

Diana Tea reported a lower saleable production in 2010 by 4.17% but reported a higher revenue (16.95%) and higher profit before tax (20.12%).

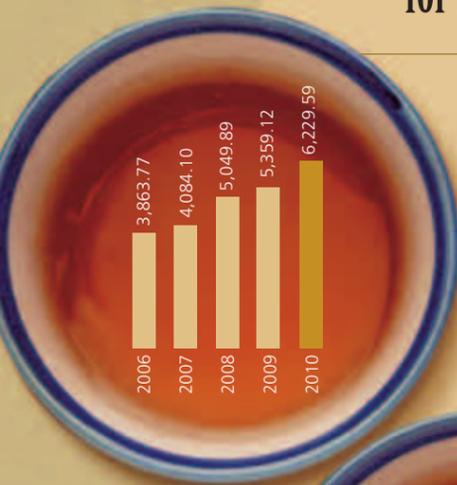
This happened for just one reason: The Company produced premium teas that were increasingly preferred across a rapidly-changing India.

Diana Tea is not just another tea company.

It is a premium tea producer riding the Indian consumption boom.

The Company is looking to diversify into synergic areas for larger revenues and lower exposure to cyclicity.

Gross revenues
(₹ in lacs)



How we have performed down the years

Cash profit
(₹ in lacs)



Post-tax profit
(₹ in lacs)



EBIDTA
(₹ in lacs)



Lineage

- ▶ Diana Tea Company Limited (DTCL) was incorporated in 1911 by Nawab Gulam Jabbar and family, primarily engaged in the cultivation and manufacture of tea in Diana Tea Estate, its only tea garden.
- ▶ In 1976, the Company was taken over by the Aares Group, then headed by the late Radheshyam Singhania; manufacturing capacity was scaled from 2.5 lac kg per annum to 10.5 lac kg per annum.
- ▶ DTCL acquired Baintgoorie Tea Estate from Duncans Agro Industries Ltd in 1983, Goodhope Tea Estate from Bazaloni Group (B.C. Jindal) in 1997 and Ambari Tea Estate in 1998
- ▶ Today, the Company produces about 4.5 million kgs of tea per annum
- ▶ In 1994, the Company went public at a premium and was listed on the four major stock exchanges (Mumbai, Kolkata, New Delhi and Ahmedabad).
- ▶ DTCL is a ₹62.16-crore revenues company (2010), with a manufacturing capacity of 57 lac kg per annum.
- ▶ The Company is managed by Managing Director Sandeep Singhania.

Presence

- ▶ Headquartered in Kolkata, India
- ▶ The Company operates four tea gardens with factories having a manufacturing capacity of 57 lac kg a year in Jalpaiguri (West Bengal) across 2,900.62 hectares
- ▶ The Company's products are branded and marketed across Indian states

Products

- ▶ **Bulk tea:** It is primarily marketed by way of a public auction system, private sales and direct sales.
- ▶ **Dipping tea bags:** It is primarily marketed to the Indian Railways, corporate offices and retail stores across the country.
- ▶ **Wooden keddies:** The Company's tea products are available in beautifully packed wooden keddies, making it ideal for gifting purposes and general retail sales.

Recognition

- ▶ Produces one of the most exquisite premium teas
- ▶ Employs over 7,700 people, supported by robust physical infrastructure



Diana. Riding the Indian consumption boom

Perhaps, in no other sector has the effect of India's consumption boom been more visibly showcased than in the preference, offtake and realisations of the tea industry.

Consider the following points:

- Conventionally, tea was perceived as cyclical; the industry remained in an extended trough from 2000 to 2006; since then, India's tea consumption increased steadily even as production did not, translating into increased realisations
- This increase in India's tea consumption was largely driven by stronger demand emerging from rural India, catalysed by increasing prosperity, better lifestyles, growing preference for quality and the NREGA impact
- Subsequently, India ate into its tea inventory (carryforward stock at the start of 2011 was a negative 80-90 million kgs, the lowest in 10 years)
- More importantly, the gap between the average realisation for premium and low quality tea was a low ₹4 per kg at the start of the century, indicating the consumer's hesitation to pay more for premium quality teas; the gap has now widened to ₹100 per kg, indicating a clear preference for quality tea
- The increase in preference for quality teas was built around a compelling foundation: tea continues to be India's cheapest beverage; the

cost of tea in a cup is no more than 50 paise, incentivising a move to better varieties

The reality then is that the Indian rural boom translated into a growing tea shortage in India, and the prospect of imports over the foreseeable future.

The result: tea is poised for an extended consumption-driven boom well into the long-term; any industry cyclicality is likely to be limited in tenure; any related price decline is likely to be considerably higher than the previous industry bottom.

In this encouraging scenario, Diana Tea is likely to leverage its rich fundamentals and perform better than the industry average.

It is no surprise that the tea industry emerged from an extended 6-year trough in 2006-07, catalysed by the fact that the first year when India's rural monthly per capita expenditure growth began to outstrip urban monthly per capita expenditure – for the first time in more than two decades – was in 2005.





Diana. Positioned as a premium tea company.

At Diana Tea, we were faced with a tempting proposition more than a decade ago, when the industry passed through one of its most challenging downtrends: the prospect of maximising production and earning average realisations instead.

Our Company did the opposite: We invested in better tea quality, consciously sacrificed production, earned higher realisations and gradually widened the coverage of better tea quality across our gardens. This produced an interesting result: Our superior product quality sold faster than other varieties during the downturn, and translated into a sustained premium when markets improved a few years later.

The benefits of this long-term positioning are now evident:

- ▶ The Company reported a profit in 10 of the last 12 years
- ▶ The Company reported an average EBIDTA of ₹25.43 per kg in 2010 compared with the previous year's average of ₹23.20 per kg
- ▶ Return on equity was an attractive 15.16% in 2010
- ▶ Receivables declined from 35 days of turnover equivalent a decade ago to 31 days in 2010

Diana is now respected for producing some of the best teas in the Dooars; it is also among the top five tea producers in the region (based on its own leaf production).



Diana. Looking at lateral means to enhance shareholder value

In a business where land availability is finite, but the need to increase revenues is ongoing, the Company embarked on a significant diversification to enhance revenues and shareholder value in a sustainable way.

The Company's four tea gardens cover a cumulative 2,900.62 hectares. Of this, nearly 800 hectares are covered by ancillary facilities. Of the latter, 300 hectares can be considered for business diversification, leading to sustainable income.

The Company decided to dedicate 50 hectares (starting with 10 hectares in the first phase) of unusable plantation area for an eco-tea tourism project with the following advantages:

- ▶ The project (following government permission) will be located in our Good Hope tea garden on the national highway in the Dooars, just 80 kms from Darjeeling and three hours from Sikkim, positioning it attractively to pick up spillover tourist demand

- ▶ The project will reconcile the natural attraction of a tea garden with a growing hospitality industry and a dearth of such facilities in East India

- ▶ The project will be implemented through a special purpose vehicle (SPV) in alliance with a construction company, without compromising on Diana Tea's robust balance sheet; construction (following government permission) is expected to commence in 2012

- ▶ The project will be a win-win for the Company, region, environment and local community, replacing a complete dependence on a cyclical business with sustainable tourism prospects

The result is that Diana Tea expects to leverage its land bank and grow revenues significantly over the coming years.

Our deep strengths

Status: The Company is among the top five producers in the Dooars region in North Bengal (based on its own leaf production)

Balance: The Company achieved a prudent balance of higher yields, lower costs and superior quality, reporting a profitability at least ₹20 per kg higher than the Dooars average realisation

Premium: The Company is largely a premium tea producing company based in the Dooars, earning higher than the regional average for premium tea quality

Irrigation: The management increased the irrigation proportion of the Company's four tea gardens from about 20% to 90% over the last decade-and-a-half, enhancing its resistance to climatic vagaries

Credible: The Company has not reported any default in statutory liabilities, covering 4,700 permanent employees and 3,000 temporary labourers, during its existence



Flexible: The Company balances its sales mix between captive leaf and bought out leaf with the objective of maximising realisations and profitability

Non-tea assets: The Company possesses a tea estate land bank of 824.73 hectares, of which 524.73 hectares are used for ancillary purposes; 300 hectares of the latter are not suitable for plantation and can be suitably re-deployed for productive diversification

Long-term commitment: The Company invested annually in its business for the last 35 years, demonstrating a long-term commitment to grow its business through good and bad industry cycles

Gearing: The Company enjoyed a gearing of 0.15 as on 31 December 2010; interest cover was a healthy 4.99 in 2010

Age: The average age of the Company's bushes was 25 years at the close of 2010 as against a Dooars average in excess of 40 years; the Company uprooted 3% of its total area under tea each year against a recommended 2% and a prevailing average of about 1% by most Dooars tea estates

Promoters' holding: The promoters hold a 63% equity stake in the Company. They are hands-on in their garden management with no alternative business interests

Cash and cash equivalents: The Company possessed cash and cash equivalents of ₹15 crore as on 31 December 2010

Yields: The average yield from the Company's gardens was a high over 20 quintals per hectare despite its presence in the premium segment (where yields are generally lower) as against a Dooars average of less than 18 quintals

Government support: The Ministry of Commerce provides 75% of the cost for replanting via loans (50%) and subsidies (25%), with the balance to be borne by the planters. Subsidies related to factory modernisation and irrigation facilities/drainage is also provided.

Q & A



“The industry and corporate momentum are both positive; we expect to leverage our tea assets and climb into a higher league which should enhance value for our shareholders in a significant way over the foreseeable future.”

Sandeep Singhania, Managing Director, analyses the Company's performance and prospects

Q: Were you happy with the Company's working during the financial year under review?

A We are absolutely satisfied with our 2010 working. From a simplistic perspective, our revenues increased 16.24%. However, what will not be immediately evident to a number of people is that even as our saleable production declined 4.17%, our total revenue increased by 16.95%, our average realisations increased 5% to ₹119 per kg in 2010 and our profit before tax climbed 20.12%.

Q: How did production decline, realisations rise and profits strengthen?

A This was the result of a conscious strategy that we employed over the years:

▶ We produced 4.40 million kgs of tea in 2010, of which 3 million kgs were of premium quality (68% of our product

mix), while 1.4 million kgs comprised medium quality tea

▶ We continued to produce superior quality teas; our premium quality tea fetched realisations of ₹130-160 per kg; our medium quality tea fetched an average ₹110-130 per kg, which was among the highest among the medium grades of Dooars gardens

▶ We reduced our intake in the bought leaf segment to ensure better quality teas, strengthening realisations, profits and goodwill.

Q: What accounted for an increase in realisations?

A There are a couple of reasons that translated into increased realisations:

▶ One, over the last couple of years, India's tea production stagnated to around 970-980 million kgs, even as consumption increased by about 25 million kgs a year, strengthening realisations

▶ Two, increased realisations were not consistent across all tea grades. Realisations for premium tea grades increased faster than low quality teas, indicating a consumer preference for better quality

Q: How did the Company capitalise on this industry trend?

A The Company embarked on two initiatives well before this trend became a reality:

▶ One, we focused on growing best quality premium teas without overtly maximising production (any forced increase in yield generally tends to reduce tea quality and realisations). We reported a higher profit through this balanced product mix than what we would have achieved with higher output and lower realisations

▶ Two, we sustained the outsourced proportion (bought leaf) in our overall product mix at around 15-20%. This judicious blending did two things: it widened the volume at our disposal without compromising realisations and significantly increased the value-

addition of our bought leaf – a profitable volume-value proposition along with bringing down our manufacturing cost by better capacity utilisation.

Q: Shareholders would want to know whether the Company intends to extend into the packet tea segment as a value-addition initiative?

A A different kind of competence is required to get into the packet tea segment, in addition to a large cash pool. At this point, we would rather reinforce our competence in tea growing and processing. We would rather utilise our cash flow and reinvest in our core businesses than be tempted to extend our presence to the packet tea segment, which requires completely different capabilities.

Q: All these initiatives have not translated into a corresponding increase in the Company's market capitalisation.

A The Company's market value (production of 5 million kgs with cash

cum equivalents on the books of ₹15 crore) is no more than ₹25 crore (around ₹50 a kg). This means that our Company is valued on the basis of a little more than a year's earnings (with cash and equivalents), with absolutely no value assigned for the value locked in our rich gardens.

Q: What can shareholders expect of the Company in 2011 and beyond?

A We expect to enhance our saleable production from 44 lac kgs in 2010 to 48 lac kgs in 2011, and increase our average realisations by ₹10-15 per kg (partly offset by a higher industrywide wage cost, which comes up for a three-year review in 2011). However, the industry and corporate momentum are both positive; we expect to leverage our tea assets and climb into a higher league, which should enhance value for our shareholders in a significant way over the foreseeable future.



Risk management

Industry risk

A downward trend in the tea industry could affect prospects.

Response: India is at the cusp of a significant change in the prospects of its tea industry, marked by no accretion in the plantation area, steadily rising consumption and a growing preference for quality teas. We feel that this trend is being catalysed by a transformation in

India's rural economy. It is perhaps the most under-penetrated consumption market anywhere in the world, with growing incomes and rising life aspirations. Tea production in 2010 declined 1.30%, whereas premium quality realisation was significantly higher.

Dependence risk

An over-dependence on a single cyclical business line could affect revenues during industry troughs.

Response: All the Company's revenues in 2010 were derived from the tea industry. However, the Company embarked on an initiative to reduce this dependence through synergic diversification, whereby it will convert (with government permission) a small part of unusable plantation areas into

a unique eco tea-tourism project that will benefit the local community and the Company. This diversification is expected to generate substantial non-tea revenues over the foreseeable future, protecting the Company from industry cyclicity.

Quality risk

The Company's reputation is critically dependant on high tea quality. Any diminution in value can affect its brand, realisations and earnings.

Response: The Company continued to invest in producing quality teas, following prudent production practices that enhanced quality well before an increase in the Indian preference for the premium tea quality. It continued to position itself as a 'creator of champagne teas' in the Dooars. The result was a brand recall for the produce generated from

each of its gardens and respect for its quality across longstanding buyers. The Company enjoyed realisations at the higher end for its premium teas in the Dooars; the Company's premium quality tea commanded an average realisation of ₹140-150 per kg compared with a range of ₹105 per kg for average quality teas in the Dooars.

Yields risk

Poor yields can increase costs.

Response: When the Company acquired its first tea garden in the mid-Seventies, it uprooted the entire garden and waited five years before encashing its first crop, encapsulating its commitment to long-term growth. Thereafter, the Company sustained the practice of uprooting 3% of its garden

area every year as against a recommended average of 2% and a Dooars average of 1%. The result is that the Company's yields are high at 20 quintals of quality tea per hectare in 2010 (compared with a Dooars average yield of 18 quintals per hectare).

Outsourcing risk

The Company faces the risk of maximising the conversion of bought out leaf and losing its brand of a premium tea maker. Besides, the Company faces a pricing risk related to outsourcing tea, blending with its own and marketing the blended product.

Response: The Company purchases only that quantity of leaf from the market that can be converted without affecting realisations. It recognises the risk of purchasing tea for onward blending; the time-lag between purchase and sale can cause price distortions that can transform, what was once perceived as a profitable

transaction, into a loss. In view of this, the Company limited the extent of outsourcing to about 10-15% of its total volume and limited to those instances where it can buy quality leaf at reasonable rate, enhance value and can protect its margins despite price variation.

Cash deployment risk

The Company can utilise its cash pool and invest in gardens at a high price during this ongoing industry uptrend, but may struggle to earn reasonable returns during an industry trough.

Response: The Company does not intend to buy any gardens in India, in view of the high prevailing prices. However, the Company is seeking international garden acquisition opportunities without compromising

safety. Concurrently, it intends to deploy a part of its cash pool to enter into a joint venture SPV to promote an eco tea-tourism project on a small part of one of its tea gardens.

Directors' Report

Dear Shareholders

Your Directors have pleasure in presenting their 100th Annual Report along with the Audited Accounts for the year ended December 31, 2010

Financial Results

(Amount in ₹)

| Particulars | December 31, 2010 | December 31, 2009 |
|---|--------------------|--------------------|
| Profit before Interest, Depreciation and Taxation | 11,10,14,234 | 10,56,71,957 |
| Less: Depreciation | 94,41,785 | 92,69,410 |
| Interest and Finance Charges (net) | 1,43,96,540 | 2,38,27,409 |
| Profit before taxation | 8,71,75,909 | 7,25,75,138 |
| Less: Provision for taxation (net) | 1,56,04,969 | 18,42,684 |
| Profit after tax | 7,15,70,940 | 7,07,32,454 |
| Balance brought forward from previous year | 47,14,876 | 27,51,782 |
| Surplus available for appropriation | 7,62,85,816 | 7,34,84,236 |
| Appropriations: | | |
| Transferred to General Reserve | 5,00,00,000 | 6,00,00,000 |
| Proposed Dividend | 1,12,43,250 | 74,95,500 |
| Provision for tax on proposed dividend | 18,23,937 | 12,73,860 |
| Balance carried forward to Balance sheet | 1,32,18,629 | 47,14,876 |
| | 7,62,85,816 | 7,34,84,236 |
| Basic and diluted earning per share | 4.77 | 4.72 |

Review of Performance

The year under review, which is our centenary year, has indeed turned out to be a landmark year for the Company, wherein our turnover, average price realisation and net profit touched a record high. Owing to a change in the Indian tea consumption pattern, wherein consumers are ready to pay a

premium for quality tea, which is high on demand. The same pattern is reflected in our average realisations, wherein the average price realisation of our tea has increased to ₹119 compared to ₹114 last year. The same trend is seen in our turnover, which has increased to ₹62.30 crores compared to ₹53.59 crores last year, inspite of curtailed production by the Company compared to last year.

The Company is focused on making quality tea, catering to premium consumer markets. A careful approach has been adopted for making tea out of bought leaf. Production out of the same has reduced significantly compared to last year, which is also reflected in our overall production figures for the year. Even though own production increased to 39.88 lakh kgs compared to 38.18 lakh kgs last year, overall production declined due to a reduction in tea manufactured from the bought leaf segment. Uncertain weather conditions continued to prevail in tea growing areas and a drought like situation at the beginning of the year is now a recurring trend. However, with a backup of irrigation facilities, we have been able to reduce the negative impact of draught like situations in our tea estates. Moreover, improved field management coupled with better irrigation facilities have helped us reduce our crop loss even in uncertain weather conditions. Your Company continues to enjoy a premium in the domestic market because of its continued focus on making quality tea, which is also reflected in our overall performance.

With continued focus on consolidating existing tea estates by way of uprooting, replanting/replacement planting of old bushes with new ones, focusing on producing quality tea and adopting cost cutting measures, your Company managed to maintain its growth momentum in operational and net profit respectively.

Prospects

Your Company is optimistic about the tea market in the coming year, particularly in the quality tea segment which has a commanding premium and is selling briskly in the market. Fortunately, your Company falls under this category. Last year's carry forward stock continues to be negligible, if not negative. Further, the world crop has declined to 25 million kgs till end April which could add fuel to the fire.

With the continued increase in domestic consumption of tea of 3% CAGR, we expect a shortage to continue in the coming year which is likely to affect the overall price realisation of tea, particularly in quality tea segment which is projected to remain strong because of limited availability.

The orthodox tea market is expected to remain buoyant in the coming year, which will propel producers in Assam to increase orthodox tea production. All these factors are likely to boost CTC tea price realisations in the current year.

Subsidies will continue to be provided for additional orthodox tea production and on the exports of the same, which would result in higher exports, however, political turbulence in the Middle East, could prove detrimental to our exports. However, overall exports are expected to be at par with last year. Given the situation, we expect a stable market for quality tea. The Tea Board continues to provide benefits in the form of subsidies to producers, field and factory modernisation efforts, as well as long-term loans through the SPTF scheme, which your Company is taking the full benefit of.

The North Bengal tea industry is facing an uncertain situation as far as wage revisions are concerned which is due from April 1, 2011. These revisions will definitely increase garden costs significantly as the tea industry is labour intensive in nature.

Given the prevailing scenario of the tea industry, and the steps taken by the Company to consolidate its existing operations through quality-enhanced produce with cost cutting measures supported by favourable market condition for quality tea, your Company is confident of improving its performance and growth in the coming years.

Dividend

The Board has recommended a Dividend of ₹0.75 per equity Share (i.e.15%) for the year ended December 31, 2010 and such dividend, on approval, will be paid to those members recorded in the registers of the Company at the close of business on the date of the Annual General Meeting, subject, however, to the provision of Section 206A of the Companies Act, 1956.

Personnel

None of the employees of the Company received remuneration exceeding the limit specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

We recognise people as our most valuable asset and cordial relations with the employees were maintained at all Company locations during the year. The Board would like to place on record its appreciation for the keen interest taken by employees at all levels to bring about improvements in the difficult circumstances faced by the tea industry.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo

Information pursuant to Section 217(2)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption, foreign exchange earning and outgo are given by way of Annexure 'A' to this Report.

Directors

Mr. Naresh Pachisia retires by rotation and being eligible, offers himself for re-appointment.

Corporate Governance

In compliance with the disclosures required under the said Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is provided in Annexure 'B'.

The Report on Corporate Governance as required under the aforesaid Clause is also provided in Annexure 'C' to this Report, together with the Auditors' compliance certificate thereon.

Directors' Responsibility Statement

As stipulated, your Directors affirm their commitment to the Directors' Responsibility Statement as below:

The Directors state that in preparation of the Annual Accounts, your Company has followed the applicable accounting standards except gratuity liability being accounted for, as and when paid/payable. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as on December 31, 2010 and the profit for the year.

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities. The Annual Accounts of your Company has been prepared on a going concern basis.

Auditors' Report

The remarks raised by Auditors in their report are self-explanatory and therefore do not call for any further comments.

Auditors

Messrs Das & Prasad, Chartered Accountants, retire at the end of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Appreciation

Your Directors wish to place on record their appreciation to the financial institutions, Bankers and Shareholders for their continued assistance and co-operation as well as confidence reposed in the Company. Your Directors also thanks the Executives, Staff and Workers for their sincere and dedicated services.

Registered Office
3B, Lal Bazar Street
Kolkata - 700 001.
Date: May 14, 2011

For and on behalf of the Board

Sandeep Singhania
Managing Director

Annexure to the Directors' Report

Annexure - 'A'

FORM 'A'

Form for Disclosure of Particulars with Respect to Conservation of Energy

| | | Current Year ended 31.12.2010 | Previous Year ended 31.12.2009 |
|---|-----------|----------------------------------|-----------------------------------|
| A POWER & FUEL CONSUMPTION | | | |
| 1) Electricity | | | |
| a) Purchased | | | |
| Unit | (KWH) | 4,976,805 | 5,026,198 |
| Total Amount | (₹) | 33,915,099 | 27,931,912 |
| Rate per unit | (₹/KWH) | 6.81 | 5.56 |
| b) Own Generation | | | |
| Through Diesel Generator Unit | (KWH) | 422,596 | 404,174 |
| Unit per Ltr.of Diesel Oil | (KWH) | 2.92 | 2.91 |
| Fuel Cost/Unit | (₹/KWH) | 13.38 | 11.76 |
| 2) Coal for Tea Processing in Withering & Drying | | | |
| Quantity | (M.T.) | 3,239 | 3,709 |
| Total Cost | (₹) | 15,366,055 | 16,303,615 |
| Rate/Unit | (₹/M.T.) | 4,744 | 4,396 |
| 3) Others for Transpotation & Material Handling | | | |
| a) H.S.D. Oil | | | |
| Quantity | (Ltrs.) | 105,964 | 77,848 |
| Total Cost | (₹) | 4,047,895 | 2,871,988 |
| Rate/Unit | (₹/Ltrs.) | 38.20 | 36.89 |
| b) Petrol | | | |
| Quantity | (Ltrs.) | 21,408 | 14,737 |
| Total Cost | (₹) | 1,206,822 | 748,205 |
| Rate/Unit | (₹/Ltrs.) | 56.37 | 50.77 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | | |
| Product – Tea (Gross) | (Kg.) | 4,401,247 | 4,604,262 |
| Energy Use: Electricity (including own Generation) for Manufacturing | (KWH/Kg.) | 0.77 | 0.78 |
| Other Fuel for Processing of Tea | | | |
| Coal | (Kg./Kg.) | 0.74 | 0.79 |

Annexure to the Directors' Report

Annexure - 'B'

FORM 'B'

Form for Disclosure of Particulars with Respect To Absorption, Research and Development.

Research and Development (R&D)

- 1) Specific area 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 Turn over

The Company subscribes to Tea Research Association which is registered under Section 35(1)(ii) of the Income Tax Act, 1961

Technology Absorption, Adaptation and Innovation

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

Not applicable

Foreign Exchange Earnings and Outgo

- 1) Activities relating to exports, initiatives taken to increase exports.
- 2) Development of new export markets for products and services and export plan.
- 3) Total Foreign Exchange Earned and Used:

| | |
|--------|-----------------------------------|
| Earned | ₹ NIL |
| Used | ₹2,04,869/- (Travelling & Others) |

Not applicable

Registered Office
3B, Lal Bazar Street
Kolkata - 700 001.
Date: May 14, 2011

For and on behalf of the Board

Sandeep Singhanian
Managing Director

Management discussion and analysis

Indian economy

In 2010-11, the Indian economy grew at an estimated 8.6% (Source: CSO) compared with 7.4% in 2009-10. India's economy is set to grow four-fold from its current size in the decade leading to 2020, with gross domestic product (GDP) growing to over US\$4 trillion (about ₹205 lakh crore) and per capita income rising US\$1,017 presently to US\$3,213 (Source: Edelweiss Capital).

Tea industry

The global tea market grew over 300% from USD 1.84 billion in 1990. The industry is largely dominated by India (second largest producer and largest consumer) followed by China, Sri Lanka, Kenya and Indonesia. India accounts for 30% of world's production; the combined production of Sri Lanka, Kenya and Indonesia was lower than India's.

India: India is the second largest tea producer after China. The country offers a variety of products - original Orthodox, CTC, green tea, Darjeeling tea, Assam tea and Nilgiri tea. The total turnover of the tea industry is estimated at around ₹10,000 crore; tea production since independence has grown over 250%, while land area has grown only 40%. The Dooars in

North Bengal account for 14% of the country's tea production. The Dooars tea is a strong tea and often used for blending with Assam tea to enhance the latter's mildness.

- **Production:** India's tea output declined 1.3% to 966.4 million kg in 2010 following a drop in Assam output (accounts for 50% of country's tea production) following adverse weather and pest attack. The country's shipments dropped 2.4% to 193.3 million kg in 2010 (Source: Tea Board). In spite of adverse weather condition, our own production was higher when compared to last year, owing to prudent field practices being followed along with efficient irrigation system by the company. However, our total production was less because of low quantity of tea manufactured out of bought leaf. The average price realization during the current year was higher at ₹119/- per kg. against the realization of ₹114/- per kg. previous year.

- **Realisations:** Indian tea prices strengthened on account of a global shortage, in fact, tea prices moved up faster than the rate of production decline, benefiting tea producers: between 2007 and 2010, Indian Tea production declined 0.34% CAGR whereas tea realizations increased 14.68% CAGR.

- **Consumption:** India's tea consumption grew 1.8% CAGR in four years, the increase in prices notwithstanding (at the rate of 14.68% CAGR). According to Indian Tea Association (ITA), domestic tea consumption is expected to grow at the conventional rate of 3% per annum, irrespective of the increase in prices. The market for quality loose leaf tea is expected to remain buoyant.

- **Outlook:** Tea prices are expected to remain firm in 2011 as global tea deficit may increase to 130 million kg by April 2011. India's shortage is estimated at 80-100 million kg in the new season beginning April 2011. Besides, tea production India, Kenya and Sri Lanka is not expected to rise significantly next year either even as the consumption of black tea is expected to increase the world over.

Packet Tea & Value Added Products

Company's value added division, which consists mainly of packet tea and dipping tea bags, is stable.

Risks and concerns

Tea industry is an agricultural industry and its performance is dependent on vagaries of nature.

Financial review and analysis

The company's financial position is strong enough which has helped company to pass through in turbulent times. The development work in garden is always given top priority for improvement in quantity as well as quality. The surplus fund in the company is deployed in such a way that reasonable returns are derived.

Internal control

The company has laid down policies, guidelines and

procedures, which form part of its internal control system. The company's internal control system are periodically tested and supplemented by an extensive programme of internal audit by independent firm of Chartered Accountants. Audits are finalized and conducted based on internal risk assessment. Significant findings are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation.

Material development in human resources and industrial relations

Industrial relations in all tea estates and units continued to be cordial. Focus on better deployment of labour in garden area, and shop floor management has resulted in improving productivity both quantitative and qualitative.

Cautionary statement

The statements in the report of the Board of Directors and the Management's Discussion and Analysis report describing the Company's projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities Laws and Regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company.

For and on behalf of the board

Registered office:
3B Lal Bazaar Street
Kolkata – 700 001
Date: May 14, 2011

Sandeep Singhania
Managing director

The average price realisation of North Indian tea was higher when compared to the previous year. The prices at the three auction centres are given below to analyse the trend.

(Amount in ₹)

| Auction Centres | 2010 | 2009 | 2008 |
|-----------------|--------|--------|-------|
| Kolkata | 123.13 | 119.27 | 99.52 |
| Siliguri | 103.99 | 107.32 | 87.69 |
| Guwahati | 112.71 | 111.01 | 93.60 |

The price realized by the Company's tea compared to consolidated Auction Average is as under: (Amount in ₹)

| Tea Areas | Company's Tea | Consolidated Average of Siliguri Auction Centre |
|-----------|---------------|---|
| Dooars | 119/- | 103.99 |

Annexure to the Directors' Report

Annexure - 'C'

Report on Corporate Governance

1. Company's Philosophy on Code of Governance

The Company's core business is cultivation and manufacturing of tea and is among the top five producers of tea in the Dooars region of West Bengal. The Company continues to lay importance on continuous upliftment of human and economic assets like plantations. The Company's overall philosophy – excellence in all its spheres of operation.

2. Board of Directors

Composition:

The Company's Board consists of five Directors, of three are independent Directors, therefore, more than 50% of the Board consists of Non-Executive Independent Directors.

Membership on other Board of Directors/Committee of Directors and Attendance record for the Company:

Four Board meetings were held in 2010 on March 30, 2010, May 8, 2010, August 14, 2010 and November 15, 2010.

| Directors | Category | No. of Board Meetings Attended | Attendance at the last AGM | No. of* outside Directorship held | No. of outside committee Membership held | No. of outside Committee chairmanship held |
|-----------------------|------------------------------------|--------------------------------|----------------------------|-----------------------------------|--|--|
| Mr. Sandeep Singhania | Managing Director | 4 | Yes | 3 | – | – |
| Mrs. Sarita Singhania | Wholetime Director | 4 | Yes | 2 | – | – |
| Mr. Naresh Pachisia | Non-Executive Independent Director | 4 | Yes | 6 | 7 | – |
| Mr. Harish Parekh | Non-Executive Independent Director | 2 | Yes | 10 | 5 | 3 |
| Mr. N. F. Tankariwala | Non-Executive Independent Director | 3 | Yes | 1 | – | – |

* Excludes Directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

3. Code of Conduct

The Board of Directors have laid down a Code of Conduct for all Board members and all employees in the management grade of the Company. All Board members and senior management personnel have confirmed compliance with the Code.

A declaration signed by the Managing Director is attached and forms part of the Annual Report of the Company.

4. Audit Committee

The Audit Committee comprises Mr. Harish Parekh, Chairman of the Committee, Mr. Naresh Pachisia, Independent Director, Mr. N. F. Tankariwala, Independent Director and Mr. Sandeep Singhania, Managing Director of the Company. The terms of reference of the Committee are in line with the norms specified for the Audit Committee under the listing Agreement and Section 292A of the Companies Act, 1956.

Four Meetings of Audit Committee were held on March 30, 2010, May 8, 2010, August 14, 2010 and November 15, 2010. Attendance record of the Audit Committee meeting:

| Sl. No. | Name of Directors | No. of Meetings Attended |
|---------|-----------------------|--------------------------|
| 1) | Mr. Harish Parekh | 2 |
| 2) | Mr. Naresh Pachisia | 4 |
| 3) | Mr. N. F. Tankariwala | 3 |
| 4) | Mr. Sandeep Singhania | 4 |

5. Remuneration Committee

The composition of the Committee is as under:

Mr. Harish Parekh – Chairman
Mr. Naresh Pachisia – Member
Mr. N. F. Tankariwala – Member

Terms of reference of this Committee include determination of the Company's policy on specific remuneration packages, commission payable to Directors/Managing Director of the Company and sitting fees and other expenses payable to the Directors for attending meetings of the Board or Committee thereof, within the limits approved by the shareholders from time to time.

A meeting of the Director's Remuneration Committee was held on August 14, 2010.

Attendance record of the Remuneration Committee meetings:

| Sl. No. | Name of Directors | No. of Meeting Attended |
|---------|-----------------------|-------------------------|
| 1) | Mr. Harish Parekh | 1 |
| 2) | Mr. Naresh Pachisia | 1 |
| 3) | Mr. N. F. Tankariwala | 1 |

6. Remuneration of Directors

The details of salary and perks paid to the Managing Director and Wholetime Director and sitting fees paid to the Directors of the Company during the year are given below:

| Name of Directors | Sitting fees (₹) | | Salary and perks (₹) |
|-----------------------|------------------|-------------------|----------------------|
| | Board Meeting | Committee Meeting | |
| Mr. Sandeep Singhania | | | 17,21,162 |
| Mrs. Sarita Singhania | | | 10,56,400 |
| Mr. Naresh Pachisia | 12,000 | 4,000 | |
| Mr. Harish Parekh | 6,000 | 2,000 | |
| Mr. N. F. Tankariwala | 9,000 | 3,000 | |
| Total | 27,000 | 9,000 | 27,77,562 |

7. Investor Grievance and Share Transfer Committee

The Committee comprises of two Non-Executive Directors, the Managing Director and the Wholetime Director, namely:

Mr. Naresh Pachisia – Chairperson (Non-Executive)

Mr. N. F. Tankariwala – Member (Non-Executive)

Mr. Sandeep Singhania – Member (Managing Director)

Mrs. Sarita Singhania – Member (Wholetime Director)

The Committee which generally meets once a month, met twelve times during the year

| | |
|--|-----|
| a) No. of complaints not resolved/no action taken/pending as on 1.1.2010 | NIL |
| b) Complaints received from Investors | 3 |
| c) Complaints replied/resolved | 3 |
| d) Complaints pending on December 31, 2010 | NIL |

Name and designation of Compliance Officer:

Mr. Manoj Agarwala, Chief Financial Officer & Company Secretary.

8. General Body Meetings

Location and time where last three AGMs were held:

| Date | Location | Time |
|---------------|---|------------|
| June 25, 2010 | Gyan Manch Education Society Hall, 11 Pretoria Street, Kolkata-700071 | 10.30 A.M. |
| June 27, 2009 | - Do - | 10.30 A.M. |
| June 21, 2008 | - Do - | 10.30 A.M. |

No special resolutions or ordinary resolutions were required to be put through postal ballot at the previous 99th AGM held on June 25, 2010. No resolution on matters requiring through postal ballot are placed for shareholders approval at the forthcoming 100th AGM.

9. Other Disclosures:

A. Related party transactions:

Disclosures of materially significant related party transaction:

Details of related party transaction as specified in the Accounting Standards - 18 issued by the Institute of Chartered Accountants of India have been reported in the notes to the Accounts.

The Company has not entered into any transaction of material nature with any of its related parties that may have potential conflict with the interest of the Company.

B. No penalties/strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws or any matter related to the capital market, during the last three years.

10. CEO/CFO Certification

Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

have issued necessary certificates pursuant to the provision of Clause 49 of the Listing Agreement and the same is annexed and forms part of the Annual Report.

11. Means of communication:

(a) Quarterly results and half-yearly results are published in newspapers such as The Financial Express, Dainik Statesman (Bengali).

(b) **Company's e-mail address:** contactus@dianatea.in

(c) Management discussion and Analysis Report forms part of the Director's Report.

12. Shareholders' Information:

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

Saturday, the June 25, 2011 at 10:30 A.M.

Gyan Manch Education Society Hall,
11, Pretoria Street, Kolkata-700071.

(b) Financial Calendar and publication of results:

The Financial Year of the Company is from January to December

Publication of results will be as follows:

| Period | Approval by the Board of Directors (tentative) |
|---|--|
| 1st Quarter ending March 31, 2011 | 2nd week of May, 2011 |
| 2nd Quarter ending June 30, 2011 | 2nd week of August, 2011 |
| 3rd Quarter ending September 30, 2011 | 2nd week of November, 2011 |
| 4th Quarter ending December, 2011 (if unaudited) | 2nd week of February, 2012 |
| (if audited) | February, 2012 |
| AGM for the year ending December 31, 2011 | June, 2012 |

(c) **Book closure:** Tuesday, June 21, 2011 to Saturday, June 25, 2011.

(d) Listing on Stock Exchanges:

The Company's securities are listed at

| Name of the Stock Exchange | Stock Code |
|--|------------|
| 1. The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai - 400 001 | 530959 |
| 2. The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata - 700 001 | 14038 |
| 3. The Delhi Stock Exchange Association Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002 | 8273 |
| 4. Ahmedabad Stock Exchange Ltd. Kamdhenu Complex, Panjara Pole, Ambawadi, Ahmedabad - 380 015 | 14121 |

The Company has applied for delisting of shares from i) The Calcutta Stock Exchange Association Ltd, ii) The Delhi Stock Exchange Association Ltd and iii) Ahmedabad Stock Exchange Ltd.

(e) Stock price data:

(Amount in ₹)

| Month | The Bombay Stock Exchange Ltd. (BSE) | |
|----------------|--------------------------------------|-------|
| | High | Low |
| January 2010 | 38.90 | 26.70 |
| February 2010 | 30.95 | 23.30 |
| March 2010 | 29.80 | 23.90 |
| April 2010 | 31.70 | 24.85 |
| May 2010 | 26.90 | 20.45 |
| June 2010 | 24.20 | 20.65 |
| July 2010 | 24.40 | 21.85 |
| August 2010 | 23.15 | 21.00 |
| September 2010 | 24.75 | 21.10 |
| October 2010 | 23.90 | 21.55 |
| November 2010 | 28.20 | 20.80 |
| December 2010 | 23.00 | 18.85 |

CEO/CFO Certification

(f) Share Transfer System:

The Company's shares are in compulsory demat mode. Share transfers are registered within a maximum period of 30 days from the date of receipt, provided the documents are complete in all respects.

(g) Dematerialisation of shares:

The shares of the Company are compulsorily traded in dematerialised form under depository systems of both National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL).

14,763,782 Equity Shares, representing 98.48% of the paid up capital of the Company were held in demat form with NSDL & CDSL as on December 31, 2010

(h) a) Distribution of share holding as on December 31, 2010.

| Group of shares | No. of shareholders | % | No. of Shares held | % to total shares |
|-----------------|---------------------|---------------|--------------------|-------------------|
| 1 to 500 | 5,797 | 78.34 | 9,28,127 | 6.19 |
| 501 to 1000 | 773 | 10.44 | 6,44,345 | 4.30 |
| 1001 to 2000 | 396 | 5.35 | 6,19,230 | 4.13 |
| 2001 to 3000 | 141 | 1.91 | 3,67,601 | 2.45 |
| 3001 to 4000 | 67 | 0.91 | 2,47,709 | 1.65 |
| 4001 to 5000 | 63 | 0.85 | 3,01,812 | 2.02 |
| 5001 to 10000 | 97 | 1.31 | 7,31,821 | 4.88 |
| 10001 & higher | 66 | 0.89 | 1,11,50,355 | 74.38 |
| Total | 7,400 | 100.00 | 1,49,91,000 | 100.00 |

b) Share holding pattern as at December 31, 2010.

| Category | No. of shareholders | No. of shares held | % of shareholding |
|-------------------------|---------------------|--------------------|-------------------|
| Promoters | 12 | 91,94,854 | 61.34 |
| Private Body Corporates | 217 | 13,32,044 | 8.88 |
| Individuals | 7,081 | 43,95,833 | 29.32 |
| NRI/OCB | 74 | 61,416 | 0.41 |
| Clearing Member | 16 | 6,853 | 0.05 |
| Total | 7400 | 1,49,91,000 | 100.00 |

(i) Outstanding GDR/Warrants and Convertible Bonds, Conversion dates and likely impact on Equity:

Not applicable

(j) Plant location:

The Company owns four tea gardens, each having its own processing factory at Dooars (North Bengal) in Jalpaiguri District

- | | |
|---|--|
| a) Diana Tea Estate P.O. Banarhat-735202 | b) Baintgoorie Tea Estate P.O. Mal-735221 |
| c) Goodhope Tea Estate P.O. Dam Dim-735209 | d) Ambari Tea Estate P.O. Ambari Bagan-735201 |

(k) Address for correspondence:

(Registrar & Share Transfer Agents)

M/s. Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd floor, Kolkata - 700 001
Phone: (033) 2243-5029/5809, 2248-2248, Fax: (033) 2248-4787
e-mail: mdpl@cal.vsnl.net.in

To

The Board of Directors

Diana Tea Company Limited

3/B, Lal Bazar Street,

Kolkata - 700 001

We, Sandeep Singhania, Managing Director and Manoj Agarwala, Chief Financial Officer & Company Secretary of Diana Tea Company Limited to the best of our knowledge and belief, certify that:

- We have reviewed financial statement and cash flow statement for the year;
- Based on our knowledge and information, these statements do not contain materially untrue statement or omit any material fact or contain statements that might be misleading;
- Based on our knowledge and information, the financial statements, and other financial information included in the report, present in all material respects, a true and fair view of the company's affairs, and are in compliance with the existing accounting standards and/or applicable laws and regulations.
- To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the Company's code of conduct.
- We are responsible for establishing and maintaining internal controls and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- We have disclosed based on our most recent evaluation, wherever applicable to the Company's Auditors and the Audit Committee of the Company's Board of Directors:
 - significant changes in internal controls during the year,
 - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, and
 - instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal controls system.

For Diana Tea Company Limited

Sandeep Singhania
Managing Director

Manoj Agarwala
Chief Financial Officer &
Company Secretary

Place: Kolkata

Date: May 14, 2011

Declaration Regarding Code of Conduct

To Whom It May Concern

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors.

I confirm that the Company has in respect of the financial year ended December 31, 2010 received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer and the Company Secretary, employees in the Executive cadre as on December 31, 2010.

For Diana Tea Company Limited

Place: Kolkata

Date: May 14, 2011

Sandeep Singhania

Managing Director

Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To

The Members of

Diana Tea Company Limited

3/B, Lal Bazar Street,

Kolkata – 700 001

We have examined the compliance of conditions of Corporate Governance by Diana Tea Company Limited (the Company) for the year ended December 31 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 and the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that the Registrars of the Company have certified that as on December 31, 2010, there were no investor grievance remaining unattended/pending.

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

For DAS & PRASAD

Chartered Accountants

Regn. No. 303054E

4, Chowringhee Lane,

Kolkata – 700 016

Date: May 14, 2011

P. K. Agarwal

Partner

Membership No. 056921

Auditors' Report

To

The Members of

Diana Tea Company Limited

1. We have audited the attached Balance Sheet of Diana Tea Company Limited as at 31st December, 2010 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date both annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the companies (Auditor's Report) Amendment Order, 2004 ('CARO') issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of "the Companies Act, 1956" of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and on the basis of information and explanations given to us during the course of audit we state that:
 - i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets of the Company at all its locations were physically verified by the Management at reasonable intervals during the year. As informed, no material discrepancies were noticed on such verification.
 - c) In our opinion and according to the information and explanations given to us, the Company has not disposed off any substantial part of fixed assets during the year.
 - ii)
 - a) As explained to us, the Management has conducted physical verification of inventory at reasonable intervals during the year except stock of tea lying with third party .
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of Inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
 - iii) In respect of loans granted/obtained by the company to 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 granted inter-corporate loans to one company. At the year end the outstanding balance of such loan granted was ₹800,000/- and maximum amount involved during the year was ₹800,000/-.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the company.
 - (c) The receipt of principal amounts and interest has been regular during the year.
 - (d) There was no overdue amount in respect of above inter-corporate loans.
 - (e) The Company has taken interest free unsecured loan from holding company. The amount of loan taken by the company during the year was ₹3,710,000/- at the year end the outstanding balance of such loan taken was ₹1,485,000/- and maximum amount involved during the year was ₹1,485,000/-
 - (f) In our opinion, terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
 - (g) In respect of aforesaid loan the company is regular in repayment of the principal amount as stipulated and is also regular in payment of interest where applicable.
 - iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for purchase of inventory, fixed assets and for the sale of goods & services. During the course of audit, no major weakness has been noticed in the internal control in respect of these areas.

Auditors' Report (Contd.)

- v) a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time where such market prices are available.
- vi) The Company has not accepted any deposits from the public under Sections 58A and 58AA of the Act and the rules framed thereunder.
- vii) According to the information and explanations given to us, Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub Section (i) of Section 209 of the Act and are of 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.
- ix) According to the information and explanations given to us and the records of the company examined by us in respect of Statutory and other dues:-
- (a) In our opinion, Undisputed Statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax and any other statutory dues has been regularly deposited with the appropriate authorities during the year except:-
West Bengal Professional Tax Liability of ₹327,417/- in respect of interest for which the Company had applied for waiver.
- (b) According to the records of the Company, the disputed statutory dues on account of sales tax, income tax, wealth tax, service tax, excise duty and cess that have not been deposited on account of matters pending before appropriate authorities are as follows:

| Name of the Statute | Nature of Dues | Amount (in ₹) | Period to which the Amount relates | Forum where dispute is pending |
|---------------------------------|----------------|---------------|------------------------------------|-------------------------------------|
| West Bengal Sales Tax Act, 1994 | Sales Tax | 80,543/- | 2000-2001 | Commercial Tax Officer |
| Central Sales Tax Act, 1956 | CST | 2,528,836/- | 2003-2004 | Deputy Commissioner |
| Central Sales Tax Act, 1956 | CST | 2,718/- | 2004-2005 | Deputy Commissioner |
| Income Tax Act, 1961 | Income Tax | 779,200/-* | 2007-2008 | Commissioner of Income Tax (Appeal) |
| Income Tax Act, 1961 | Income Tax | 1,328,258/- | 2008-2009 | Commissioner of Income Tax (Appeal) |

*The company has paid ₹800,000/- against the same on protest.

- x) The Company does not have any accumulated losses at the financial year ended 31st December 2010 and it has not incurred cash losses in the current and immediate preceding financial year.
- xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to the Financial Institutions.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loan or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) 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.
- xiv) (a) According to the information and explanations given to us, Company is not dealing / trading in shares, securities or debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (b) According to the information and explanations given to us, long-term investments have been held by the Company in its own name.

Auditors' Report (Contd.)

- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from the Bank or Financial Institutions during the year.
- xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that no fund raised on short term basis have been used for long term investment and no long term fund have been used to finance the short term assets.
- xviii) 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.
- xix) The Company has not raised debentures during the year and hence question of any security in respect of debentures does not arise.
- xx) The Company has not raised any money through public issue during the year.
- xxi) During the course of our examination of the books and records of the company and based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the management, we have neither come across any instance of fraud on or by the Company noticed or reported during the year nor have been informed of such case by the management.
4. Further to our comments in paragraph 3 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 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the 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 except for Accounting Standard 15(Revised 2005), in respect of non-provision of part of gratuity liability indicated in Note No.B-8(b) of Schedule 12.
- e) On the basis of the written representation received from the Directors as on 31st December, 2010 and taken on record by the Board of Directors we report that none of the Directors is disqualified as on 31st December, 2010 from being appointed as a Director in terms of 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 statement of accounts read together with Notes as appearing in schedule 12 to the Accounts particularly (a) Note No.-B-5 for non provision of sundry debtors considered as doubtful of recovery, (b) Note No.B-8 (b) for non provision of gratuity liability, (c) Note No.B-9 for non-provision of diminution in value of investments, (d) Note No.B-12 for non provision of professional tax liability and (e) Note No.B-13 for non provision of loan receivable. Had the effect of above Notes Nos. (a) to (e) been taken in the books the profit as well as carried forward profit would have been reduced by the net of sum of the amounts referred in above notes; 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.
- i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2010;
- ii) in the case of Profit and Loss Account, of the PROFIT for the year ended on that date; and
- iii) in the case of the Cash Flow Statement of the Cash Flow for the year ended on that date.

For Das & Prasad
Chartered Accountants
Regn. No. 303054E

4, Chowringhee Lane
Kolkata - 700 016
Date : May 14, 2011

P. K. Agarwal
Partner
Membership No.056921

Balance Sheet

as at 31st December, 2010

(Amount in ₹)

| Schedule | As at 31st December, 2010 | | As at 31st December, 2009 | |
|---|------------------------------|--------------------|------------------------------|--------------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | 74,955,000 | 74,955,000 | |
| Reserves & Surplus | 2 | 674,936,938 | 749,891,938 | 620,017,421 |
| Loan Funds | 3 | | | |
| Secured Loans | | 111,624,615 | 189,386,428 | |
| Unsecured Loans | | 1,515,000 | 55,000 | 189,441,428 |
| Deferred Tax Liability | | 6,396,794 | | - |
| | | 869,428,347 | | 884,413,849 |
| APPLICATION OF FUNDS : | | | | |
| Fixed Assets | | | | |
| Gross Block | 4 | 817,756,739 | 794,633,992 | |
| Less : Depreciation | | 133,666,579 | 126,275,533 | |
| Net Block | | 684,090,160 | 668,358,459 | |
| Capital Work-in-Progress | | 2,137,351 | 188,624 | 668,547,083 |
| Investments | 5 | 38,495,528 | | 15,239,266 |
| Current Assets, Loans & Advances | | | | |
| Inventories | 6 | 110,674,192 | 151,036,117 | |
| Sundry Debtors | | 53,898,760 | 48,027,282 | |
| Cash & Bank Balances | | 9,667,981 | 7,640,348 | |
| Other Current Assets | | 18,284,939 | 20,114,315 | |
| Loans & Advances | | 111,034,782 | 109,303,425 | |
| | | 303,560,654 | 336,121,487 | |
| Less : Current Liabilities & Provisions | 7 | | | |
| Current Liabilities | | 130,020,480 | 119,467,844 | |
| Provisions | | 28,834,866 | 18,997,118 | |
| | | 158,855,346 | 138,464,962 | |
| Net Current Assets | | 144,705,308 | | 197,656,525 |
| Deferred Tax Assets | | - | 2,970,975 | |
| | | 869,428,347 | | 884,413,849 |
| Notes on Accounts & Significant Accounting Policies | 12 | | | |

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

As per our Annexed Report of even date.

For Das & Prasad
Chartered Accountants
Regn.No.303054E

For and on behalf of the Board

P. K. Agarwal
Partner
Membership No.056921

Manoj Agarwala
Chief Financial Officer &
Company Secretary

Sandeep Singhania
Managing Director

Sarita Singhania
Wholetime Director

4, Chowringhee Lane, Kolkata-700 016
Date : May 14, 2011

Profit and Loss Account

for the year ended 31st December, 2010

(Amount in ₹)

| Schedule | For the year ended 31st December, 2010 | | For the year ended 31st December, 2009 | |
|---|---|-------------|---|-------------------|
| INCOME | | | | |
| Sales & Services (Net) | 8 | 621,604,806 | 534,499,546 | |
| Other Income | 9 | 4,578,322 | 914,106 | |
| Amount Transferred from Capital | | | | |
| Reserve [See Note No.B-3] | | 49,895 | 49,895 | |
| Closing Stock | | 95,678,915 | 721,911,938 | 131,326,603 |
| | | | | 666,790,150 |
| EXPENDITURE | | | | |
| Opening Stock | | 131,326,603 | 75,694,215 | |
| Purchases | | 52,188,905 | 75,798,134 | |
| Expenses | 10 | 427,382,196 | 610,897,704 | 409,625,844 |
| | | | | 561,118,193 |
| Profit before Depreciation & Interest | | | 111,014,234 | 105,671,957 |
| Depreciation | | 9,441,785 | 9,269,410 | |
| Interest & Finance Charges (Net) | 11 | 14,396,540 | 23,838,325 | 23,827,409 |
| | | | | 33,096,819 |
| Profit before Taxation | | | 87,175,909 | 72,575,138 |
| Provision for Taxation | | | | |
| - Current Tax | | | (5,113,032) | (2,050,000) |
| - Fringe Benefit Tax | | | - | (66,584) |
| - Deferred Tax(Liability) /Assets | | | (9,367,769) | 1,376,371 |
| - Agricultural Income Tax For Earlier Years | | | - | (2,745,512) |
| - MAT Credit Entitlement | | | (1,124,168) | 1,643,041 |
| Profit after Taxation | | | 71,570,940 | 70,732,454 |
| Balance Profit brought forward from previous year | | | 4,714,876 | 2,751,782 |
| Profit available for Appropriation | | | 76,285,816 | 73,484,236 |
| APPROPRIATIONS | | | | |
| Transferred to General Reserve | | | 50,000,000 | 60,000,000 |
| Proposed Dividend | | | 11,243,250 | 7,495,500 |
| Provision for Tax on Proposed Dividend | | | 1,823,937 | 1,273,860 |
| Balance carried to Balance Sheet | | | 13,218,629 | 4,714,876 |
| | | | 76,285,816 | 73,484,236 |
| Basic & Diluted Earning Per Share | | | 4.77 | 4.72 |
| Notes on Accounts & Significant Accounting Policies | 12 | | | |

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

As per our Annexed Report of even date.

For Das & Prasad
Chartered Accountants
Regn.No.303054E

For and on behalf of the Board

P. K. Agarwal
Partner
Membership No.056921

Manoj Agarwala
Chief Financial Officer &
Company Secretary

Sandeep Singhania
Managing Director

Sarita Singhania
Wholetime Director

4, Chowringhee Lane, Kolkata-700 016
Date : May 14, 2011

Cash Flow Statement for the year ended 31st December, 2010

(Amount in ₹)

| | For the year ended 31st December, 2010 | | For the year ended 31st December, 2009 | |
|--|---|---------------------|---|---------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before tax and extra ordinary items | | 87,175,909 | | 72,575,138 |
| Add : | | | | |
| a) Depreciation | 9,441,785 | | 9,269,410 | |
| b) Interest & Finance Charges | 20,351,343 | | 31,086,222 | |
| c) Loss on Sale of Assets | 1,143,751 | 30,936,879 | 644,231 | 40,999,863 |
| | | 118,112,788 | | 113,575,001 |
| Deduct : | | | | |
| a) Dividend Income | 131,580 | | 19,023 | |
| b) Interest Income | 5,954,803 | | 7,258,813 | |
| c) Transferred from Capital Reserve | 49,895 | 6,136,278 | 49,895 | 7,327,731 |
| Operating Profit before Working Capital Changes | | 111,976,510 | | 106,247,270 |
| Deduct/(Add) : | | | | |
| Increase/(Decrease) in Inventories | | (40,361,925) | | 48,218,067 |
| | | 152,338,435 | | 58,029,203 |
| Add/(Less) : | | | | |
| a) Increase/(Decrease) in Trade & Other Payable | 15,979,931 | | 29,509,661 | |
| b) Increase/(Decrease) in Trade & Other Receivable | 1,434,061 | 17,413,992 | 6,832,634 | 36,342,295 |
| Cash Flow from Operations | | 169,752,427 | | 94,371,498 |
| Deduct : | | | | |
| a) Tax Paid | | 8,425,828 | | 5,424,466 |
| Net Cash (Outflow)/Inflow from Operating Activities | | 161,326,599 | | 88,947,032 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Out Flow | | | | |
| a) Acquisition of Fixed Assets | 32,196,651 | | 19,208,599 | |
| b) Acquisition of Investments | 23,256,262 | | 2,000,000 | |
| c) Loans Granted | 2,700,000 | 58,152,913 | - | 21,208,599 |
| Deduct : | | | | |
| Inflow | | | | |
| a) Sale of Fixed Assets | 396,346 | | 386,405 | |
| b) Capital Subsidy Received | - | | 1,533,674 | |
| c) Interest Received | 3,635,911 | | 5,229,994 | |
| d) Dividend Received | 131,580 | | 19,023 | |
| e) Loans Repayment Received | - | 4,163,837 | 2,255,222 | 9,424,318 |
| Net Cash (Outflow)/Inflow from Investing Activities | | (53,989,076) | | (11,784,281) |

Cash Flow Statement (Contd.) for the year ended 31st December, 2010

(Amount in ₹)

| | For the year ended 31st December, 2010 | | For the year ended 31st December, 2009 | |
|---|---|----------------------|---|---------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| In Flow | | | | |
| a) Proceeds from Borrowings | - | - | - | - |
| Deduct : | | | | |
| Out Flow | | | | |
| a) Repayment of Borrowings | 76,301,813 | | 44,419,206 | |
| b) Dividend Paid (including tax on dividend) | 8,656,734 | | 4,353,310 | |
| c) Interest & Finance Charges Paid | 20,351,343 | 105,309,890 | 31,086,222 | 79,858,738 |
| Net Cash Inflow/(Out flow) from Financing Activities | | (105,309,890) | | (79,858,738) |
| Net Increase/(Decrease) in Cash & Cash Equivalents (A + B + C) | | 2,027,633 | | (2,695,987) |
| Cash & Cash Equivalents as at Opening | | 7,640,348 | | 10,336,335 |
| Cash & Cash Equivalents as at Closing | | 9,667,981 | | 7,640,348 |

Note to the Cash Flow statement for the year ended 31st December, 2010

1. Previous Year figures have been recast/regrouped wherever considered necessary to make them comparable with current year figures.

For Das & Prasad

Chartered Accountants

Regn.No.303054E

For and on behalf of the Board

P. K. Agarwal

Partner

Membership No.056921

4, Chowringhee Lane, Kolkata-700 016

Date : May 14, 2011

Manoj Agarwala

Chief Financial Officer &

Company Secretary

Sandeep Singhania

Managing Director

Sarita Singhania

Wholetime Director

Schedules forming part of the Balance Sheet

(Amount in ₹)

| | As at 31st December, 2010 | | As at 31st December, 2009 | |
|---|------------------------------|--------------------|------------------------------|--------------------|
| SCHEDULE 1 SHARE CAPITAL | | | | |
| Authorised | | | | |
| 24,000,000 Equity Shares of ₹5/- each (Previous Year 24,000,000 Equity Shares of ₹5/- each) | | 120,000,000 | | 120,000,000 |
| Issued, Subscribed & Paid-up | | | | |
| 14,991,000 Equity Shares of ₹5/- each, fully paid (Previous Year 14,991,000 Equity Shares of ₹5/- each, fully paid) | | 74,955,000 | | 74,955,000 |
| Out of the above Shares: | | | | |
| a) 8,994,600 Equity Shares of ₹5/- each have been allotted as fully paid-up Bonus Shares by way of Capitalisation of Share Premium Account. | | | | |
| b) 924,300 Shares of ₹5/- each were allotted as fully paid-up Bonus Shares by way of Capitalisation of General Reserve. | | | | |
| c) 74,520 Shares of ₹5/- each, fully paid were issued as pursuant to Contract without payment being received in cash. | | | | |
| d) 8,179,340 Shares of ₹5/- each fully paid-up are held by Holding Company Diana Capital Ltd. | | | | |
| SCHEDULE 2 RESERVES & SURPLUS | | | | |
| Share Premium : | | | | |
| As per last Account | | 32,361,300 | | 32,361,300 |
| Capital Reserve (Revaluation) : | | | | |
| As per last Account | 281,445,218 | | 283,859,643 | |
| Less : Assets discarded during the year | 3,534,341 | | 2,364,530 | |
| Less : Transferred to Profit & Loss Account | 49,895 | 277,860,982 | 49,895 | 281,445,218 |
| Capital Reserve (Share Forfeiture Account) | | | | |
| As per last Account | | 9,500 | | 9,500 |
| General Reserve : | | | | |
| As per last Account | 301,486,527 | | 241,486,527 | |
| Add: Transferred from Profit & Loss Account | 50,000,000 | 351,486,527 | 60,000,000 | 301,486,527 |
| Balance in Profit & Loss Account | | 13,218,629 | | 4,714,876 |
| | | 674,936,938 | | 620,017,421 |

Schedules forming part of the Balance Sheet

(Amount in ₹)

| | As at 31st December, 2010 | | As at 31st December, 2009 | |
|---|------------------------------|------------|------------------------------|------------|
| SCHEDULE 3 LOAN FUNDS | | | | |
| Secured Loans : | | | | |
| 1. From United Bank of India: | | | | |
| a) Cash Credit Account | | 39,403,360 | | 49,248,225 |
| Secured on consortium basis with Punjab National Bank by a first charge on the current assets of the Company namely, Stock of Raw Materials, Semi Finished and Finished Goods, Stores & Spares, Book Debts, Receivable and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged / to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company | | | | |
| b) Secured Term Loan | | - | | 19,026,068 |
| Secured by a first charge on the current assets of the Company and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged/to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company and corporate guarantee by a group company and also by pledgement of the company's 1,607,274 numbers of Equity shares held by Holding Company and two Directors of the Company. | | | | |
| c) Secured Term Loan | | 1,576,832 | | - |
| Secured by a first charge on the current assets of the Company and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged/to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company. | | | | |
| d) Secured Term Loan (Special Tea Term Loan) | | 42,760,000 | | 50,194,667 |
| Secured by a first charge on the current assets of the Company and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged/to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company. Repayable within one year ₹21,000,000/- (Previous Year ₹6,875,000/-) | | | | |

Schedules forming part of the Balance Sheet

(Amount in ₹)

| | As at 31st December, 2010 | As at 31st December, 2009 |
|---|------------------------------|------------------------------|
| SCHEDULE 3 LOAN FUNDS (Contd.) | | |
| 2. From Punjab National Bank : | | |
| a) Cash Credit Account | 8,227,130 | 56,565,294 |
| Secured on consortium basis with United Bank of India by a first charge on the current assets of the Company namely, Stock of Raw Materials, Semi Finished and Finished Goods, Stores & Spares, Book Debts, Receivable and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged / to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company | | |
| b) Secured Term Loan | 3,095,428 | 7,366,440 |
| Secured by equitable mortgage of leasehold Tea Estates shared on pari-passu basis with United Bank of India and personal guarantee of two directors Repayable within one year ₹3,095,428/- (Previous year ₹4,716,440/-) | | |
| c) Secured Term Loan (Special Tea Term Loan) | – | 2,822,394 |
| Secured by a first charge on the current assets of the Company and also secured by pari-passu first charge on all immovable assets of the Company, both present and future, excluding specific items of assets charged/to be charged in favour of lenders or suppliers providing finance for the acquisition thereof and also personal guarantees of two Directors of the Company. | | |
| 3. From Tea Board : | | |
| Secured Term Loan (Special Purpose Tea Fund) | 16,561,865 | 4,163,340 |
| Secured by second charge by equitable mortgage of Leasehold Tea Estate ranking subsequent to the charge of the bank. | | |
| | 111,624,615 | 189,386,428 |
| Unsecured Loans: | | |
| 1. From Government of West Bengal | 30,000 | 45,000 |
| 2. From Holding Company (Not Bearing Interest) | 1,485,000 | 10,000 |
| | 1,515,000 | 55,000 |

Schedules forming part of the Balance Sheet

(Amount in ₹)

SCHEDULE 4 FIXED ASSETS

| Description | GROSS BLOCK | | | | DEPRECIATION | | | NET BLOCK | | |
|-----------------------|-----------------------|--------------------------|--|------------------------|--------------------|------------------|--|-----------------------|--------------------------|--------------------------|
| | Cost as at 01.01.2010 | Addition During the Year | Cost of Assets sold/ discarded/ Adjusted | Total as at 31.12.2010 | Upto 31.12.2009 | For the Year | Adjustment/ Written back during the Year | Total upto 31.12.2010 | Balance as at 31.12.2010 | Balance as at 31.12.2009 |
| Land & Plantations | 557,003,346 | 9,896,888 | 4,484,777 | 562,415,457 | – | – | – | – | 562,415,457 | 557,003,346 |
| Buildings | 69,786,461 | 4,610,795 | 53,052 | 74,344,204 | 22,844,046 | 1,684,909 | – | 24,528,955 | 49,815,249 | 46,942,415 |
| Roads & Bridges | 5,314,596 | – | – | 5,314,596 | 1,068,793 | 86,629 | – | 1,155,422 | 4,159,174 | 4,245,803 |
| Plant & Machinery and | | | | | | | | | | |
| Electric Installation | 107,962,797 | 3,655,408 | 1,592,199 | 110,026,006 | 69,417,666 | 5,087,708 | 1,554,787 | 72,950,587 | 37,075,419 | 38,545,131 |
| Water Installation | 31,862,676 | 7,591,392 | 10,000 | 39,444,068 | 17,748,246 | 1,520,754 | 10,000 | 19,259,000 | 20,185,068 | 14,114,430 |
| Furniture, Fittings & | | | | | | | | | | |
| Other Equipments | 8,008,473 | 322,254 | 70,000 | 8,260,727 | 5,266,379 | 442,658 | 38,006 | 5,671,031 | 2,589,696 | 2,742,094 |
| Vehicles | 14,695,643 | 4,171,187 | 915,149 | 17,951,681 | 9,930,403 | 619,127 | 447,946 | 10,101,584 | 7,850,097 | 4,765,240 |
| Total | 794,633,992 | 30,247,924 | 7,125,177 | 817,756,739 | 126,275,533 | 9,441,785 | 2,050,739 | 133,666,579 | 684,090,160 | 668,358,459 |
| Previous Year Total | 781,375,437 | 19,019,975 | 5,761,420 | 794,633,992 | 117,838,703 | 9,269,410 | 832,580 | 126,275,533 | 668,358,459 | |

| | Face Value | As at 31st December, 2010 | | As at 31st December, 2009 | |
|--|------------|---------------------------|-----------|---------------------------|-----------|
| | ₹ | Nos. | ₹ | Nos. | ₹ |
| SCHEDULE 5 INVESTMENTS (AT COST) | | | | | |
| Non Trade - Long Term Investments | | | | | |
| Quoted: In Fully Paid Equity Shares | | | | | |
| Agritech (I) Limited | 10 | 820 | 19,018 | 820 | 19,018 |
| Alsa Marine & Harvests Limited | 10 | 800 | 33,692 | 800 | 33,692 |
| Ambuja Cements Limited | 2 | 615 | – | 615 | – |
| Cerebra Integrated Technologies Limited | 10 | 40,000 | 2,448,000 | 40,000 | 2,448,000 |
| Dhunseri Investments Limited | 10 | 75 | – | – | – |
| Dhunseri Petrochem & Tea Limited | 10 | 150 | 60,900 | 150 | 60,900 |
| DSQ Software Limited | 10 | 1,200 | 352,961 | 1,200 | 352,961 |
| Electrosteel Steels Limited | 10 | 200,000 | 2,000,000 | – | – |
| Jindal Steel & Power Limited | 1 | 300 | 157,377 | 300 | 157,377 |
| JSW Steel Limited | 10 | 150 | 189,454 | 150 | 189,454 |
| Kirloskar Multimedia Limited | 10 | 50,000 | 500,000 | 50,000 | 500,000 |
| Kirtivardhan Finvest Services Limited | 1 | 560 | – | 560 | – |
| LCC Infotech Limited | 2 | 5,000 | – | 5,000 | – |

Schedules forming part of the Balance Sheet

| | Face Value | As at 31st December, 2010 | | As at 31st December, 2009 | |
|--|------------|---------------------------|-------------------|---------------------------|-------------------|
| | | ₹ | Nos. | ₹ | Nos. |
| SCHEDULE 5 INVESTMENTS (AT COST) (Contd.) | | | | | |
| Moving Pictures (I) Limited | 10 | 6,958 | 382,690 | 6,958 | 382,690 |
| Mukand Engineers Limited | 10 | 34,690 | 2,999,030 | 34,690 | 2,999,030 |
| Namaste Exports Limited | 10 | 500 | – | 500 | – |
| Nath Bio-Genes (I) Limited | 10 | 902 | 20,917 | 902 | 20,917 |
| Nath Seeds Limited | 10 | 2,378 | 55,145 | 2,378 | 55,145 |
| Noida Toll Bridge Company Limited | 10 | 2,500 | 85,456 | 2,500 | 85,456 |
| Ojas Techno Chem Product Limited | 10 | 41,900 | 664,664 | 41,900 | 664,664 |
| Padmini Technologies Limited | 10 | 8,100 | 1,187,155 | 8,100 | 1,187,155 |
| Raj Rayon Limited | 10 | 7,190 | 317,566 | 7,190 | 317,566 |
| RDL Infotech Limited | 10 | 25,000 | 250,000 | 25,000 | 250,000 |
| Reliance Capital Limited | 10 | 49 | 88,285 | 49 | 88,285 |
| Reliance Communication Limited | 5 | 3,090 | 1,075,811 | 3,090 | 1,075,811 |
| Reliance Industries Limited | 10 | 242 | 169,092 | 242 | 169,092 |
| Reliance Infrastructure Limited | 10 | 506 | 977,323 | 506 | 977,323 |
| Reliance Natural Resources Limited | 5 | – | – | 90 | – |
| Reliance Power Limited | 10 | 22 | – | – | – |
| Srei Infrastructure Finance Limited | 10 | 12,100 | 1,276,701 | 2,100 | 507,939 |
| Step Two Finance Limited | 10 | 700 | 7,000 | 700 | 7,000 |
| Suvarna Aqua Farm & Exports Ltd. | 10 | 200 | 2,808 | 200 | 2,808 |
| Tata Steel Limited | 10 | 571 | 95,172 | 571 | 95,172 |
| TCM Limited | 10 | 800 | 27,720 | 800 | 27,720 |
| Tecil Chemicals & H.P. Limited | 10 | 200 | 6,000 | 200 | 6,000 |
| | | | 15,449,937 | | 12,681,175 |
| Unquoted: In Fully Paid Equity Shares | | | | | |
| Ambition Vyapaar Private Limited | 10 | 2,000 | 20,000 | 2,000 | 20,000 |
| Diana Capital Limited | 10 | 117,370 | 2,432,627 | 29,870 | 245,127 |
| Electrosteel Steels Limited | 10 | – | – | 200,000 | 2,000,000 |
| Janak Steel Tubes Limited | 100 | 20,300 | 20,300,000 | – | – |
| Orkay Industries Limited | 10 | 2,800 | 67,376 | 2,800 | 67,376 |
| Rank Aqua Estates Limited | 10 | 1,000 | 45,116 | 1,000 | 45,116 |
| Sonal International Limited | 10 | 5,000 | 180,472 | 5,000 | 180,472 |
| | | | 23,045,591 | | 2,558,091 |
| | | | 38,495,528 | | 15,239,266 |
| Market Value of Quoted Investments | | | 8,801,225 | | 6,591,687 |

Schedules forming part of the Balance Sheet

(Amount in ₹)

| | As at 31st December, 2010 | | As at 31st December, 2009 | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | ₹ | ₹ | ₹ | ₹ |
| SCHEDULE 6 CURRENT ASSETS, LOANS & ADVANCES | | | | |
| CURRENT ASSETS: | | | | |
| (As taken, valued and certified by the Management) | | | | |
| Inventories | | | | |
| Stores & Spare Parts | 13,995,282 | | 19,322,999 | |
| Stores-in-Transit | 999,995 | 14,995,277 | 386,515 | 19,709,514 |
| Stock of Tea and Tea Waste | | 95,678,915 | | 131,326,603 |
| | | 110,674,192 | | 151,036,117 |
| Sundry Debtors | | | | |
| Debts outstanding for a period exceeding six months: | | | | |
| Considered Doubtful | 414,544 | | 414,544 | |
| Considered Good | 5,094,798 | | 5,069,097 | |
| Other Debts | | | | |
| Considered Good | 48,389,418 | 53,898,760 | 42,543,641 | 48,027,282 |
| Cash & Bank Balances | | | | |
| Cash-in-hand (as certified) | 2,420,544 | | 2,675,805 | |
| With Scheduled Banks in Current Accounts | 5,004,865 | | 3,113,930 | |
| Deposit Accounts (Pledged with Bankers against issue of Bank Guarantees) | 1,989,484 | | 1,710,151 | |
| Dividend Accounts | 253,088 | 9,667,981 | 140,462 | 7,640,348 |
| Other Current Assets | | | | |
| Interest Receivable | 12,813,633 | | 10,494,741 | |
| Compensation Receivable | 2,000,000 | | 5,000,000 | |
| Deferred Interest | 1,245,793 | | 1,835,269 | |
| Replantation Subsidy Receivable | 1,878,995 | | 2,657,179 | |
| Deferred Reserve Fund | 346,518 | | 103,126 | |
| Input Tax Receivable | – | 18,284,939 | 24,000 | 20,114,315 |
| LOANS & ADVANCES (Unsecured, Considered good) | | | | |
| Loans | 85,944,778 | | 83,244,778 | |
| Advances Receivable in cash or in kind or for value to be received | 13,938,777 | | 17,072,537 | |
| Income Tax Advance (Less Provisions) | 10,296,745 | | 8,108,118 | |
| Balance with Central Excise Department | 35,951 | | 22,987 | |
| Security Deposit | 463,202 | | 463,202 | |
| Prepaid Expenses | 355,329 | 111,034,782 | 391,803 | 109,303,425 |
| | | 303,560,654 | | 336,121,487 |
| SCHEDULE 7 CURRENT LIABILITIES & PROVISIONS | | | | |
| Current Liabilities | | | | |
| Sundry Creditors | 94,606,390 | | 87,359,191 | |
| Advance from Customers | 35,156,853 | | 31,867,701 | |
| Unclaimed Dividend Account | 253,088 | | 140,462 | |
| Share Application Refund Account | 544 | | 544 | |
| Interest accrued but not due | 3,605 | 130,020,480 | 99,946 | 119,467,844 |
| Provisions | | | | |
| Proposed Dividend | 11,243,250 | | 7,495,500 | |
| Tax on Proposed Dividend | 1,823,937 | | 1,273,860 | |
| Provision for Bonus | 15,767,679 | 28,834,866 | 10,227,758 | 18,997,118 |
| | | 158,855,346 | | 138,464,962 |

Schedules forming part of the Profit and Loss Account

(Amount in ₹)

| | For the year ended 31st December, 2010 | | For the year ended 31st December, 2009 | |
|--------------------------|---|-------------|---|-------------|
| SCHEDULE 8 SALES | | | | |
| Sales | 622,959,279 | | 535,904,963 | |
| Less: Excise Duty & Cess | 1,354,473 | | 1,412,617 | |
| Net Sales | 621,604,806 | | 534,492,346 | |
| Services Rendered | - | 621,604,806 | 7,200 | 534,499,546 |

SCHEDULE 9 OTHER INCOME

| | | | | |
|------------------------------|-----------|-----------|---------|---------|
| Miscellaneous Receipt | 259,896 | | 773,957 | |
| Sale of Scrap | 2,483,847 | | - | |
| Claims | 32,454 | | 3,710 | |
| Dividend | 131,580 | | 19,023 | |
| Replantation Subsidy | 1,257,644 | | - | |
| Liability written back (Net) | 412,901 | 4,578,322 | 117,416 | 914,106 |

SCHEDULE 10 EXPENSES

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Manufacturing & Cultivation | | | | |
| Stores & Spares Consumed | 59,965,771 | | 59,175,340 | |
| Power & Fuel | 56,715,292 | | 49,536,298 | |
| Purchase of Green Leaf | 32,424,634 | 149,105,697 | 61,321,411 | 170,033,049 |
| Repairs & Maintenance to | | | | |
| Machinery | 5,326,098 | | 7,683,718 | |
| Building | 3,936,724 | | 4,586,044 | |
| Others | 3,019,198 | 12,282,020 | 2,271,888 | 14,541,650 |
| Payment to & Provisions for Employees | | | | |
| Salaries, Wages, Bonus & Gratuity | 179,250,089 | | 157,502,825 | |
| Contribution to Provident Fund & Other Fund (including Administrative Charges) | 26,495,636 | | 15,790,411 | |
| Workers & Staff Welfare | 23,321,742 | 229,067,467 | 18,936,245 | 192,229,481 |
| Other Expenses | | | | |
| Office Rent | 144,000 | | 108,000 | |
| Rates & Taxes | 1,017,362 | | 694,597 | |
| Insurance | 488,047 | | 604,149 | |
| Miscellaneous Expenses | 16,765,991 | 18,415,400 | 13,613,163 | 15,019,909 |
| Auditors' Remuneration | | | | |
| For Statutory Audit | 110,000 | | 110,000 | |
| For Tax Audit | 25,000 | | 25,000 | |
| For Limited Review | 24,000 | | 18,000 | |
| For Cash Flow | 10,000 | | 10,000 | |
| For Service Tax | 18,798 | | 21,756 | |
| For Certificates & Others | 13,500 | | 28,000 | |
| For Expenses | 46,878 | 248,176 | 28,414 | 241,170 |

Schedules forming part of the Profit and Loss Account

(Amount in ₹)

| | For the year ended 31st December, 2010 | | For the year ended 31st December, 2009 | |
|---|---|-------------|---|-------------|
| SCHEDULE 10 EXPENSES (Contd.) | | | | |
| Tea Selling Expenses | | | | |
| Brokerage & Commission | 7,943,778 | | 7,111,059 | |
| Freight, Warehouse and Other Selling Expenses | 8,939,352 | 16,883,130 | 9,763,740 | 16,874,799 |
| Donation | | 236,555 | | 41,555 |
| Loss on Sale/Discard of Fixed Assets | | 193,315 | | 359,715 |
| Loss on Discard of Tea Plantation | | 950,436 | | 284,516 |
| | | 427,382,196 | | 409,625,844 |

SCHEDULE 11 INTEREST & FINANCE CHARGES(NET)

| | | | | |
|--|-----------|------------|------------|------------|
| Interest to Banks for Working Capital finance | 9,358,249 | | 16,987,723 | |
| Interest on Term Loans | 8,298,582 | | 10,216,561 | |
| Interest to Others | 15,495 | | 20,642 | |
| Bank Charges | 1,775,697 | | 2,506,971 | |
| Finance Charges | 903,320 | 20,351,343 | 1,354,325 | 31,086,222 |
| Less : Interest Income (Gross) (TDS ₹561,613) (Previous Year ₹992,060/-) | | 5,954,803 | | 7,258,813 |
| | | 14,396,540 | | 23,827,409 |

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS

A) Significant Accounting Policies

The financial statements have been prepared in accordance with the generally accepted accounting principles and acceptable accounting standard notified under section 211(3C) of the companies Act 1956 in India. A summary of significant accounting policies what have been applied consistently is set out below. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 1956.

1) Basis of Accounting

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

2) Revenue Recognition

2.1) The Company follows the Mercantile System of accounting and recognizes income and expenditure on an accrual basis.

2.2) Sales are net of Sales Tax wherever applicable.

3) Fixed Assets

Fixed assets are stated at cost (or revalue amounts, as the case may be) less accumulated depreciation.

Cost includes purchase price net of MODVAT/CENVAT and any directly attributable cost of bringing the assets to working condition for the intended use.

Expenditure incurred on extension planting and for upkeep of the same up to commercial plucking are capitalised.

Subsidies from Government in respect of Fixed Assets are deducted from the cost of respective assets on receipt/settled.

4) Replantation Expenditure

Expenditure on replanting and maintenance of replantation has been carried forward under fixed assets as Plantation.

5) Impairment of Fixed Assets

An impairment loss is recognised where applicable when the carrying value of the fixed assets of a cash generating unit exceeds its net selling price or value in use, whichever is higher.

6) Depreciation & Amortisation

Depreciation on fixed assets has been provided on Straight Line Method as per provision of Section 205(2)(b) of the Companies Act, 1956, applying the rates as prescribed in the Schedule XIV of the Companies Act, 1956.

No provision has been made in respect of amortisation of leasehold Land & Plantation.

7) Contingent Liabilities

Contingent Liabilities are generally not provided for, in the accounts and are separately shown in the Notes to the Accounts.

8) Inventories

Stock of Tea is valued at lower of cost computed on annual average basis or net realisable value. Stock of Tea Waste is valued at estimated realisable value.

Stock of stores and spares are valued at cost on weighted average basis or net realisable value.

As per practice followed by the Company the value of green leaf in stock as at the close of the year are not taken into accounts.

Provision is made for obsolete and slow moving stores wherever necessary.

9) Investments

Investments are classified as Long Term Investments and Current Investments (Investments intended to be held for not more than one year). Current Investments are carried at lower cost or fair value and provision is made to recognize any decline in the carrying value. Long Term Investments are carried at cost and provision is made to recognize any decline,

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

other than temporary in the value of such investments. Unquoted investments are carried at cost. Cost includes purchase price plus brokerage and transfer cost.

10) Excise Duty & Cess on Tea Production

Excise Duty & Cess on tea as applicable on manufactured goods is accounted for at the time of clearance. However, provision for Cess is made at the year end on finished goods lying in stock at factory.

11) Retirement Benefits

a) Gratuities are paid in accordance with the Payment of Gratuity Act, 1972 and accounted for, as and when paid/payable.

b) The Company contributes to the Employees Provident Fund maintained under the Employees Provident Fund Scheme run by the Central Government and are charged against revenue each year.

c) Leave salary is accounted for on accrual basis.

12) Income Tax

Provision is made for Income-Tax on a yearly basis under the tax payable method based on tax liability as computed after taking credit for allowances, expenses and carry forward losses. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted.

Deferred tax is recognized subject to the consideration of prudence, 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 subsequent periods. Deferred tax assets are recognized for all deductible timing differences, unabsorbed depreciation and carry forward of losses only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets/liability is reviewed at each balance sheet date and the consequential adjustments are carried out.

13) Provisions

A Provision is recognised when there is a obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

14) Borrowing costs

Borrowing Costs that are directly attributable to the acquisition, construction or production of qualifying assets are being capitalised as part of the cost of that assets and other borrowing costs are recognised as an expense of the year in which they are incurred.

15) Grants/Subsidies

Subsidies from government in respect of fixed assets are deducted from the cost of respective assets.

Other subsidies are accounted for on accrual basis when one is reasonably certain of its receipt. Duty drawbacks are recognised as deduction in reporting the related expenditure.

16) Foreign Currency Transactions

- Transactions in foreign currency are recorded at exchange rates prevailing on the date of the transactions.

- The foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are revalued in the accounts on the basis of exchange rate prevailing at the close of the year and exchange difference arising therefrom, is charged to the Profit & Loss Account.

- In case of transactions covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction is charged to the Profit & Loss Account, proportionately over the period of contract.

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

B) OTHER NOTES :

1) Contingent Liability not provided for in respect of

- 1.1) Bank Guarantees issued to various Government Bodies to the extent of ₹8,000,730/- (Previous year ₹6,786,084/-).
 - 1.2) Claim against the Company not acknowledged as debts amounting to ₹25,440,300/- (Previous year ₹25,440,300/-).
 - 1.3) West Bengal Sales Tax demand for the Assessment Year 2000-01 of ₹80,543/- (Previous year ₹80,543/-).
 - 1.4) Income tax demand of ₹779,200/- and ₹1,328,258/- being contested by the company for the Assessment year 2007-08 and 2008-09 respectively (Previous year ₹4,771,575, ₹94,181 and ₹3,100,689 for the assessment year 2005-06, 2006-07 and 2007-08 respectively).
 - 1.5) Central Sales Tax demand for the Assessment Year 2003-04 and 2004-05 of ₹2,528,836/- and ₹2,718/- respectively (Previous year ₹2,528,836/- and ₹194,968/- respectively).
- 2) Stock of Tea includes 8,14,417 Kgs. valuing ₹80,642,607/- lying with other Parties (Previous year 1,191,736 Kgs. valuing ₹110,585,116/-)
 - 3) Depreciation as calculated includes additional charges of ₹49,895 on revalued assets and an amount equivalent to the additional charges has been transferred to Profit and Loss Account from Capital Reserve (Revaluation of Fixed Asset) such transfer according to an authoritative Professional view being acceptable for the purpose of the Companies annual accounts.
 - 4) In accordance with the AS – 28 on Impairment of Assets, the company has assessed as on the balance sheet date, whether there are any indication (listed in paragraphs 8 to 10 of the standard) with regard to impairment of any assets. Based on such assessment, it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly, no impairment loss has been provided in the books of accounts.
 - 5) No provision has been made for Sundry Debtors amounting to ₹414,544/- considered as Doubtful of Recovery (Under Litigation ₹108,930/-) (Previous year ₹414,544/-)
 - 6) Sundry Creditors include outstanding in respect of Machinery and vehicle amounting to ₹9,691,870/- (Previous year ₹11,080,830/-) purchased in terms of Hire Purchase Agreements.
 - 7) The Company has not received any information from its suppliers regarding registration under “The Micro, Small and Medium Enterprises Development Act, 2006”. Hence, the information required to be given in accordance with Section 22 of the said Act, is not ascertainable. Hence, not disclosed.
 - 8) The disclosures required under Accounting Standard 15 (Revised 2005) “Employee Benefits” notified in the Companies (Accounting Standards) Rules,2006, are given below:

a) Defined Contribution Plan – Provident Fund

| | |
|---|--------------|
| Employer's contribution to Provident Fund | 14,608,829/- |
| Employees' contribution to Provident Fund | 14,608,829/- |

b) Defined Benefit Plan – Gratuity

No provision has been made in respect of present liabilities for future payment of gratuity to the staff and workers, which will be charged to accounts as and when paid. According to actuarial valuation under Revised AS-15, the liability for gratuity obligation to staff and workers as on 31st December, 2010 is ₹64,225,223/- (Previous Year ₹80,590,980/-).

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

The Company extends defined benefit plan in the form of gratuity to employees contribution to gratuity is made to Life Insurance Corporation of India & HDFC Standard Life Insurance Company Ltd. in accordance with the scheme framed by the Corporation. The details are as under:

| Liability to be recognised in Balance Sheet as on 31.12.2010 | (Amount in ₹) |
|--|-----------------|
| Present value of Obligations | 64,225,223.00 |
| Fair Value of Plan Assets | 6,532,323.00 |
| Net Asset/(Liability) not recognised in the Balance Sheet | (57,692,900.00) |
| Change in Plan Assets (Reconciliation of Opening & Closing Balances) | |
| Fair Value of Plan Assets as on 01.01.2010 | – |
| Expected Return on Plan Assets | – |
| Actuarial Gain/(Losses) | 110,470.00 |
| Contributions | 10,000,000.00 |
| Benefits Paid | 3,578,147.00 |
| Fair Value of Plan Assets as at 31.12.2010 | 6,532,323.00 |
| Reconciliation of Opening and Closing Balances of Obligation | |
| Change in defined Benefit Obligation | |
| Obligation as at 01.01.2010 | 80,590,980.00 |
| Current Service Cost | 2,909,929.00 |
| Interest cost | 6,501,157.00 |
| Actuarial Losses/(Gain) | (22,198,696.00) |
| Benefits Paid | 3,578,147.00 |
| Obligation as on 31.12.2010 | 64,225,223.00 |
| Expenditure to be recognised during the year | |
| Current Service Cost | 2,909,929.00 |
| Interest Cost | 6,501,157.00 |
| Expected Return on Plan Assets | 0.00 |
| Net Actuarial Losses/(Gain) Recognised during the year | (22,309,166.00) |
| Total Expenditure/(Income) required to recognise in the Profit & Loss A/C but not recognised | (12,898,080.00) |
| Assumptions | |
| Discount Rate (Per Annum) | 8.25% |
| Expected Rate of Return on Assets (Per Annum) | 8.50% |
| Salary Escalation Rate | 4.00% |

The discount rate is based upon the market yield available on government bonds at the accounting date within a term that matches that of the liabilities and the salary increase should take account Inflation, Seniority, Promotion and other relevant factors.

- 9) In accordance with Accounting Standard (AS) 13 issued by the Council of the Institute of Chartered Accountants of India, the Long Term Investments held by the Company are valued at cost and ₹7,245,068/- (Previous year ₹8,023,805/-) being diminution in values thereof has been considered by the management to be temporary and accordingly has not been recognized in this account. These would, however be covered adequately by the Company's year-end Reserves & Surplus.
- 10) Miscellaneous Expenses includes Directors' Board Meeting Fee & Committee Meeting Fee ₹36,000/- (Previous year ₹28,000/-).

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

- 11) The company has not accounted for interest receivable from M/s Pretoria Enclave Limited, as per One Time Settlement (OTS) held in the year 2008. According to OTS M/s Pretoria Enclave Limited will pay ₹80.0 lacs as compensation in three yearly installments and after the completion of installments of ₹80 lacs, the aforementioned Company will pay its principal amount from the year 2011-12 in three years time. Interest will be Charged from April, 2011 onwards.
- 12) No Provision has been made in respect of West Bengal Professional Tax liability of ₹327,417/- in respect of interest for which the company had applied for waiver. (Previous year ₹327,417/-).
- 13) No provision has been made for loan receivable amounting to ₹1,744,778/- as considered doubtful of recovery during the year. Hence no interest has been provided on the said loan. (Previous year ₹2,763,111/-).
- 14) Sundry Creditors includes ₹284,352/- (Previous Year ₹560,436/-) due to Small Scale Industrial undertakings to the extent such parties have been identified from the available documents/information. An amount of ₹9,062/- is due to party namely Vijay Trading Company which is outstanding for more than 30 days.
- 15) Land & Plantation includes ₹790 lacs in respect of Ambari Tea Estate, conveyance for which is not executed.
- 16) The Company's profits for the period 1st April, 2010 to 31st December, 2010 together with those for the subsequent period to 31st March, 2011 will be assessable (including under section 115JB of the Income Tax Act, 1961) as one composite income for the Assessment Year 2011-2012 and in the view of this, no provision for the taxation and Deferred Tax Liability has been made as the tax liability in respect of the said period of Nine months cannot be quantified at present. However provision for Income Tax for the Three month from 1st Jan, 2010 to 31st March, 2010 along with previous Nine month from 1st April, 2009 to 31st December, 2009 has been ascertained and duly provided.
- 17) In accordance with the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has reviewed the net deferred tax liability/assets as at 31st March, 2010 and the net deferred tax liability have been computed ₹6,396,794/-. Accordingly the deferred tax amounting to ₹9,367,769/- for the year has been recognized in the Profit and Loss Account and the Deferred tax liability/Assets for the period from 1st April, 2010 to 31st December, 2010 has not been provided in view of the above note number 16.
- 18) In the opinion of the Board of Directors of the Company the Current Assets, Loans, Advances and Deposits are approximately of the value stated in the accounts, if realised, in ordinary course of business unless otherwise stated. The provisions for all known liabilities are adequate and not in excess of the amount reasonably required.
- 19) The Company is engaged in the business of integrated activities of manufacture and sale of tea, predominantly in the domestic market. Hence, there is no reportable segment as per the AS – 17 on "Segment Reporting" as issued by the ICAI.
- 20) Basic and Diluted Earnings per share:

| | 2010 | 2009 |
|---|------------|------------|
| a) Profit for the year attributable to Equity Share Holders (In ₹) | 71,570,940 | 70,732,454 |
| b) Number of Equity Shares of ₹5/- each outstanding during the year | 14,991,000 | 14,991,000 |
| c) Basic & Diluted Earnings per share (₹) | 4.77 | 4.72 |

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

21) Related Party Disclosures:

(Amount in ₹)

| Name of Party | Nature of Relation | Description of Transaction | Transaction during year ended on 31st December | | Balance Outstanding as on 31st December | |
|-------------------------------------|-----------------------------------|-----------------------------|--|-------------|---|-----------|
| | | | 2010 | 2009 | 2010 | 2009 |
| Singhania Builders Ltd. | Directors interested as Directors | Rent Paid | 144,000/- | 108,000/- | - | - |
| | | Electricity Expenses paid | 190,601/- | 156,496/- | - | - |
| | | Maintenance charges paid | 43,899/- | 35,666/- | 11,675/- | - |
| Mr. Sandeep Singhania | Managing Director | Remuneration & Perquisites. | 1,721,162/- | 1,700,043/- | - | - |
| Mrs. Sarita Singhania | Wholetime Director | Remuneration & Perquisites. | 1,056,400/- | 1,027,625/- | - | - |
| Diana Capital Ltd. | Holding Company | Loan Taken | 3,710,000/- | 5,190,000/- | 1,485,000/- | 10,000/- |
| Woodville Properties & Finance Ltd. | Directors interested as Directors | Loan Given | - | - | 800,000/- | 800,000/- |
| | | Interest | 65,973/- | 80,000/- | - | 256,587/- |

In addition to above Company's financial assistance of ₹725 Lacs from United Bank of India are additionally secured by pledgement of company's 957,500 equity shares held by Holding Co., Diana Capital Limited, 274,850 equity shares held by Managing Director Mr. Sandeep Singhania and 374,924 equity shares held by Whole time Director Mrs. Sarita Singhania. Singhania Builders Ltd., has also given corporate guarantee of ₹35 Lacs for the above term loan of ₹725 Lacs as additional security to United Bank of India. However the loan has been repaid and the company has made the application for release of the equity shares & corporate guarantee.

22) Remuneration to the Managing Director and Wholetime Director.

(Amount in ₹)

| | Year ended 31st December, 2010 | Year ended 31st December, 2009 |
|-----------------------------------|--------------------------------|--------------------------------|
| a) Salary & Bonus | 2,400,000/- | 2,400,000/- |
| b) Contribution to Provident Fund | 288,000/- | 288,000/- |
| c) Perquisites | 89,562/- | 39,668/- |

23) Information pursuant to the Provision of Paragraphs 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956.

| | Year ended 31st December, 2010 | Year ended 31st December, 2009 |
|---|--------------------------------|--------------------------------|
| 1) Tea | | |
| Particulars of capacity, production, stock and sales: | | |
| i) Licensed Capacity | Not applicable | Not Applicable |
| ii) Installed Capacity (as certified by the Management) | 5,700,000 Kgs. | 5,700,000 Kgs. |
| iii) Actual Production (excluding tea issued for sampling, shortage, tea waste destroyed & complimentary 36,274 Kgs.) (Previous year 49,540 Kgs.) | 4,364,973 Kgs. | 4,554,722 Kgs. |

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

23) Information pursuant to the Provision of Paragraphs 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956. (Contd.)

| | Year ended 31st December, 2010 | | Year ended 31st December, 2009 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Quantity (Kgs.) | Amount (₹) | Quantity (Kgs.) | Amount (₹) |
| iv) Opening Stock | 1,416,845 | 131,326,603/- | 956,410 | 75,694,215/- |
| v) Purchases | 546,404 | 52,188,905/- | 876,954 | 75,748,028/- |
| vi) Closing Stock | 966,687 | 95,678,915/- | 1,416,845 | 131,326,603/- |
| vii) Gross Sales | 5,361,535 | 622,959,279/- | 4,971,241 | 535,852,633/- |
| 2) Coffee | | | | |
| i) Purchase | - | - | 154 | 25,626 |
| ii) Sales | - | - | 154 | 26,830 |
| 3) Milk | | | | |
| i) Purchase | - | - | 204 | 24,480 |
| ii) Sales | - | - | 204 | 25,500 |
| 4) Particulars of Raw Materials consumed (all indigenous) | | | | |
| Green leaf harvested | 17,156,066 | - | 16,324,332 | - |
| Green leaf purchased | 1,954,049 | 32,424,634 | 3,727,163 | 61,321,411 |
| (Green leaf harvested from Company's own gardens and utilized in the integrated activity of manufacture and value at the intermediate stage is not ascertainable) | | | | |
| 5) Value of Imported/Indigenous Stores and Spare Parts consumed and percentage thereof. | Amount (₹) | % | Amount (₹) | % |
| All Indigenous | 59,965,771 | 100 | 59,175,340 | 100 |

(Amount in ₹)

| | 31.12.2010 | 31.12.2009 |
|---|------------|------------|
| 6) i) Expenditure in Foreign currency | | |
| Interest & Hedging charges on foreign Currency Loan | - | 4,738,346 |
| Travelling & Others | 204,869 | 1,171,784 |
| ii) Earnings in foreign exchange (On account of export of Tea) | | |
| | NIL | NIL |

Schedules to and forming part of the Balance Sheet and the Profit & Loss Account

SCHEDULE 12 NOTES ON ACCOUNTS (Contd.)

24) Abstract of the Balance Sheet as at 31.12.2010 and Company's General Business Profiles as per Part IV of Schedule VI (amended) to the Companies Act, 1956.

I. Registration Details

| | | | |
|--------------------|-----------------|------------|-----|
| Registration No. | 2 2 7 5 | State Code | 2 1 |
| Balance Sheet Date | 3 1 1 2 2 0 1 0 | | |

II. Capital Raised during the year (Amount in ₹ Thousands)

| | | | |
|--------------|-------|-------------------|-------|
| Public Issue | N I L | Right Issue | N I L |
| Bonus Issue | N I L | Private Placement | N I L |

III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

| | | | |
|-------------------|-------------|--------------|-------------|
| Total Liabilities | 8 6 9 4 2 8 | Total Assets | 8 6 9 4 2 8 |
|-------------------|-------------|--------------|-------------|

Sources of Funds

| | | | |
|------------------------|-------------|--------------------|-------------|
| Paid-up Capital | 7 4 9 5 5 | Reserves & Surplus | 6 7 4 9 3 7 |
| Secured Loan | 1 1 1 6 2 4 | Unsecured Loan | 1 5 1 5 |
| Deferred Tax Liability | 6 3 9 7 | | |

Application of Funds

| | | | |
|--------------------|-------------|-------------------|-----------|
| Net Fixed Assets | 6 8 6 2 2 7 | Investments | 3 8 4 9 6 |
| Net Current Assets | 1 4 4 7 0 5 | Misc. Expenditure | N I L |

IV. Performance of the Company (Amount in ₹ Thousands)

| | | | |
|------------------------|-------------|-------------------|-------------|
| Turnover | 7 2 1 9 1 2 | Total Expenditure | 6 3 4 7 3 6 |
| Profit Before Tax | 8 7 1 7 6 | Profit After Tax | 7 1 5 7 1 |
| Earning per share in ₹ | 4 . 7 7 | Dividend Rate (%) | 1 5 |

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

| | |
|--------------------------|---------|
| Item Code No. (ITC Code) | 0 9 0 2 |
| Product Description | T E A |

26) Figures for the Previous year have been regrouped, rearranged and recast wherever necessary.

Signatures to Schedule 1 to 12

For Das & Prasad
Chartered Accountants
Regn.No.303054E

For and on behalf of the Board

P. K. Agarwal
Partner
Membership No.056921

Manoj Agarwala
Chief Financial Officer &
Company Secretary

Sandeep Singhania
Managing Director

Sarita Singhania
Wholtime Director

4, Chowringhee Lane, Kolkata-700 016
Date : May 14, 2011

Corporate Information

Board of Directors

| | |
|-------------------|-----------------------------|
| Sandeep Singhania | <i>Managing Director</i> |
| Sarita Singhania | <i>Wholetime Director</i> |
| Naresh Pachisia | <i>Independent Director</i> |
| Harish Parekh | <i>Independent Director</i> |
| N. F. Tankariwala | <i>Independent Director</i> |

Chief Financial Officer & Company Secretary

Manoj Agarwala

Auditors

Das & Prasad
Chartered Accountants
4, Chowringhee Lane,
Kolkata – 700 016

Bankers

United Bank of India
Punjab National Bank
HDFC Bank Limited

Gardens

Diana Tea Estate
P. O. Banarhat – 735 202, Dist. Jalpaiguri

Baintgoorie Tea Estate
P. O. Mal – 735 221, Dist. Jalpaiguri

Good Hope Tea Estate
P. O. Dam Dim – 735 209, Dist. Jalpaiguri

Ambari Tea Estate
P. O. Ambari Bagan – 735 201, Dist. Jalpaiguri

Registered Office

‘Sir R.N.M. House’
3B, Lal Bazar Street, Kolkata – 700 001
Phone Nos. : (033) 2248-8672, 4066 1590-93
Fax No. : (033) 2248-7571
E-mail : contactus@dianatea.in

Registrar & Share Transfer Agents

M/s. Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor, Kolkata – 700 001
Phone Nos. : (033) 2243-5029/5809, 2248-2248
Fax No. : (033) 2248-4787
E-mail : mdpl@cal.vsnl.net.in

Diana Tea Company Limited

Registered Office: Sir R.N.M. House, 3B, Lal Bazar Street, Kolkata – 700 001

Dear Members,

Sub : Green Initiative in Corporate Governance

As you are aware that the Ministry of Corporate Affairs (MCA) vide their Circular No.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 has taken a "Green Initiative" by allowing paperless compliances by Companies to serve the requisite documents to its Members through electronic mode in compliance with Section 53 of the Companies Act, 1956.

Accordingly, we are updating the database of our shareholders holding shares in physical mode by incorporating their designated e-mail address in our records. You are requested to kindly register your e-mail address by filling up and signing at proper place in the **E-mail Address Update Form** given below and forward the same to our Registrar and Transfer Agents, M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, 2nd Floor, Kolkata - 700001, West Bengal, India. The e-mail address shall be updated after verification of your signature.

Please note that in respect of those shareholders who are holding shares in electronic form and who have not yet registered their e-mail address or who wish to change their existing e-mail addresses are requested to submit their e-mail addresses with their Depository Participants.

For those shareholders who have already registered their e-mail ID with their Depository Participants we shall send all documents/communications at their aforesaid registered mail address unless a specific request for receiving the documents/communications in physical form is received from them.

E-MAIL ADDRESS UPDATE FORM

M/s. Maheshwari Datamatics Private Limited
Unit : Diana Tea Company Limited
6, Mangoe Lane, 2nd Floor,
Kolkata - 700 001
West Bengal, India

In view of the circulars no.17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011 issued by The Ministry of Corporate Affairs, I/We _____ son/daughter/wife _____ of Sri _____ holding _____ Equity Shares of Diana Tea Company Limited under my/our Registered Folio No(s) _____ do hereby accord my/our consent to receive all future communication/documents from the Company at my/our e-mail address given below:

E-mail address : _____

Signature of the Shareholder(s)

