

MAC CHARLES (INDIA) LIMITED

33rd Annual Report 2012-13





CORONET



BOARDROOM

BOARD OF DIRECTORS

Mr. C. B. Pardhanani	Chairman
Mr. P. B. Appiah	Director
Mr. M. R. B. Punja	Director
Mr. M. R. Prasanna (Resigned w.e.f. 28.05.2013)	Director
Mr. Suresh Vaswani (w.e.f. 30.07.2013)	Director
Ms. S. C. Pardhanani	Managing Director

VICE PRESIDENT FINANCE & COMPANY SECRETARY

Mr. M.S. Reddy B.Com., L.L.B., MBIM, FCA, FCS

REGISTERED OFFICE

LEMERIDIEN - BANGALORE

28, Sankey Road, Bangalore - 560 052

Tel : 080-2226 2233 / 2228 2828

Fax : 080-2226 7676 / 2226 2050

website: maccharlesindia.com

e-mail : secretarial.bangalore@lemeridien.com

secretarial@lemeridien-bangalore.com

PRINCIPAL BANKERS

State Bank of India, Bangalore

State Bank of Mysore, Bangalore

AUDITORS

K. B. Nambiar & Associates

Chartered Accountants

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

Fax : 080-4157 5232

Email : manager_rta@bfsi.co.in

GRIEVANCE REDRESSAL DIVISION:

Mr. M. S. Reddy

Vice President Finance and Company Secretary

- cum - Compliance Officer

Tel : 080-2226 2233 / 2228 2828

Email : investor.relations@maccharles.com

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*Thirtythird Annual General Meeting of **MAC CHARLES (INDIA) LTD.** will be held on **WEDNESDAY the 18th SEPTEMBER 2013** 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 33rd Annual General Meeting of MAC CHARLES (INDIA) LIMITED will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore – 560 052, on Wednesday the 18th September, 2013 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 2013 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. P. B. Appiah, 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.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Suresh Vaswani, in respect of whom the Company has received a notice from a Member of the Company proposing his candidature for the Office of a Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation”.

By Order of the Board of Directors

Bangalore
30 July 2013

M. S. REDDY
Company Secretary

NOTES

- a) The Register of Members and Share Transfer Book will remain closed from 6th September 2013 to 18th September 2013 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 5th September, 2013.
- 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 electronic, 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 2006 which remain unclaimed is due for transfer to the Investor Education & Protection Fund (IEPF) on or before 01.11.2013. 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 01.10.2013 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, Director's 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

ITEM No.3

Mr. P. B. APPIAH

Mr. P. B. Appiah is a practicing Advocate and legal advisor.

Companies/Institutions in which Mr. P. B. Appiah holds Directorship and Committee memberships.

Mac Charles (India) Ltd., Audit Committee – Member

Remuneration Committee – Member

Mac Charles (India) Limited, Director

Integrated Finance Co. Ltd., Director

Audit Committee – Member

Remuneration Committee – Member

Mr. P. B. Appiah does not hold any equity shares of Mac Charles (India) Limited.

ITEM No.5 :

Mr. SURESH VASWANI

Mr. Suresh Vaswani is Honorary Consul-Republic of Benin.

Mr. Suresh Vaswani is an International Property Investments and Advisory consultant.

He is an Advisor for Rage Chocolatier.

He is a Partner in Vandana Saree Sansar.

Mr. Suresh Vaswani does not hold any Directorship and Committee memberships in private/public limited companies.

Mr. Suresh Vaswani does not hold any equity shares of Mac Charles (India) Limited.

EXPLANATORY STATEMENT

pursuant to Sec. 173(2) of the Companies Act, 1956.

The following Explanatory Statement sets out all material facts relating to the items of the accompanying notice of the Annual General Meeting to be held on Wednesday, the 18th September 2013.

ITEM No. 5 :

The Board of Directors of your Company appointed Mr. Suresh Vaswani as an Additional Independent Director on July 30, 2013 as per the provisions of Article 107 of the Article of Association read with Section 260 of the Companies Act, 1956

Your Company is extremely pleased to have a seasoned professional of Mr. Suresh Vaswani's caliber and experience on the Board. His enriched expertise will aid in driving your Company's momentous growth to the desired level while ensuring the highest levels of Corporate Governance.

Mr. Suresh Vaswani holds office until this Annual General Meeting.

As required under 257 of the Companies Act, 1956, a notice along with the requisite deposit has been received from a Member signifying his intention to propose Mr. Suresh Vaswani as a candidate for the office of Director at this Annual General Meeting. Mr. Suresh Vaswani's profile has been given in an earlier section of this notice.

None of the Directors of the Company, except Mr. Suresh Vaswani, are in any way concerned or interested in this resolution.

Your Directors, therefore, recommended the resolution to be passed as an Ordinary Resolution by the Members.

MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 33rd Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2013.

FINANCIAL RESULTS

(In Rs.)

Particulars	2012-13	2011-12
Total Income	54,21,62,126	51,79,25,539
Profit before Depreciation, Finance Costs and Tax	22,10,44,883	16,83,55,790
Less : Depreciation	6,31,18,373	6,00,16,382
Less : Finance Costs	9,37,458	6,05,149
Profit before Tax & Exceptional Item	15,69,89,053	10,77,34,259
Add : Exceptional Items	6,75,99,996	10,18,12,075
Profit before Tax	22,45,89,049	20,95,46,334
Less : Provision of Tax	6,56,85,278	6,00,98,579
Profit after Tax	15,89,03,771	14,94,47,755
Add : Balance brought forward from the previous year	15,16,28,212	11,32,35,061
Amount available for Appropriation	31,05,31,983	26,26,82,816
APPROPRIATIONS		
(i) General Reserves	1,60,00,000	2,00,00,000
(ii) Dividend :	7,86,06,312	7,86,06,312
iii) Corporate Dividend Tax	1,33,59,143	1,24,48,292
iv) Balance carried to Balance Sheet	20,25,66,528	15,16,28,212

HOTEL OPERATIONS

During the year under report, the economy in general and Hotel business in particular has not done well especially in the face of sluggish economy and severe competition from the new five star hotels which are taking their share of the existing hotel business which has not grown in pace with the additional new five star hotels opened in Bangalore. As a result the Hotel room occupancy and room tariffs have dropped considerably. In spite of this scenario, the sales turnover of the Company has increased from Rs.5179 lakhs to Rs.5422 lakhs.

FUTURE PROSPECTS

The future of the hotel industry is facing tough times ahead in view of cost cutting measures initiated by the corporate companies in the sluggish economy prevailing worldwide. In addition there is substantial increase in supply side of the five star hotels in Bangalore resulting in low occupancy and undercutting of rates. However, the Company is striving hard to get more business through various 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.

DIVIDEND

Your Directors have recommended a dividend of Rs.6/- per Equity Share for the financial year ended March 31, 2013, amounting to Rs.9,19,65,455/- (inclusive of tax of Rs.1,33,59,143/-). 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 5th September, 2013.

DIRECTORS

Mr. M.R.Prasanna resigned from the Board w.e.f. 28th May 2013. The Board has co-opted Mr. Suresh Vaswani as a Director till the ensuing Annual General Meeting.

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, 2013 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.1816 lacs which is 34% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.469 lacs.

SUBSIDIARY COMPANIES

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

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 financial 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, 2013 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 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 4.20 MW apart from having existing capacity of 5.10 MW which generate green electricity of about 1.25 crore units p.a. of green power which is being 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 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.
- 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 :

Employed for the year :

			Employed part of the year	
Name	Ms. S. C. Pardhanani	Mr. M.S. Reddy	Mr. G. Vijay	Mr.Rajesh Madan
Age	44 Years	59 Years	51 years	54 years
Remuneration	Rs.92,76,791/-	Rs.21,02,154/-	Rs.30,95,798/-	Rs.19,36,797/-
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	B.Com.
Experience	10 Years	32 years	26 years	28 years
Date of commencement of employment	01.10.2002	13.08.1983	01.10.2005	01.10.2012
Last Employment held	Executive Director – Mac Charles (India) Ltd.	Company Secretary & Chief Accounts Officer, Sri KrishnaRajendra Mills Ltd., Mysore	Director of Operation, Harsha Hospitality Management, USA	General Manager Le Meridien Kochi
Designation	Managing Director	Vice President Finance and Company Secretary	Vice President Operations and Director of Development	Vice President Operations

Note: (1) Ms. S. C. Pardhanani, Managing Director is the daughter of Mr. C.B.Pardhanani, the Chairman of the Company.

(2) Mr. M.S.Reddy, Vice President Finance and Company Secretary 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.

(3) Mr. G.Vijay, Vice President Operations and Director of Development, resigned from service on 31.08.2012.

(4) Mr. Rajesh Madan, Vice President Operations joined service on 01.10.2012.

MAC CHARLES (INDIA) LIMITED

EMPLOYEES

The relationship with employees has been cordial. The total number of persons employed by the Company is 368 as at 31 March 2013.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. P. B. Appiah, Mr. C.B. Pardhanani and Mr. M.R.B.Punja. 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.

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
30 July 2013

C.B. Pardhanani
Chairman

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
THE MEMBERS OF MAC CHARLES (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by MAC CHARLES (INDIA) LIMITED, for the year ended 31 March 2013, 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 2013, 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
30 July 2013

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAC CHARLES (INDIA) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of MAC CHARLES (INDIA) LIMITED ("the Company"), which comprise the Balance Sheet as at 31 March, 2013 and also the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the

information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 purpose of our audit;
 - b. 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;
 - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, complies with the Accounting Standards referred to in subsection (3C) of section 211 of the Act;
 - e. on the basis of written representations received from the directors as on 31 March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

Bangalore
30 July 2013

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

MAC CHARLES (INDIA) LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) In respect of its fixed assets:
- (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. However, fixed assets which are fully depreciated in earlier years and not in use have been written off during the year. Also, refer footnote to schedule 11 in the Notes to financial statements.
 - (c) Fixed Assets disposed off during the year were not substantial.
- (ii) In respect of its inventory:
- (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) In respect of its loans:
- (a) The Company has granted an unsecured loan to its wholly owned subsidiary. The maximum amount outstanding during the year was Rs.2,43,10,759/- and the year-end balance of the loan is Rs 2,18,32,981/-.
 - (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 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 paragraph 4(v)(a) and 4(v)(b) of the order is not applicable to the Company.
- (vi) The Company has not accepted deposits to which the directives issued by Reserve Bank of India and provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply.
- (vii) The Company has an internal audit system commensurate with its size and the nature of its business.
- (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) In respect of its statutory dues
- (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 and are given in the table below :

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
2.	Income Tax	A.Y.2010-11	10,34,668	Appellate Commissioner of Income Tax	The amount in dispute is adjusted by Income Tax Department out of refund due to the Company.