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CORPORATE INFORMATION

Board of Directors

YONG SU KIM (From 30.03.2012)
Chairman

SANG HOO KIM (Till 30.03.2012)
Chairman

MYUNG KI MIN
Managing Director

MILAN WAHI (From 02.04.2012)
Deputy Managing Director

D.G. RAJAN
Director

Company Secretary

T . G . KARTHIKEYAN

Registered Office

NO. 4/111, MOUNT POONAMALLEE ROAD,
MANAPAKKAM, CHENNAI 600 089

Head Office

MURUGESAN COMPLEX
SECOND FLOOR, NO. 84, GREAMS ROAD
CHENNAI 600 006

Factories

1. NELLIKUPPAM (CUDDALORE DIST.) TAMIL NADU
2. CHENNAI, TAMIL NADU

Auditors

B S R & Company
CHARTERED ACCOUNTANTS
CHENNAI

Bankers

STATE BANK OF INDIA
HDFC BANK LTD.
STANDARD CHARTERED BANK
MIZUHO CORPORATE BANK LTD.
SHINHAN BANK

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Seventh Annual General Meeting of the Company will be held on Tuesday, the 29th May, 2012 at 11.00 a.m. at the Head Office of the Company at Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006 to transact the following:

ORDINARY BUSINESS

- To receive, consider and adopt the Directors' Report and the audited Profit and Loss Account for the year ended 31st December, 2011 and the Balance Sheet as at that date and the Auditors' Report thereon.
- To appoint a Director in the place of Mr. D.G.Rajan, who retires by rotation and is eligible for reappointment.
- To consider the reappointment of M/s. B S R & Company, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 57th Annual General Meeting till the conclusion of the 58th Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr Yong Su Kim, who was appointed as an Additional Director of the Company with effect from 30.03.2012, whose term of office as an Additional Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956 in writing, proposing his candidature for the office of a Director, be and is hereby appointed as Director and Chairman of the Company, whose period of office shall be liable to retire by rotation.

- To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT Mr Milan Wahi, who was appointed as an Additional Director of the Company with effect from 30.03.2012, whose term of office as an Additional

Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956 in writing, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, whose period of office shall not be liable to retire by rotation.

- To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Section 198,269,309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr.Milan Wahi be and is hereby appointed as Deputy Managing Director of the Company for a period of 3 years effective from 2nd April, 2012 on the following terms and conditions:

Description		Remuneration Per year (Rs.)
Salary	Basic Salary	1,800,000
	Special Allowance	1,386,420
	House rent Allowance	900,000
	Leave Travel Allowance	159,996
	Total (A)	4,246,416
Benefits	Maintenance of car, fuel & driver's salary	144,000
	Club Entrance Fee (for 2 clubs only)	10,000
	Club subscription	15,000
	Performance incentive	1,817,127
	Medical reimbursement	100,000
	Medical Insurance Premium & hospitalisation benefits by Company	46,000
	Personal Accident Insurance Premium	10,000
	Telephone - Land Line & Cell	36,000
Total (B)	2,178,127	
Retirement Benefits	Provident Fund	216,000
	Gratuity	87,840
	Superannuation Fund	270,000
	Total (C)	573,840
Total Salary (A + B + C)		6,998,383

RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits, Mr.Milan Wahi shall be entitled to the above remuneration as the minimum remuneration subject to the statutory approvals, if any, required.

RESOLVED FURTHER THAT Mr.Milan Wahi shall be governed by all service conditions of the Company as applicable to Senior Management Staff including age of retirement.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to alter or vary or increase the component and elements of remuneration payable to Mr.Milan Wahi within the overall limits under the Companies Act, 1956 and to do all such acts, deeds and things and execute all such documents and forms as may be required and to give effect to the resolution.

ANNEXURE TO THE NOTICE:

A. Profile of Directors seeking appointment / reappointment

Mr.Yong Su Kim is a post graduate in Business Administration and has wide experience in many fields such as Planning, Purchase, and Administration. He has been associated with Lotte, Korea from the year 2004 and served as Director. Currently he is the Representative Director of Lotte Confectionery Co. Ltd., Korea.

Mr.Milan Wahi is a post graduate in Science with PG Diploma and has about 20 years of rich experience in the fields of Marketing and sales and worked as senior management personnel in various reputed Companies such as Cavin Kare, VST Industries, Whirlpool India etc.

Mr.D.G.Rajan is a Fellow Member of the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants in India. He was a Senior Partner of M/s.Lovelock & Lewes, Chartered Accountants. He is holding Directorships in various reputed Companies and has rich experience and expertise in the field of finance, accounts, taxation etc.

B. Explanatory statement under Section 173(2) of the Companies Act, 1956.

Item No.4:

Mr Yong Su Kim has been co-opted as an Additional Director of the Company at the Board Meeting held

on March 30, 2012 as per Section 260 of the Companies Act, 1956 with a term of office till this Annual General Meeting.

The Company has received a notice under section 257 of the Companies Act, 1956 in writing from a Shareholder along with requisite deposit proposing the appointment of Mr.Yong Su Kim as Director.

None of Directors other than Mr.Yong Su Kim is interested or concerned in the above resolution.

The Board of Directors recommends the passing of resolution.

Item No.5 & 6 :

The Board of Directors, at its meeting held on March 30, 2012 appointed Mr Milan Wahi as an Additional Director pursuant to Section 260 of the Companies Act, 1956, with a term of office till this Annual General Meeting of the company.

The Company has received a notice under section 257 of the Companies Act, 1956 in writing from a Shareholder along with requisite deposit proposing the appointment of Mr.Milan Wahi as Director.

Further the Board of Directors at its meeting held on March 30, 2012 appointed Mr Milan Wahi as Deputy Managing Director for a period of three years effective from April 2, 2012 based on the terms and conditions set out in the resolution.

As per Section 269 read with schedule XIII of the Companies act 1956, the appointment and payment of remuneration shall be subject to the approval of shareholders of the company in the general meeting. Hence, the resolution is placed for your approval.

None of the Directors other than Mr Milan Wahi is interested or concerned in the above resolutions.

The Board of Directors recommends the passing of above special resolutions.

By Order of the Board
for Lotte India Corporation Limited

Chennai
March 30, 2012

T.G.KARTHIKEYAN
Company Secretary

NOTES

1. The relevant explanatory statement pursuant to Sec.173(2) of the Companies Act, 1956 in respect of Item No. 4, 5, and 6 are annexed.
2. A member entitled to attend and vote at the above meeting may appoint one or more Proxies to attend and vote instead of himself / herself. The Proxy need not be a Member of the Company. Proxy to be valid, shall be deposited with the Company not later than forty eight hours before the time for holding the meeting.
3. Members, who are having shares in physical form are requested to intimate change in their addresses, if any, immediately to the Company at its Head Office quoting their folio number, certificate number.
4. Members, who are having shares in Demat form are requested to intimate change in their addresses, if any, immediately to their Depository Participants with whom they are maintaining their Demat Account.
5. Book Closure : The Register of Members and the Share Transfer books of the company shall remain closed from May 24, 2012 to May 29, 2012 (both days inclusive).

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 57th Annual Report of your Company together with the audited financial statements for the year ended December 31, 2011.

Financial Results

	For the year ended December 31, 2011 (Rs. in Lakhs)	For the nine months period April 1, 2010 to December 31, 2010 (Rs. in Lakhs)
Sales	28,873.79	17,386.01
Less : Excise duty	1,603.50	794.79
Less : Discount	1,567.98	1,091.14
	25,702.31	15,500.08
Other Income	320.96	92.32
Total Income	26,023.27	15,592.40
Profit before depreciation, interest & finance charges	2,336.87	1,020.33
Less : Depreciation, Interest & finance charges	1,721.84	964.04
Profit before tax	615.03	56.29
Less : Provision for Taxes :		
-Current	130.50	11.50
-Deferred	—	662.58
Profit / (Loss) after tax	484.53	(617.79)
Add : Balance brought forward from previous year	(700.58)	(82.79)
Balance profit / Loss transferred to Balance Sheet	(216.05)	(700.58)

Consequent to the change in financial year, the current year financials are for a period of twelve months, whereas the comparable previous period is for nine months.

The Board of Directors have decided not to recommend any dividend for the year ended December 31, 2011.

Review of operations

For the year ended December 31, 2011, the Company achieved gross sales of Rs.28,873.79 lakhs as against Rs.17,386.01 lakhs for nine months ended December 31, 2010.

During the year under review, the Company has achieved a Profit after tax of Rs. 484.53 lakhs as against loss of Rs.617.79 lakhs for nine months ended December 31, 2010.

Outlook

The Company expects sustained growth over a medium term horizon, buffeted by some volatility in commodity prices. Simultaneously the company will enhance growth and investment opportunities in existing and adjacent categories thereby opening up new sectors of growth.

There is substantial increase in demand for branded high quality products, like Lotte Chocopie, the sales of the product through modern trade and traditional trade format is making tremendous progress. The Company's exclusive team has devised strategies on increasing its market share in the modern format stores.

Directors Report (Contd..)

In confectionery, the focus and growth will be on high value propositions. This will direct the effort in enhancing differentiation through innovation and simultaneously conserving costs through the entire value-chain.

Directors

During the year under review, Mr. Sang Hoo Kim has resigned on March 30, 2012. Your Directors wish to place on record their deep appreciation of his valuable contribution to the growth of the Company.

Mr.Yong Su Kim was appointed as Director and Chairman of the Company in the place of Mr.Sang Hoo Kim w.e.f March 30,2012

Mr.Milan Wahi was appointed as Deputy Managing Director of the Company w.e.f.April 2,2012.

Mr.D.G.Rajan is retiring at this Annual General Meeting and is eligible for reappointment.

Directors' Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors, based on representations from the Operating Management, confirm that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- (b) They have, in selection of the accounting policies, consulted the statutory auditors and applied these policies consistently, making judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on December 31, 2011 and of the profit of the Company for the year ended December 31, 2011;
- (c) They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) They have prepared the annual accounts on a going concern basis.

Auditors

M/s. B S R & Company, Chartered Accountants, Chennai, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness to be reappointed.

Disclosures

The disclosure concerning particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is not applicable as no employee was in receipt of remuneration aggregating to Rs. 60 lakhs or above during the year under review.

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

During the year 2011, the Company had initiated a number of measures for Conservation of Energy and Water at its manufacturing facility at Nellikuppam and Nemam. Through these measures, the Company has achieved significant reduction in Consumption of power and usage of water, and is expected to reap the resultant benefits in the coming years.

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable, are given in Annexure "A" to this Report.

Acknowledgement

The Board wishes to place on record, its appreciation for the co-operation and support received from the Bankers, suppliers, converters and the Shareholders. The Board also wishes to place on record the whole hearted co-operation given by employees, at all levels, during the year.

On behalf of the Board

Chennai MYUNG KI MIN D G RAJAN
March 30, 2012 Managing Director Director

Directors Report (Contd..)

ANNEXURE 'A' TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

A.(I) Power and Fuel Consumption	For the Year ended Dec. 31,2011	For the Nine months period ended Dec. 31,2010
1. Electricity		
(a) Purchases		
Units	6,260,066.00	2,999,739.00
Total Amount (Rs.Lakhs)	407.32	196.97
Rate/unit (Rs.)	6.51	6.57
(b) Own Generation: Through Diesel Generator Units	1,750,417.72	1,517,429.00
Total Amount (Rs.Lakhs)	231.04	188.35
Units per Litre of Diesel Oil	3.09	3.01
Cost/Unit(Rs.)	13.20	12.41
2.(a) Furnace Oil Quantity (K.Litre)	732.36	695.78
Total Amount (Rs.Lakhs)	243.20	185.04
Average Rate Per K.Litre (Rs.)	33,208.54	26,203.83
(b) Fire wood in Ton	1,332.95	Nil
Total Amount (Rs.Lakh)	39.33	Nil
Average Rate Per Ton (Rs.)	2,950.70	Nil
(c) LPG in Ton	168.38	58.27
Total Amount (Rs.Lakhs)	90.84	32.19
Average Rate Per Ton (Rs.)	53,949.16	55,245.86
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (Units)	111.10	56.69

Note : Previous year figures are not comparable, since new factory started from July' 2010.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (i) The Company's R&D activity is directed towards development of new formulations & flavours, material substitution and indigenous machineries. These activities have resulted in improved quality, cost reduction, improved hygiene and new products.
- (ii) Recognition has been accorded for Company's R&D unit by Dept. of Scientific & Industrial Research, New Delhi.

C. FOREIGN EXCHANGE

Earning : Rs. 360.87 lakhs
Outgo : Rs. 143.98 lakhs

On behalf of the Board

Chennai MYUNG KI MIN D G RAJAN
March 30, 2012 Managing Director Director

REPORT ON CORPORATE GOVERNANCE (Voluntary Disclosures)

1 COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Lotte India Corporation Limited is committed to the highest standards of corporate governance in all its activities and processes.

Corporate Governance refers to the manner in which a Company is directed, and laws and customs affecting that direction. It includes the manner in which a Company operates under the laws governing Companies, the byelaws established by the Company itself, and the structure of the Company. The corporate governance structure specifies the relationship, and the distribution of rights and responsibilities, among primarily three groups of participants viz. the Board of directors, managers and shareholders. It spells out the rules and procedures for making decisions on corporate affairs; it also provides the structure through which the Company objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

REPORT ON CORPORATE GOVERNANCE (Contd..)

The fundamental concern of corporate governance is to ensure conditions whereby a Company's directors and managers act in the interests of the Company and its various stakeholders.

The following is a report on the status and progress on major aspects of Corporate Governance.

2 BOARD OF DIRECTORS

(a) Composition

The present strength of the Board is four Directors of which two Directors are Executive Directors. The remaining two Directors are Non-Executive Directors of which one is an Independent Director.

Name of the Directors	Category	No. of Directorships held in other Indian Companies #	Number of Board Committees membership held in other companies	No. of shares held
Mr. Yong Su Kim Chairman (@)	Non Executive Director	Nil	Nil	—
Mr. Myung Ki Min Managing Director	Executive Director	Nil	Nil	—
Mr. Milan Wahi Deputy Managing Director (*)	Executive Director	Nil	Nil	—
Mr. D G Rajan Director	Independent Director	3	3	—

Directorships held by Directors as mentioned above, do not include Alternative Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

(@) Mr. Yong Su Kim has been appointed as Chairman in the place of Mr. Sang Hoo Kim w.e.f March 30, 2012

(*) Mr. Milan Wahi has been appointed as Deputy Managing Director w.e.f April 2, 2012

(b) Attendance of each director at the Board Meetings and the last AGM

During the financial year ended December 31, 2011, four Board Meetings were held on the following dates :

February 25, 2011, June 15, 2011, September 27, 2011 and December 21, 2011.

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on June 15, 2011
Mr. Myung Ki Min	4	Attended
Mr. D G Rajan	4	Attended
Mr. Sang Hoo Kim	0	Not Attended

3 AUDIT COMMITTEE

(a) Constitution

The Audit Committee comprises of following Directors :

- Mr. Myung Ki Min
Executive Director - Member
- Mr. D G Rajan
Non-Executive Director - Independent - Chairman
- Mr. Sang Hoo Kim
Non-Executive Director - Member (till 30.3.2012)
- Mr. Yong Su Kim
Non-Executive Director - Member (from 30.3.2012)

(b) Meetings and Attendance

There were four meetings held during the year ended December 31, 2011. The attendance of each member of the Committee is given below :

Name of the Directors	Position	No. of Meetings attended
Mr. D G Rajan	Chairman	4
Mr. Myung Ki Min	Member	4
Mr. Sang Hoo Kim	Member	0

Non-Executive Chairman, Managing Director, Vice President & CFO, Senior Management Personnel, Statutory Auditors and Internal Auditors are regularly invited to the meeting. Mr. T G Karthikeyan, Company Secretary acts as Secretary to the Committee.

Mr. D G Rajan, Director is a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of the Institute of Chartered Accountants of India. He has vast exposure in financial activities.

4 REMUNERATION TO DIRECTORS

Policy

- Executive Directors

The compensation of the Executive Directors comprises of a fixed component and a

REPORT ON CORPORATE GOVERNANCE (Contd..)

performance incentive. The compensation is determined taking into account the industry trend and level of responsibility, financial position of the Company and other related factors. Performance incentive is based on certain pre-agreed parameters. The Executive Directors are not paid any sitting fees for any board / committee meetings attended by them.

- Non-Executive Directors

Non-Executive Directors are entitled to sitting fees for every Board / Committee Meetings attended by them within the statutory limits and also commission not exceeding 1% of net profit of the company.

- The Company currently does not have any stock option scheme.

Details of the remuneration paid to the Executive Director for the financial year ended December 31, 2011 :

Name	Salary & Allowances and Performance incentive Rs.	Contribution to Retiral benefits Rs.	Value of perks Rs.	Total Rs.
Mr. Myung Ki Min	33,10,310	2,86,290	19,59,923	55,56,523

The details of sitting fees paid to Non Executive Directors for the financial year ended December 31, 2011.

Name of the Director	Sitting fees	Commission
Mr. D G Rajan	Rs.1,80,000/-	Nil

5 SHAREHOLDERS INVESTORS GRIEVANCE COMMITTEE

The Committee oversees share transfers and monitor investors' grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. and redressal thereof. The Committee also look into the matters of issue of duplicate share certificates, re-materialization, subdivision, consolidation, transposition and thereupon issue of share certificates to the shareholders etc. No complaints of material nature were received during the year under review.

The Committee comprises of Mr. D G Rajan as Chairman and Mr. Myung Ki Min as member. Mr. T G Karthikeyan, Company Secretary is the Compliance Officer.

The Company has created separate e-mail id compsecy@lotteindia.com for grievance redressal.

6 ANNUAL GENERAL MEETINGS (AGM) / EXTRAORDINARY GENERAL MEETINGS (EGM)

Details of the last four AGMs / EGM held are given below :

Date of Meeting	Time of Meeting	Venue of the Meeting
June 15, 2011 (56 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
August 10, 2010 (Court Convened Meeting)	03.00 P.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
August 10, 2010 (55 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
September 18, 2009 (54 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
April 9, 2009 (EGM)	11.00 A.M.	Kasturi Srinivasan Hall (Mini Hall), Music Academy, 168 TTK Road Royapettah, Chennai- 600 014

7 DISCLOSURES

(i) Related Party Transactions: There were no materially significant related party transactions with Directors/promoters/management which had potential conflict with the interest of the Company at large.

Transactions with the Related Parties are disclosed in Schedule No.18(C)(18b) to the accounts in the Annual Report.

REPORT ON CORPORATE GOVERNANCE (Contd..)

- (ii) Risk Management: The Board of Directors were presented the risk assessment and minimization of the same which is subject to periodical review.
- (iii) Code of Conduct: Code of Conduct for the Board members and Senior Management personnel has been adopted by the Board.
- (iv) We affirm that no personnel has been denied access to the Audit Committee (in respect of matters involving misconduct, if any).
- (v) Internal Control System

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial

and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances.

On behalf of the Board

Chennai
March 30, 2012

MYUNG KI MIN
Managing Director

D G RAJAN
Director

GENERAL SHAREHOLDER INFORMATION

- 1. Registered Office** : No. 4/111, Mount Poonamallee Road, Manapakkam, Chennai 600 089
- 2. Date and venue of the forthcoming Annual General Meeting** : May 29, 2012
Tuesday, at 11.00 a.m. at the Head Office of the Company at Murugesan Complex, Second Floor, No.84, Greams Road, Thousand Lights, Chennai 600 006
- 3. Book Closure Dates** : May 24, 2012 to May 29, 2012 (both days inclusive).
- 4. Plant Location** : 1 Nellikuppam – 607 105 (Cuddalore Dist.) Tamil Nadu
2 Nemam, Chennai Tamil Nadu - 602 107
- 5. Share Capital** : - 95,60,021 equity shares of Rs.10/- each
- 94,77,626 (99.138%) equity shares have been dematerialized as on December 31, 2011.

6. Share Transfer System

The Company has appointed Cameo Corporate Services Ltd., Chennai, as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of investor servicing relating to shares.

The Board has delegated the power to approve the transfer to a committee of Directors and also to the Senior Executives of the Company, with limits.

Share transfers are completed within a period of 15 days from the date of receipt of the documents, if the documents are clear in all respects.

No investor complaint is pending.

7. Address for Correspondence :

- i) To contact R&TA for all matters relating to shares : P Muralidharan , Asst.Manager (Shares)
Cameo Corporate Services Limited
'Subramanian Building' No.1, Club House Road
Chennai - 600 002
Tel : 91-44-2846 0718; Fax: 91-44-28460129
E-mail: investor@cameoindia.com
- ii) To the Company : T G Karthikeyan , Company Secretary
Lotte India Corporation Limited
Head Office: Murugesan Complex
Second Floor, No. 84 Greams Road Chennai -600 006
Tel: 91-44-28298600; Fax: 91-44-28298700
- iii) Company designated
E-mail Id for Investor Complaints is : compsecy@lotteindia.com
- iv) Compliance Officer : T G Karthikeyan , Company Secretary
- v) Company's web-site : www.lotteindia.com

8. Depositories Connectivity

National Securities Depository Ltd. (NSDL), Central Depository Services (India) Ltd. (CDSL)
ISIN: INE185A01011

9. Dematerialisation of shares

The Company has signed agreements with both National Securities Depository Limited (NSDL) and with Central Depository Services (India) Limited (CDSL) to provide the facility of holding equity shares in dematerialized form. As on 31st December, 2011, 9477626 equity shares constituting 99.138 % of the total paid up capital of the Company have been dematerialized.

10. Outstanding GDRs/ ADRs etc.

The Company has not issued any GDR, ADR or any convertible instruments pending conversion or any other instrument likely to impact the equity share capital of the Company.

11. Shareholding pattern as on December 31, 2011

Sl. No.	Category	Total no. of Shares held	% to total Shareholding
1	Promoters - foreign	9404693	98.37
2	Mutual Funds and UTI	—	—
3	Banks/ Financial Institutions/ Insurance Companies	1567	0.02
4	Foreign Institutional Investors	—	—
5	Private Corporate Bodies	4376	0.05
6	Indian Public	141048	1.47
7	NRIs / OCBs	2522	0.02
8	Any other		
	- Trusts	15	0.01
	- Foreign Nationals	5800	0.06
	TOTAL	9560021	100.00

AUDITORS' REPORT
TO THE MEMBERS OF LOTTE INDIA CORPORATION LIMITED

- 1 We have audited the attached Balance Sheet of Lotte India Corporation Limited ("the Company") as at December 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the 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 account;
 - d) in our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting Standards

referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

- e) on the basis of written representations received from the Directors, as on December 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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 the Balance Sheet, of the state of affairs of the Company as at December 31, 2011; and
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended December 31, 2011.
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year December 31, 2011

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikas R Kasat
Chennai *Partner*
March 30, 2012 Membership No. 105317

ANNEXURE TO AUDITORS' REPORT

(Referred to in our report of even date)

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased

ANNEXURE TO AUDITORS' REPORT (Contd..)

manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and as explained to us, no material discrepancies were noticed on such verification.

- c. Fixed assets disposed off during the period were not substantial, and therefore, do not affect the going concern assumption.
- (ii) a. The inventory, except for stocks lying with third parties, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
 - b. The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) a. In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
 - b. In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchases of certain items of inventories for the Company's specialised requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured by the Company. Accordingly, provisions of Para 4 (viii) of the Order relating to maintenance of cost records under section 209(1) (d) of the Act are presently not applicable to the Company.
- (ix) a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/acrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at December 31, 2011 for a period of more than six months from the date they became payable.

ANNEXURE TO AUDITORS' REPORT (Contd..)

c. According to the information and explanations given to us, the following dues in respect to Excise duty, Service Tax and Sales Tax which have not been deposited on account of disputes.

Name of the statute	Nature of the dues	Amount (Rs. in lakhs) (Net of payment under protest)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	11.04	2007	Pending before various forums
Central Excise Act, 1944	Excise duty	115.62	2008	Pending before various forums
Central Excise Act, 1944	Excise duty	77.75	2005	Pending before various forums
Central Excise Act, 1944	Excise duty	0.55	2009	Commissioner of Central Excise (Appeals), Kochi
Central Excise Act, 1944	Excise duty	12.19	2006	Pending before various forums
Sales Tax Act	Sales Tax	19.05	1999-2008	Pending before various State Tax Authorities
Income Tax Act	Income tax	217.24	2005-06	Commissioner of Income Tax (Appeals)

- (x) The Company has accumulated losses at the end of the financial year which does not exceed 50% of the net worth of the Company. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding debentures or any outstanding loans from any financial institution or bank during the period.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on short-term basis have not been used for long- term investment
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Company**
Chartered Accountants
Firm Registration No.128032W

Vikas R Kasat
Partner
Membership No. 105317

Chennai
March 30, 2012

BALANCE SHEET AS AT DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Schedule No	As at December 31, 2011	As at December 31, 2010
I SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	956.00	956.00
Reserves and surplus	2	43,571.99	43,087.46
Total		<u>44,527.99</u>	<u>44,043.46</u>
II APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	47,943.09	48,390.21
Less: Accumulated depreciation /amortisation		<u>9,069.52</u>	<u>8,265.38</u>
Net block		38,873.57	40,124.83
Capital work in progress		<u>842.01</u>	<u>26.67</u>
		39,715.58	40,151.50
Deferred tax asset (net)	18(C)(6)	-	-
Investments	4	-	-
Current assets, Loans and advances			
Inventories	5	3,868.98	2,890.14
Sundry debtors	6	751.24	483.11
Cash and bank balances	7	3,745.51	3,058.10
Other current assets	8	6.11	7.24
Loans and advances	9	1,242.26	1,388.37
		<u>9,614.10</u>	<u>7,826.96</u>
Current liabilities and provisions			
Current liabilities	10	4,749.82	3,862.39
Provisions	11	<u>51.87</u>	<u>72.61</u>
		4,801.69	3,935.00
Net current assets			
Profit and Loss account	12	-	-
Total		<u>44,527.99</u>	<u>44,043.46</u>

Significant accounting policies and notes to the financial statements

18

The schedules referred to above and notes thereon form an integral part of the balance sheet

This is the Balance Sheet referred to in our report of even date.

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikas R Kasat
Partner
Membership No: 105317
Chennai
March 30, 2012

MYUNG KI MIN
Managing Director

T G KARTHIKEYAN
Company Secretary

For and on behalf of the Board of Directors

D.G. RAJAN
Director

KYO HEE KIM
Vice President and CFO

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Schedule No.	For the Year Ended December 31, 2011	For the nine months Period April 1, 2010 to December 31, 2010
INCOME			
Sales		28,873.79	17,386.01
Less : Excise duty		1,603.50	794.79
Less: Rebate / discount		1,567.98	1,091.14
		<u>25,702.31</u>	<u>15,500.08</u>
Other income	13	320.96	92.32
		<u>26,023.27</u>	<u>15,592.40</u>
EXPENDITURE			
Materials	14	16,389.46	9,993.25
Employee costs	15	1,875.30	1,226.71
Other expenses	16	5,421.64	3,352.11
Depreciation	3	1,714.31	952.75
Interest and finance charges	17	7.53	11.29
		<u>25,408.24</u>	<u>15,536.11</u>
Profit before tax		615.03	56.29
Provision for tax			
- Current tax		130.50	11.50
- Deferred tax charge	18(C)(6)	-	662.58
Profit / (Loss) after tax		484.53	(617.79)
Balance brought forward from previous year		(700.58)	(82.79)
Balance carried to balance sheet		<u>(216.05)</u>	<u>(700.58)</u>
Earnings / (Loss) per share	18(C)(19)		
Basic and Diluted (Rs)		5.07	(6.95)
Par value of equity shares (Rs)		10	10
Significant accounting policies and notes to the financial statements	18		

The schedules referred to above and notes thereon form an integral part of the profit and loss account

This is the profit and loss account referred
to in our report of even date

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikas R Kasat
Partner
Membership No: 105317
Chennai
March 30, 2012

MYUNG KI MIN
Managing Director
T G KARTHIKEYAN
Company Secretary

For and on behalf of the Board of Directors

D.G. RAJAN
Director
KYO HEE KIM
Vice President and CFO

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Schedule No.	For the Year Ended December 31, 2011	For the nine months Period April 1, 2010 to December 31, 2010
A Cash flows from operating activities			
Net profit before tax		615.03	56.29
Adjustments for			
Depreciation / amortisation	3	1,714.31	952.75
Provision for doubtful debts		2.76	0.09
Interest expense	17	2.58	0.25
Interest income	13	(232.93)	(53.86)
Profit on sale of fixed assets	13	(36.99)	(0.02)
Operating profit before working capital changes		2,064.76	955.50
(Increase) / decrease in sundry debtors		(270.89)	(125.48)
(Increase) / decrease in loans and advances and other assets		99.59	(80.80)
(Increase) / decrease in inventories		(978.84)	(805.90)
Increase / (decrease) in current liabilities and provisions		866.69	623.32
Cash generated from operations		1,781.31	566.64
Taxes paid, net		(83.96)	(36.13)
Net cash from operating activities	A	1,697.35	530.51
B Cash flows from investing activities			
Purchase of fixed assets		(1,323.77)	(4,671.34)
Sale of fixed assets		82.35	0.13
Issue of share capital and share premium		-	3,476.30
Interest income		234.06	49.29
Net cash used in investing activities	B	(1,007.36)	(1,145.62)
C Cash flows from financing activities			
Interest expense	17	(2.58)	(0.25)
Net cashflows from / (used in) financing activities	C	(2.58)	(0.25)
Net increase in cash and cash equivalents (A+B+C)		687.41	(615.36)
Cash and cash equivalents as at the beginning of the year	7	3,058.10	1,509.85
Add: Cash and cash equivalents transferred pursuant to the scheme of amalgamation (Refer Note (1) of Schedule 18(C)((1)(ii))		-	2,163.61
Cash and cash equivalents as at the end of the year	7	3,745.51	3,058.10
Cash and cash equivalents includes Rs.225.88 (December 31, 2010: Rs.232.48) which are restrictive in nature			

Significant accounting policies and notes to accounts **18**

The Schedules referred to above and notes thereon form an integral part of the cash flow statement

This is the cash flow statement referred
to in our report of even date

for B S R & Company

Chartered Accountants

Firm Registration No.128032W

Vikas R Kasat

Partner

Membership No: 105317

Chennai

March 30, 2012

MYUNG KI MIN

Managing Director

T G KARTHIKEYAN

Company Secretary

For and on behalf of the Board of Directors

D.G. RAJAN

Director

KYO HEE KIM

Vice President and CFO

SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	As at December 31, 2011	As at December 31, 2010
Schedule 1: Share capital		
Authorised 370,000,000 (December 31, 2010 : 370,000,000) equity shares of Rs.10 each	<u>37,000.00</u>	<u>37,000.00</u>
Issued and subscribed and paid-up 9,560,021 (December 31, 2010 : 9,560,021) equity shares of Rs.10 each fully paid up	<u>956.00</u>	<u>956.00</u>
Notes :		
1. Of the paid up equity shares		
a) Number of equity shares that have been allotted as fully paid up pursuant to a contract without payment being received in cash	5,808,732	5,808,732
b) Number of equity shares allotted as fully paid up bonus shares by way of capitalisation of general reserve (Rs.8) and securities premium (Rs.7.5)	155,000	155,000
2. Out of the above, equity shares held by the holding company Lotte Confectionery Limited, South Korea	9,404,693	9,404,626
Schedule 2: Reserves and surplus		
(i) Capital reserve	464.47	464.47
(ii) Securities premium account	966.18	966.18
(iii)(a) General reserve		
Opening balance	42,357.39	2,539.66
Add: Adjustment arising from merger of Lotte Foods India Pvt Ltd with the Company Refer note 18(C)(1)	-	39,817.73
Less: Debit balance in profit and loss account as per contra (Refer Schedule 12)	<u>(216.05)</u>	<u>(700.58)</u>
Closing balance	<u>42,141.34</u>	<u>41,656.81</u>
	<u>43,571.99</u>	<u>43,087.46</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

SCHEDULE 3: Fixed Assets

Description	Gross BLOCK				DEPRECIATION / AMORTISATION				Net BLOCK	
	As at January 01, 2011	Revaluation *	Additions	Deletion	As at December 31, 2011	For the year	Deletions	As at December 31, 2011	As at December 31, 2011	As at December 31, 2010
Tangible assets										
Free hold land	13,059.60	-	-	-	13,059.60	-	-	-	13,059.60	13,059.60
Buildings	16,373.49	-	272.51	-	16,646.00	555.72	-	978.32	15,667.68	15,950.89
Buildings on lease hold land	143.42	-	-	-	143.42	19.58	-	116.01	27.41	46.99
Lease hold improvements	45.00	-	-	-	45.00	-	-	42.75	2.25	2.25
Plant and machinery **	18,000.60	-	151.97	779.54	17,373.03	1,092.11	734.65	7,461.57	9,911.46	10,896.49
Furniture, fixtures and office equipment	511.08	-	10.13	113.08	408.13	12.25	112.85	314.08	94.05	96.40
Vehicles	65.38	-	10.35	3.00	72.73	12.02	2.76	51.91	20.82	22.73
Intangible assets										
Computer software	191.64	-	63.45	59.91	195.18	22.63	59.91	104.88	90.30	49.48
Total	48,390.21	-	508.41	955.53	47,943.09	1,714.31	910.17	9,069.52	38,873.57	40,124.83
Previous year	12,766.84	9,327.71	26,297.83	2.17	48,390.21	952.75	2.06	8,265.38		
Capital work in progress									842.01	26.67
									39,715.58	40,151.50

* Refer Note 18(C)(1)

** Refer Note 18(C)(4)(iii)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	As at December 31, 2011	As at December 31, 2010
Schedule 4: Investments		
5 (December 2010: 5) equity shares of Padmavathi Co-operative Housing Society Limited of Rs.50/- each aggregating to Rs.250/- (Rounded off in lakhs)	-	-
	<u>-</u>	<u>-</u>
Schedule 5: Inventories		
Stores and spares	93.96	86.00
Raw materials including packing materials	1,472.77	1,191.98
Work-in-progress	91.67	47.49
Finished goods and trading stock	2,210.58	1,564.67
	<u>3,868.98</u>	<u>2,890.14</u>
Schedule 6 Sundry debtors		
Debts outstanding for a period exceeding six months		
Unsecured -considered good	43.82	35.80
Unsecured -considered doubtful	145.80	143.04
	189.62	178.84
Less : Provision for doubtful debts	(145.80)	(143.04)
	43.82	35.80
Other debts - considered good	707.42	447.31
	<u>751.24</u>	<u>483.11</u>
Schedule 7: Cash and bank balances		
Cash in hand	1.00	0.30
Cheques on hand	77.37	77.39
Balances with scheduled banks:**		
In Current account	1,006.30	832.58
In Deposit account *	2,660.84	2,147.83
	<u>3,745.51</u>	<u>3,058.10</u>
** Refer note 18(C)(4)(iv)		
* (Lien marked in favour of banker Rs.225.88 (December 31, 2010, Rs. 232.48))		
Schedule 8: Other current assets		
(Unsecured - considered good)		
Interest accrued	6.11	7.24
	<u>6.11</u>	<u>7.24</u>
Schedule 9: Loans and advances		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	265.01	353.71
Deposits	168.25	153.92
Balance with government authorities	773.06	798.27
Advance tax (net of tax provision: Rs.735.68 (December 31, 2010: Rs.605.18))	35.94	82.47
	<u>1,242.26</u>	<u>1,388.37</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	As at December 31, 2011	As at December 31, 2010
Schedule 10: Current liabilities		
Sundry creditors		
- Dues to micro small and medium enterprises (Refer note 18(C)(15))	-	-
- Dues to others	4,154.18	3,374.27
Advances and deposits	180.62	135.99
Investor education and protection fund:*		
a) Unpaid matured debenture instalments	-	-
b) Interest accrued on (a) above	-	0.01
Other liabilities	415.02	352.12
	<u>4,749.82</u>	<u>3,862.39</u>
* None of the amount disclosed are more than seven years old as on the balance sheet date and all are unclaimed.		
Schedule 11: Provisions		
Provision for compensated absences	47.71	46.45
Provision for gratuity	3.00	25.00
Provision for fringe benefits tax (net of advance for fringe benefit tax Rs.128.48 (December 31, 2010:128.48)	1.16	1.16
	<u>51.87</u>	<u>72.61</u>
Schedule 12: Profit and loss account		
Debit balance in profit and loss account	216.05	700.58
Less: General reserve as per contra (Refer Schedule 2)	(216.05)	(700.58)
	<u>-</u>	<u>-</u>

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	For the Year Ended December 31, 2011	For the nine months Period April 1, 2010 to December 31, 2010
Schedule 13: Other income		
Interest income gross		
(Tax deducted at source Rs.19.96 (December 31, 2010 : Rs. 3.28))	232.93	53.86
Insurance claim received	6.44	6.30
Rent received	13.99	9.94
Scrap sales	12.77	6.24
Profit on sale / scrapping of fixed assets (net)	36.99	0.02
Others	17.84	15.96
	<u>320.96</u>	<u>92.32</u>
Schedule 14: Materials		
Raw materials and packing materials consumed		
Opening stock	1,191.98	702.52
Purchases	16,050.93	9,873.14
	17,242.91	10,575.66
Closing stock	1,472.77	1,191.98
	<u>15,770.14</u>	<u>9383.68</u>
Processing charges	1,231.05	764.47
Purchase of traded goods	69.37	87.66
(Increase) / decrease in stock		
Opening stock		
Work in progress	47.49	27.31
Finished goods	1,564.67	1,283.84
	1,612.16	1,311.15
Closing stock		
Work in progress	91.67	47.49
Finished goods	2,210.58	1,564.67
	2,302.25	1,612.16
	(690.09)	(301.01)
Excise duty on finished goods		
Opening stock	121.85	63.40
Closing stock	130.84	121.85
	8.99	58.45
	<u>16,389.46</u>	<u>9,993.25</u>
Schedule 15: Employee costs		
Salaries, wages and bonus	1,550.70	1,040.65
Contribution to provident and other funds	124.81	89.48
Workmen and staff welfare expenses	199.79	96.58
	<u>1,875.30</u>	<u>1,226.71</u>

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR DECEMBER 31, 2011

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	For the Year Ended December 31, 2011	For the nine months Period April 1, 2010 to December 31, 2010
Schedule 16: Other expenses		
Consumption of stores and spares	63.96	46.92
Power and fuel	1,044.29	621.57
Rent	214.29	127.82
Repairs and maintenance		
Buildings	2.32	0.57
Plant and machinery	122.54	86.04
Others	104.04	66.73
Insurance	33.56	22.08
Rates and taxes	202.84	108.02
Packing, despatching and freight	1,974.06	1,067.89
Clearing forwarding and other charges	154.35	94.26
Rebates, discounts and claims	336.59	127.12
Travelling expenses	377.30	255.83
Advertisement expenditure	147.64	353.41
Audit fees and expenses:		
fees	12.50	6.00
other services	8.00	3.50
expenses	0.31	0.25
Directors' sitting fees	1.80	1.80
Provision for doubtful debts / advances	2.76	0.09
Sales development expenditure	207.43	134.96
Professional and consultancy charges	34.09	48.09
Communication expenditure	57.89	40.46
Miscellaneous expenses	319.08	138.70
	<u>5,421.64</u>	<u>3,352.11</u>
Schedule 17: Interest and finance charges		
Interest	2.58	0.25
Finance charges	4.95	11.04
	<u>7.53</u>	<u>11.29</u>

18. Notes on accounts forming part of financial statements

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

18. (A) Background of the Company :

Lotte India Corporation Limited is engaged in the business of manufacturing and marketing of confectionery products. The parent company is Lotte Confectionery Company Limited, South Korea, which is one of the leading manufacturers of confectionery products.

The Company has a wide range of confectionery products like Coffy Bite, Lacto King, Chocolate Eclairs, Fruitz, Boopro, Spout, Caramilk, Coconut Punch and Chocopie.

The Company's manufacturing units are primarily located at Cuddalore and Chennai.

18. (B) Significant accounting policies:**1. Basis of preparation of financial statements**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under historical cost convention on accrual basis. GAAP comprises of accounting standards notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India and the provision of Companies Act, 1956, to the extent applicable. The accounting policies have been uniformly applied by the Company and are consistent with those used in the previous year.

2. Use of Estimates

The preparation of financial statements in conformity with the GAAP requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods

3. Revenue Recognition

Revenue from the sale of goods are recognized on dispatch of goods which corresponds with transfer of all significant risks and rewards of ownership to the buyer. The amount recognized as sale is exclusive of sales tax.

Interest income on deposits and interest bearing securities is recognized on the time proportionate method. Insurance claims and rental income are recognized when the amount thereof can be measured reliably and ultimate collection is reasonably certain.

4. Fixed assets and capital work in progress

Fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freights, duties and taxes and other incidental expenses related to acquisition, but exclude duties and taxes that are recoverable subsequently from tax authorities. Borrowing cost directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized. Other borrowing costs are accounted as expense in the profit and loss account.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work in progress.

5. Depreciation and amortization

Depreciation is provided on the straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act 1956, are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset, or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

management's estimate of the useful life/ remaining useful life. Pursuant to this policy, the depreciation is provided on the following management estimate of the useful life of the assets:

Asset Description	Estimated life in years
Building	28
Plant and machinery	5 - 13 years
Furniture, Fixtures, Office Equipment	5 - 10 years
Vehicles	5
Computers	5

All assets individually costing Rs. 5,000/- or less are fully depreciated in the year of purchase. Pro-rata depreciation is provided for all assets purchased/sold during the year.

Leasehold improvements are amortized over the useful life of the asset or the lease period, whichever is lower.

6. Intangibles

Intangible assets primarily representing computer software are recorded at the consideration paid for acquisition. These are amortized over their estimated useful life of 5 years on a straight line basis.

7. Leases

Assets taken on lease where the Company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of the minimum lease rental and other incidental expenses during the lease term or the asset's fair value.

The rental obligations, net of interest charges, are reflected in secured loan. Leases that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases and recorded as expenses as and when payments are made over the lease term.

8. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is the higher of an asset's net selling price and value in use. If such recoverable amount of the asset or the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

9. Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

The methods of determining cost of various categories of inventories are as follows:

Description	Method of determining cost
Raw materials, packing materials, stores and spares	Moving weighted average
Work in progress and finished goods (manufactured)	Moving weighted average and including an appropriate share of overheads
Finished goods (traded)	Moving weighted average

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

10. Employee benefits

Provident Fund: Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. Contributions to provident fund are charged to the profit and loss account on accrual basis.

Gratuity: The Company provides gratuity, a defined benefit retirement plan covering eligible employees. The Company provides the gratuity benefit through annual contribution to Life Insurance Corporation ("LIC"). Liabilities related to the gratuity plan are determined by actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date. Actuarial gain or loss is recognized immediately in the profit and loss account.

Compensated absences: Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation using projected unit credit method carried out by an Independent actuary as at the balance sheet date.

Superannuation: Contribution to superannuation is made in accordance with the terms of employment contracts for eligible employees and is charged to the profit and loss account. The Company makes monthly contributions to the superannuation fund administrated by the trustees and managed by LIC. The Company has no further obligations beyond its monthly contributions.

11. Foreign currency transactions and balances

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign currency transactions settled during the period are recognised in the profit and loss account for the year, except that exchange differences arising on a long term foreign currency monetary liability related to acquisition of depreciable capital assets are adjusted in the carrying amount of the related fixed assets in accordance with the option exercised by the Company as per amendment to Companies (Accounting Standard) Rules, 2006 through notification of Ministry of Corporate Affairs dated March 31, 2009.

12. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

13. Research and Development

All Research and Development cost excluding capital expenditure is charged off in the year in which it is incurred.

14. Provisions, Contingent liabilities and contingent assets

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

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

15. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company is segregated.

16. Earnings per share

Basic earnings per share amounts are computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

18 (C) Notes to the financial statements:

1. **Amalgamation of Lotte Foods India Private Limited ('Lotte Foods' or the 'Transferor Company') with the Company (also referred to as the 'Transferee Company' or 'the Company' in this context) under Section 391 and 394 of the Companies Act, 1956.**
 - (i) Pursuant to a scheme of amalgamation sanctioned by the Hon'ble High Court of Madras on 11 November 2010 ('the Scheme'), Lotte Foods was amalgamated with the Company with effect from April 1, 2010 ('appointed date')
 - (ii) Pursuant to the scheme of amalgamation, the accounting for amalgamation has been recorded in the following manner.

Sl No	Particulars	Amount	Amount
A.	Assets		
	- Capital Work in Progress	24,007.73	
	- Cash and bank balances	2,163.62	
	- Other Current Assets- Interest accrued	0.70	
	- Loans and advances	4,067.04	30,239.09
B.	Liabilities		
	- Current liabilities and provisions		(2,646.50)
C.	Net assets taken over (A – B)		27,592.59
D.	Less: Face value of shares issued by the transferee company pursuant to the above scheme of amalgamation		578.87
			27,013.72
E.	Add: Funds received by Lotte Foods subsequent to 01 April 2010, against which shares are allotted by Lotte Foods		3,476.30
			30,490.02
F.	Add: Adjustment arising from revaluation of land (Refer section (iii) below)		9,327.71
G.	General Reserve		39,817.73

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

As per Accounting Standard - 14 (AS 14) on Accounting for Amalgamations issued under Companies (Accounting Standards) Rules, 2006 and other pronouncements of the Institute of Chartered Accountants of India, the difference between the amount recorded as share capital issued and the amount of the share capital of the Transferor Company is adjusted against capital reserves of the Transferee Company. However, the approved Scheme provided that such amount shall be adjusted against general reserve. In situations, where the accounting treatment prescribed by the approved scheme of amalgamation varies from the method prescribed under AS-14, the approved scheme prevails. Accordingly, the difference between the amount recorded as share capital issued and the share capital of the Transferor Company aggregating to Rs.30,490.02 is adjusted against the general reserve in accordance with the Scheme. Had the accounting treatment prescribed under AS-14 read with other pronouncements of the Institute of Chartered Accountants of India, been followed, the amount of Rs.30,490.02 would have been adjusted against capital reserve.

- (iii) In accordance with the above Scheme, the Company through an independent valuer has valued the immovable properties being land and such revaluation adjustment aggregating to Rs.9,327.71 has been credited to the General Reserve account. The details are set out below:

SI No	Particulars	Amount
A	Fair value of immovable properties being Land	13,059.59
B	Original cost of immovable properties being Land	3,731.88
C	General Reserve	9,327.71

As per Accounting Standard-10 on 'Fixed Assets', an increase in net book value arising on revaluation of fixed assets is normally credited to owner's interest under the heading of revaluation reserves and is regarded as not available for distribution. Accordingly, the above said adjustment is not in accordance with the Accounting Standards referred to in Section 211 (3)(C) of the Companies Act, 1956 and other relevant pronouncements of the Institute of Chartered Accountants of India. Had the Company not credited such revaluation adjustment of Rs.9,327.71 to the general reserve; the same would have been credited to revaluation reserve, which would then not be available for dividend distribution.

2. Transfer pricing

The Company has international transactions with related parties for the year ended December 31, 2011. For the financial year 2010-11, the Company has obtained the Accountant's report from a Chartered Accountant as required by the relevant provisions of the Income-tax Act, 1961 and has filed the same with tax authorities. For the current period, management confirms that it maintains documents as prescribed by the Income-tax Act to prove that these international transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

3. Commitments and Contingencies

Particulars	As at December 31, 2011	As at December 31, 2010
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	2238.53	9.88
Guarantees issued by Company's banker on behalf of the company.	225.88	232.48
Letter of credit facilities provided by the bank	-	43.76
Claims against the company not acknowledged as debt in respect of:		
(i) Sales tax matters	19.06	19.06
(ii) Excise matters	110.17	109.62
(iii) Income tax matters	-	12.86

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

Certain proceedings/appeals in respect of industrial disputes/claims are pending before the appropriate judicial bodies or otherwise. No provision has been made in the financial statements as the liability of the Company depends on the final outcome of the proceedings, and in the opinion of the management is unlikely to be material.

4. Other Financial Information

Particulars	Year ended December 31, 2011	Nine months ended December 31, 2010
i. Repair and Maintenance include stores and spares Consumed	61.85	42.54
ii. Revenue expenses incurred on Research and development included under various heads of expenses	33.33	32.44
iii. Details of assets in the possession of third parties		
Plant and Machinery		
Original cost	429.81	417.42
Depreciation	25.25	19.94
Accumulated depreciation	301.68	284.77
Net book value	128.13	132.65

(iv) The Company has funded and non funded facilities with a bank (limit Rs.1100) which are secured by a first charge on stock of raw materials, work in-progress, finished goods, consumable stores, book debts and a second charge on the entire fixed assets, present and future, including immovable properties by way of extension of equitable mortgage by deposit of title deeds of immovable properties at Maraimalai Nagar, Manapakkam.

5. Export obligations

In respect to capital goods imported at concessional rate of duty under Export Promotion Capital Goods Scheme, as at the balance sheet date, the Company has outstanding export obligation of Rs. 10,778.63 (previous year- Rs. 11,139.50). The above said export obligation has to be met over eight years. The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

6. Deferred taxation

Particulars	As at December 31, 2011	As at December 31, 2010
Deferred tax liability		
Excess of depreciation allowable under Income tax Law over depreciation provided in accounts	(1,621.33)	(1,024.38)
	(1,621.33)	(1,024.38)
Deferred tax assets		
Provision for Doubtful debts / advances	54.30	54.67
Others	104.00	86.20
Unabsorbed depreciation (Restricted up to Deferred Tax Liability- See note below)	1,463.03	883.51
	1,621.33	1,024.38
Deferred tax assets, net	-	-

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

Pursuant to AS - 22 'Accounting for taxes on income', where there is an unabsorbed or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Accordingly, deferred tax asset arising out of unabsorbed depreciation as at December 31, 2011 has been restricted to the net deferred tax liability of Rs.1,463.03 as at that date.

7. Particulars of managerial remuneration

The remuneration paid to managerial personnel during the year:

Particulars	Year ended December 31, 2011	Nine months ended December 31, 2010
Salaries and allowances	33.10	6.75
Contribution to provident and other funds	2.86	1.82
Perquisites	19.59	10.76
Total	55.55	19.33

Note: (i) The Managing director is covered under the Company's gratuity scheme and leave encashment scheme along with other employees of the Company. Contribution to gratuity and provision for leave encashment is based on actuarial valuation done on an overall Company basis and hence is excluded above.

(ii) Ministry of Company Affairs through notification no G.S.R 70/E dated 8 February 2011 has amended Schedule XIII to the Companies Act, 1956 to do away with the requirement of Central Government approval for managerial remuneration in case of no profits / inadequate profits. Consequently, the remuneration as approved by the Remuneration committee of the Board of Directors is considered to be within the framework of limits as prescribed under the Companies Act, 1956.

8. Capacity and Production

Classification of Goods	Licensed Capacity Quintals		Installed Capacity Quintals	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Toffees *			\$	\$
Confectionery Other than Toffees			\$	\$
Cocoa Powder	3,750	3,750	-	-
Chocolates	1,250	1,250	-	-
Malted Milk Food	7,500	7,500	-	-
Other Bakery Products	1,140	1,140	-	-

* Includes Milk Toffees and Modified Toffees.

() Under the liberalized policy of the Government vide notification no.5-0-477 (E) dated 25th July 1991, the products in which the Company is currently dealing are exempted from licensing provision under the Industries (Development and Regulation) Act, 1951.

(\$) The products are manufactured in an integrated plant and hence Installed capacity cannot be specifically ascertained.

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

9. Particulars of Goods manufactured, traded goods, stock, purchase and sales.

Particulars	Year ended December 31, 2011		Nine months ended December 31, 2010	
	Quantity Quintals	Amount	Quantity Quintals	Amount
Opening Stock				
Toffees \$	12,552	941.62	13,381	939.55
Confectionery other than toffee	4,455	623.05	898	90.76
Traded Goods	-	-	1,560	253.53
	17,007	1,564.67	15,839	1,283.84
Production				
Toffees \$	70,723	NA	61,080	NA
Confectionery other than toffee	43,606	NA	18,639	NA
	114,329		79,719	
Purchases				
Toffees	-	-	-	-
Confectionery other than toffee	-	-	-	-
Traded Goods	156	60.29	1,123	87.66
	156	60.29	1,123	87.66
Sales				
Toffees \$ £	177,773	19,321.19	130,610	13,532.21
Confectionery other than toffee £	46,283	9,436.86	18,320	3,229.89
Traded Goods	122	115.74	2,640	623.91
	224,178	28,873.79	151,570	17,386.01
Closing Stock				
Toffees \$ £	15,534	1298.62	12,552	941.62
Confectionery other than toffee £	6,383	898.16	4,455	623.05
Traded Goods	26	13.80	-	-
	21,943	2,210.58	17,007	1,564.67

1. Toffee production does not include 110,560 quintals (December 31, 2010 - 68,808) processed by third parties.
2. Confectionery other than toffee does not include 4,190 quintals (December 31, 2010 - 3,164) processed by third parties.

\$ - Includes milk toffees and modified toffees

£ - Includes processed by third parties

Closing stock is arrived at after adjustment of shortage / excess / written-off.

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

10. Details of Raw Materials including Packing Materials Consumed

Description	UOM	Year ended December 31, 2011		Nine months ended December 31, 2010	
		Qty	Amount	Qty	Amount
Sugar	Qtls	83,243	2,322.89	51,529	1,505.67
Glucose	Qtls	84,770	2,098.10	59,210	1,314.77
Processed Milk	Kgs	2,792,502	1,693.51	2,993,186	1,577.09
Vanaspathi	Kgs	1,489,447	882.26	1,111,597	496.25
Wrapping Materials *			2,050.24		1,253.01
Packing Materials *			2,662.89		1,505.24
Others *			4,060.25		1,731.65
			15,770.14		9,383.68

* In view of the considerable number of items that are diverse in size, nature and unit of measurement, none of these items in value individually account for 10% or more of the total value of raw materials consumed during the year and hence quantitative particulars for these items has not been furnished.

11. Details of imported and indigenous raw materials, spares and packing material consumed

Description	Year ended December 31, 2011		Nine months ended December 31, 2010	
	Amount	%	Amount	%
Raw Material				
Imported	198.44	1.26%	869.18	9.26%
Indigenous	15,571.70	98.74%	8,514.50	90.74%
Total	15,770.14	100.00%	9,383.68	100.00%
Stores & Spares				
Imported	-	0.00%	7.39	10.28%
Indigenous	63.96	100.00%	64.53	89.72%
Total	63.96	100.00%	71.92	100.00%

12. C.I.F Value of Imports

Particulars	Year ended December 31, 2011	Nine months ended December 31, 2010
Raw Materials	263.12	869.18
Finished goods	-	5.94
Total	263.12	875.12

13. Expenditure in Foreign Currency

Particulars	Year ended December 31, 2011	Nine months ended December 31, 2010
Travel	23.94	1.97
Others		
- Software usage fee	14.98	-
- Royalty	105.06	-
- Others	-	1.50
Total	143.98	3.47

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

14. Earnings in Foreign Exchange

Particulars	Year ended December 31, 2011	Nine months ended December 31, 2010
FOB Value of exports	360.87	114.90

15. Amounts due to Micro Small and Medium Enterprises

The Management has identified the enterprises which have provided goods and services to the Company and which qualify under the definition of 'Micro and Small Enterprises' as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") based on information received from the parties. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at December 31, 2011 has been made in the financial statements based on the information received and available to the Company. There are no overdue amounts payable to such enterprises as at December 31, 2011.

16. Segment Reporting

The Company is engaged in only one business namely manufacture and trading of confectionery and related products and accordingly there are no separate reportable segments according to AS 17 'Segment Reporting' issued under the Companies (Accounting Standards) Rules, 2006.

The Company has not determined a secondary segment based on geography, because the operations in other geographical locations are not material and accordingly there operations are not separately mentioned as an independent segment.

17. Employee benefits

Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised)

Change in projected benefit obligation	Year ended December 31, 2011	Nine months ended December 31, 2010
Projected benefit obligation as at the beginning of the year	179.93	181.38
Interest cost	14.05	7.32
Current service cost	16.88	11.40
Benefits paid	(21.33)	(20.91)
Actuarial loss / (gain) on obligation	(0.08)	(6.16)
Plan amendments	0.00	6.90
Projected benefit obligation as at the end of the year	189.45	179.93

Change in plan assets	Year ended December 31, 2011	Nine months ended December 31, 2010
Fair value of plan assets at the beginning of the year	154.93	157.85
Expected return on plan assets	12.30	9.56
Contributions	19.10	23.52
Benefits paid	(21.33)	(20.91)
Actuarial gain / (loss) on plan assets	21.44	(15.09)
Fair value of plan assets at the end of the year	186.44	154.93

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

Reconciliation of present value of obligation on the fair value of plan assets	Year ended December 31, 2011	Nine months ended December 31, 2010
Present value of projected benefit obligation at the end of the period	189.44	179.93
Funded status of the plans	186.44	154.93
Funded status amount of liability recognized in the balance sheet	3.00	25.00

Components of net gratuity costs are reflected below	Year ended December 31, 2011	Nine months ended December 31, 2010
Current service cost	16.88	11.40
Interest cost	14.05	7.32
Expected return on plan assets	(12.30)	(9.55)
Recognised net actuarial (gain)/loss	(21.53)	8.93
Past service cost	0.00	6.90
Expenses recognised in the statement of profit and loss	(2.90)	25.00

Financial assumptions as at balance sheet	Year ended December 31, 2011	Nine months ended December 31, 2010
Salary Escalation	5.00%	5.00%
Expected return on plan assets	8.00%	8.00%
Attrition rate	0.5-2%	0.5-2%
Discount rate	8.60%	8.30%

18. Related Party disclosures

a. Related parties where control exists or where significant influence exists and with whom transactions have taken place during the year:

Relationship	Name of related party
Holding company	Lotte Confectionery Co., Limited, South Korea
Associates	Lotte Samkang Co. Ltd Lotte Engineering Construction India Private Ltd Lotte Engineering and Construction Company, South Korea Lotte Foods India Private Limited (Merged with the Company with the effect from April 01, 2010) Lotte JTB, South Korea
Key Management Personnel	Mr. Myung Ki Min – Managing Director

18. Notes on accounts forming part of financial statements (Contd..)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

b. Related party transactions

Nature of transaction	Holding Company		Associates		Key Management Personnel	
	Year ended December 31, 2011	Nine months ended December 31, 2010	Year ended December 31, 2011	Nine months ended December 31, 2010	Year ended December 31, 2011	Nine months ended December 31, 2010
Share Capital*	-	578.87	-	0.01	-	-
Purchases of goods	-	33.23	4.27	13.69	-	-
Purchases of capital goods	-	-	207.74	3,372.68	-	-
Sales	298.08	-	-	-	-	-
Remuneration	-	-	-	-	55.55	19.33
Hotel Stay Expenses	-	-	4.74	-	-	-
Royalty expenses	117.52	43.49	-	-	-	-
SAP – Payment	16.75	-	-	-	-	-
Closing Balance –Credit	120.04	57.73	190.59	-	-	-
Debit	94.40	-	-	-	-	-

* Refer Note 18(C) (1)

19. Earnings Per Share

Particulars		Year ended December 31, 2011	Nine months ended December 31, 2010
Profit / (Loss) after taxation as per profit and loss account	A	484.53	(617.79)
Weighted average number of equity shares of Rs.10 each outstanding during the year	B	9,560,021	8,884,037
Add: Dilutive potential equity shares arising due to share application money pending allotment*	C	-	349,827
Total	D	9,560,021	9,233,864
Earnings per share – Basic and diluted in Rs.	(A/D)	5.07	(6.95)

* The Shares are anti-dilutive as the Company has incurred losses during the year

20. Prior year comparatives

- Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.
- Consequent to the change in financial year during the previous year, the current year financials are for a period of twelve months, whereas the comparable previous year financials are for nine months and hence not comparable.

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikas R Kasat
Partner
Membership No: 105317
Chennai
March 30, 2012

MYUNG KI MIN
Managing Director

T G KARTHIKEYAN
Company Secretary

For and on behalf of the Board of Directors

D.G. RAJAN
Director

KYO HEE KIM
Vice President and CFO

21. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No	U15419TN1954PLC001987
State Code	18
Balance Sheet date	31.12.2011

II. Capital Raised during the Period (Rupees in Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

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

Total Liabilities	4,932,968
Total Assets	4,932,968

SOURCE OF FUNDS

Paid-up Capital	95,600
Reserves and Surplus	4,357,199
Secured Loans	-
Unsecured Loans	-

APPLICATION OF FUNDS

Net Fixed Assets	3,971,558
Net Current Assets	481,241
Deferred Tax Asset	-

IV. Performance of Company (Rupees in Thousands)

Turnover (including Other Income)	2,602,327
Total Expenditure	2,540,824
Profit before Tax	61,503
Profit after tax	48,453
Earnings Per Share in Rs.	5.07
Diluted Earnings Per Share in Rs.	5.07
Dividend Rate %	NIL

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

(ITC Code)	1704
Product Description	SUGAR CONFECTIONERY WITHOUT COCOA
(ITC Code)	180690 – 01
Product Description	CHOCOLATE CONFECTIONERY
(ITC Code)	19059010
Product Description	CHOCOLATE CONFECTIONERY

TEN YEARS AT A GLANCE

Rs. Lakhs

	2002-03	2003-04*	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	@ 2010 (9 Months Apr- Dec)	2011
OPERATING RESULTS										
GROSS INCOME	9512.85	10138.13	12070.14	14607.59	16217.48	16815.48	18341.68	19703.19	17386.01	28,873.79
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	427.16	800.97	773.91	831.71	867.55	83.25	611.55	982.75	1020.33	2,336.87
PROFIT/(LOSS) BEF INTEREST & TAX	(109.17)	297.13	278.12	300.01	351.54	(445.68)	81.44	518.87	67.58	622.56
PROFIT/(LOSS) BEFORE TAX (PBT)	(286.90)	219.40	270.81	306.03	281.48	(769.62)	(272.19)	501.21	56.29	615.03
PROFIT/(LOSS) AFTER TAX (PAT)	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53
DIVIDENDS	-	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	(118.03)	77.99	116.94	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53
SOURCES AND APPLICATION OF FUNDS:										
SOURCES OF FUNDS										
SHARE CAPITAL	377.13	377.13	377.13	377.13	377.13	377.13	377.13	377.13	956.00	956.00
RESERVES AND SURPLUS	3892.99	4048.30	4165.24	4306.22	4426.77	3847.44	3633.31	3887.52	43087.46	43,571.99
TOTAL SHAREHOLDERS' FUNDS	4270.12	4425.43	4542.37	4683.35	4803.90	4224.57	4010.44	4264.65	44043.46	44,527.99
BORROWINGS	1288.34	517.98	224.52	38.53	3000.00	3543.07	34.10	-	-	-
DEFERRED TAX LIABILITY	-	-	-	-	-	-	-	-	-	-
FUNDS EMPLOYED	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44,527.99
APPLICATION OF FUNDS										
GROSS FIXED ASSETS	8242.32	8684.49	9000.63	9103.34	9233.27	2615.94	12746.43	12766.84	48390.21	47,943.09
DEPRECIATION	4326.84	4694.04	5156.84	5674.88	6092.48	6473.24	6968.48	7314.69	8265.38	9,069.52
NET FIXED ASSETS	3915.48	3990.85	3843.79	3428.46	3140.79	6142.71	5777.95	5452.15	40124.83	38,873.57
CAPITAL WORK-IN-PROGRESS	4.27	4.27	4.27	4.30	3098.82	85.09	77.03	0.50	26.67	842.01
INVESTMENTS	686.76	5.80	-	-	-	-	-	-	-	-
DEFERRED TAX ASSET	355.59	848.44	716.07	616.02	520.59	738.52	823.58	662.58	-	-
GROSS CURRENT ASSETS	1952.07	1402.01	2013.22	2533.08	3367.23	3319.12	3501.39	4469.67	7826.96	9,614.10
CURRENT LIABILITIES & PROVISIONS	1355.71	1307.56	1810.46	1859.98	2323.53	2517.80	6135.41	6320.25	3935.00	4,801.69
NET CURRENT ASSETS	596.36	94.45	202.76	673.10	1043.70	801.32	(2634.02)	(1850.58)	3891.96	4,812.41
DEFERRED REVENUE EXPENDITURE	-	-	-	-	-	-	-	-	-	-
DEBIT BALANCE IN P & L Account	-	-	-	-	-	-	-	-	-	-
NET ASSETS EMPLOYED	5558.46	4943.41	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44,527.99
RATIOS										
ROCE (%)	-1.88	5.66	5.73	6.32	5.61	-5.72	1.38	12.49	0.28	1.41
PBDIT TO GROSS INCOME(%)	4.49	7.90	6.41	5.69	5.35	0.50	3.33	4.99	5.87	8.09
PAT ON SHAREHOLDERS' FUNDS(%)	-2.76	1.76	2.57	3.01	2.51	-13.71	-5.34	5.96	-1.40	1.09
EARNINGS PER EQUITY SHARE(Rs)	-3.13	2.07	3.10	3.74	3.20	-15.36	-5.68	6.74	-6.95	5.07
DIVIDEND PER EQUITY SHARE(Rs)	-	-	-	-	-	-	-	-	-	-
NET WORTH PER EQUITY SHARE(Rs)	113.23	117.35	120.45	124.18	127.38	112.02	106.34	113.08	495.76	465.77
DEBT: EQUITY RATIO	0.30	0.12	0.05	0.01	0.62	0.84	0.01	-	-	-

* Includes merger of Confectionery Specialities Ltd (100 % Subsidiary)

@ Includes merger of Lotte Foods India Private Ltd (Subsidiary of Lotte confectionery Co. Ltd, Korea)

Note : Previous year (2010) figures were only for 9 months (Apr-Dec) consequent to change in financial year. Hence figures are not comparable.