v) The Company has not entered into any contracts or arrangements referred to in Section 301 of the Companies Act, 1956. Hence paragraphs 4(v)(a) and 4(v)(b) of the order is not applicable to the Company for the year.
- (vi) The Company has not accepted deposits to which the directives issued by Reserve Bank of India and provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company has an internal audit system commensurate with its size and the nature of its business.

| Sl. No. | Nature of Dues | Period to Which the Dispute relates | Amount in Rupees | Forum where the Dispute is Pending | Remarks |
|---------|----------------|-------------------------------------|------------------|------------------------------------|---|
| 1 | Income Tax | A.Y. 1997-98 | 9,55,691 | Honourable High Court of Karnataka | The amount in dispute is adjusted by the Income Tax Department out of refund due to the Company |

- (x) The Company has neither accumulated loss as at 31 March 2012 nor has it incurred any cash loss during the financial year ended on that date or in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institution or bank.
- (xii) According to the information and explanations given to us, and records examined by us, during the year the company has not granted loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute as specified under clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has not obtained any term loan during the year.

(viii) As informed to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956, for the Company.

- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year.
- (b) To the best of our knowledge and belief and according to the information and explanations given to us, details of disputed statutory dues which has not been deposited in the case of Income Tax are given in the table below :

- (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 by the Company.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debenture during the year.
- (xx) The Company has not raised money by public issue during the year.
- (xxi) In our opinion and 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 **K. B. Nambiar & Associates**
Chartered Accountants
(Firm Regn. No. 002313S)

Bangalore
24 July 2012

V. V. Gabriel
Partner (M.No.213936)

MAC CHARLES (INDIA) LIMITED

BALANCE SHEET AS AT MARCH 31, 2012

| | Note | March 31, 2012 Rupees | March 31, 2011 Rupees |
|--|------|--------------------------|--------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 2 | 13,10,37,270 | 6,55,32,010 |
| Reserves and Surplus | 3 | 209,34,01,197 | 210,05,13,306 |
| Non-Current Liabilities | | | |
| Deferred Tax Liabilities (Net) | 4 | 6,29,39,148 | 7,19,11,648 |
| Other Long Term Liabilities | 5 | 56,31,909 | 2,11,14,578 |
| Long Term Provisions | 6 | 1,21,83,957 | 1,18,54,634 |
| Current Liabilities | | | |
| Short-Term Borrowings | 7 | 2,33,94,180 | 1,56,13,240 |
| Trade Payables | 8 | 2,13,66,448 | 2,39,37,423 |
| Other Current Liabilities | 9 | 5,49,90,658 | 5,17,91,117 |
| Short-Term Provisions | 10 | 10,25,68,870 | 9,87,94,750 |
| Total | | 250,75,13,637 | 246,10,62,706 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Fixed Assets | 11 | | |
| Tangible Assets | | 69,44,78,220 | 7,135,14,395 |
| Capital work-in-progress | | 8,13,061 | 8,13,061 |
| Non-current Investments | 12 | 57,30,90,182 | 59,35,33,912 |
| Long term loans and advances | 13 | 91,40,99,609 | 90,59,09,460 |
| Current Assets | | | |
| Current Investments | 14 | 11,60,71,313 | 7,09,81,880 |
| Inventories | 15 | 1,35,22,722 | 74,59,795 |
| Trade receivables | 16 | 1,21,97,811 | 2,29,62,890 |
| Cash and Bank Balances | 17 | 4,14,89,323 | 3,82,37,287 |
| Short-term loans and advances | 18 | 10,46,72,490 | 7,01,77,230 |
| Other current assets | 19 | 3,70,78,906 | 3,74,72,796 |
| Total | | 250,75,13,637 | 246,10,62,706 |
| Significant Accounting Policies | 1 | | |
| Notes on Financial Statements | 2-40 | | |

In terms of our report of even date

For **K.B. Nambiar & Associates**
Chartered Accountants
(Firm Regn. No. 002313S)

V.V. Gabriel
Partner (M.No. 213936)

Bangalore
July 24, 2012

M.S. Reddy
Vice President Finance &
Company Secretary

Bangalore
July 24, 2012

On behalf of the Board

C.B. Pardhanani
Chairman

S. C. Pardhanani
Managing Director

P.B. Appiah
Director