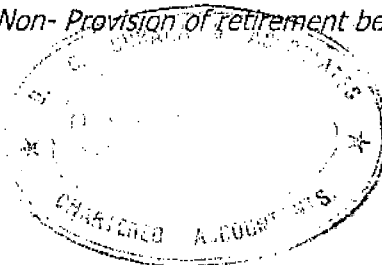

ANNUAL REPORT
SERVOTECH ENGINEERING INDUSTRIES LIMITED
2007 - 2008

AUDITOR'S REPORT

To,
The Members
M/s. Servotech Engineering Industries Ltd.

1. We have audited the attached Balance Sheet of M/s SERVOTECH ENGINEERING INDUSTRIES LTD. As the 31st March, 2008 the Profit & Loss Account of the company and also 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government 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 in paragraph (3) above, we state that
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our Audit.
 - b) In our opinion proper books of accounts as required by law have been kept by the company, so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of accounts of the Company.
 - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956. (Except retirement benefits which are accounted for on cash basis.)
 - e) On the basis of the written representations received from the directors and taken on record by the board of Directors, we report that none of the Directors is disqualified as on March 31, 2007, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
 - f) *Attention is invited to the following notes in schedule 19 :*
 - i) *Note No. 3 regarding non provision of interest payable to Oriental bank of Commerce on working capital.*
 - ii) *Note No. 4 regarding Debts considered doubtful for of recovery amounting to Rs.91,87,708 and Note no - 6 regarding certain advances of Rs 19,25,000/- for which no provision has been made in accounts*
 - iii) *Note No. 5 regarding Non- Provision of retirement benefits.*



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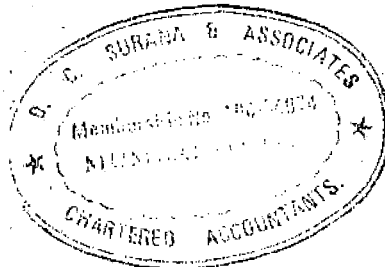
In our opinion and to the best of our information and according to the explanations given to us , *subject to our comments as referred to in (f) above impact of which is presently not ascertainable*, the said accounts read with other notes thereon give the information required by the Companies Act, 1956 in the manner so required give true and fair view and conformity with the general accounting principles accepted in India :

- a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008
- b) in the case of Profit & Loss Account, of the Profit for the year ended on that date .
- A N D
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

FOR D.C. SURANA & ASSOCIATES
Chartered Accountants

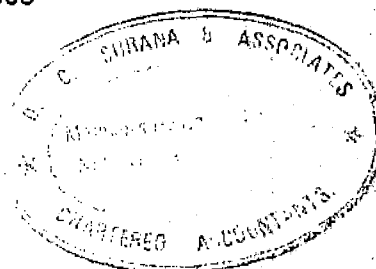
(Proprietor)

Place : Mumbai
Date : September 3, 2008



**ANNEXURE REFERRED TO THE AUDITORS' REPORT TO THE MEMBERS OF
SERVOTECH ENGINEERING IND. LTD. FOR THE YEAR ENDED 31ST MARCH, 2008.**

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) As explained to us, the fixed assets have been physically verified by the management during the year. The Company has a phased Program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assented.
c) Company has advanced a sum of Rs. 19,25,000/- to various suppliers for supply of Machineries and same has been shown under the head Fixed Assets as Capital Work in progress. The suppliers have not yet supplied machineries and in our opinion the said advances are doubtful of recovery. It is informed to us the management is trying to recover the money / or get the machineries. Expect there is no material discrepancies were noticed on such physical verification. No Fixed assets were disposed off during the year.
2. a) The inventory has been physically verified at the end of the year by the management. In our opinion, the frequency of verification is reasonable.
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the company and the nature of its business.
c) The Company has maintained proper records of inventory.
3. The Company has granted unsecured loans & Advanced amounting to Rs.10,86,642/- to The companies, covered in the register maintained under section 301 of the Companies Act, 1956. They are not regular in repayment of principle & interest. This is informed to us the management trying to recover the same. The Company has not taken unsecured loan from company's covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventories, fixed assets and for the sale of goods needs to be strengthened.
5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of section 301 of the Act have been so entered.
6. The Company has not accepted any deposits from the public and consequently, the directive issued by the Reserve Bank of India, the Provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
7. In our opinion the Company does not have an internal audit system commensurate with its size and the nature of its business.
8. The provisions regarding maintenance of cost records are not applicable to the Company.
9. According to the information and explanations given to us, and according to the books and records as produced and examined by us, in our opinion the Company is not regular in depositing Provident fund with appropriate authorities and a sum of Rs. 2,12,966/- on a/c of provident fund is outstanding as on 31st March 2008

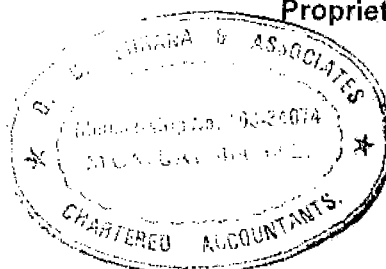


10. According to information and explanation given to us, there are no dues in respect of Sales tax, income tax, customs duty, wealth tax, excise duty, and cess that have not been deposited with the authorities on account of any dispute.
11. The Company has accumulated losses of Rs.2,99,80,203/- at the end of the financial year and has not incurred cash losses during the financial year covered by our audit.
12. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to Oriental Bank of Commerce of Rs.92,97,388/- from 31st March,2000. No provision has been made in accounts for interest payable on working capital loan.
13. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
14. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund or society. Accordingly, clause 4(xiii) of the order is not applicable.
15. According to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the order is not applicable.
16. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xiv) of the order is not applicable.
17. In our opinion, the company has not taken any term loan during the year.
18. On the basis of an over all examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
19. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause 4(xviii) of the order is not applicable.
20. The Company has not issued any debentures during the year. Accordingly, clause 4(xix) of the order is not applicable.
21. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
22. During the course of our examination of the books and records of the Company carried out in Accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the audit.

For D C Surana & Associates
Chartered Accountants

(D C Surana)
Proprietor

Place : Mumbai
Date : September 3, 2008



SERVOTECH ENGINEERING INDUSTRIES LIMITED

BALANCE SHEET AS ON 31ST MARCH, 2008

| SCHEDULES | | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|---|------------------|----------------------------|----------------------------|
| I SOURCE OF FUNDS | | | |
| 1 Share holders Funds | | | |
| Share Capital | 1 | 40,456,166 | 40,456,166 |
| 2 Loan Funds | | | |
| Secured Loans | 2 | 9,297,388 | 9,297,388 |
| | TOTAL | 49,753,554 | 49,753,554 |
| II APPLICATION OF FUNDS | | | |
| 1 Fixed Assets | | | |
| a. Gross Block | 3 | 931,851 | 931,851 |
| b. Less : Depreciation | | 748,032 | 718,665 |
| c. Net Block | | 183,819 | 213,186 |
| d. Capital Work in Progress | 4 | 1,925,000 | 1,925,000 |
| | | 2,108,819 | 2,138,186 |
| 2 Investments | | | |
| | 5 | 4,625,000 | 4,025,000 |
| 3 Current Assets, Loans & Advances | | | |
| a. Inventories | 6 | - | 4,465,280 |
| b. Sundry Debtors | 7 | 16,290,440 | 9,187,708 |
| c. Cash & Bank Balances | 8 | 223,458 | 165,370 |
| d. Loans and Advances | 9 | 1,352,345 | 2,224,622 |
| | TOTAL (a) | 17,866,243 | 16,042,980 |
| Less: Current Liabilities & Provisions | | | |
| a. Current Liabilities | 10 | 3,142,262 | 906,912 |
| b. Provisions | | 336,995 | 236,442 |
| c. Sales Tax - Deferred | 11 | 1,347,454 | 1,347,454 |
| | TOTAL (b) | 4,826,711 | 2,490,808 |
| Net Current Assets (a - b) | | 13,039,532 | 13,552,172 |
| 4 Miscellaneous Expenditure | | | |
| (To the extent not written off or adjusted) | | | |
| a. Share Issue Expenses | | - | - |
| 5 Profit & Loss Account | | | |
| | | (29,980,203) | 30,038,196 |
| | | 49,753,554 | 49,753,554 |

Significant Accounting Policies & Notes on Accounts 19

As per our report of even date

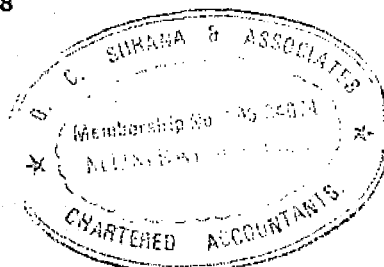
FOR D.C. SURANA & ASSOCIATES
Chartered Accountants

D C SURANA
(Proprietor)
Membership No. 100-34074
Place : Mumbai
Date : September 3, 2008

For & on behalf of the Board of Directors

R S Lahoti
R S LAHOTI
(Director)

Ram A Watar Lahoti
R A LAHOTI
(Director)



SERVOTECH ENGINEERING INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

| PARTICULARS | SCHEDULES | For the year Ended 31.03.2008 Rs. | For the year Ended 31.3.2007 Rs. |
|--|------------------|--|---|
| INCOME | | | |
| Sales | 12 | 15,686,814 | 9,694,860 |
| Other Income | 13 | 72,000 | 13,350 |
| Increase Decrease in Stock | 14 | (4,465,280) | (105,420) |
| | TOTAL (a) | 11,293,534 | 9,602,790 |
| EXPENDITURE | | | |
| Material Consumed | 15 | 10,180,010 | 7,177,432 |
| Manufacturing Expenses | 16 | 378,922 | 407,928 |
| Employees Remuneration & Benefits | 17 | 118,671 | 903,438 |
| Administrative, Selling & Distribution and other Expenses | 18 | 522,987 | 1,001,682 |
| Preliminary/Share Issue Expenses Written off | | - | - |
| | TOTAL (b) | 11,200,590 | 9,490,480 |
| Profit Before Depreciation & Taxation(a-b) | | 92,944 | 112,310 |
| Less: Depreciation | | 29,367 | 28,544 |
| Profit after Depreciation | | 63,577 | 83,766 |
| Less: Provision for Income Tax | | - | - |
| Less : Provision for FBT | | 5,584 | 13,350 |
| Profit after Depreciation & Taxation | | 57,993 | 70,416 |
| Add : Balance Brouhgt forward from Last Year | | (30,038,196) | (30,108,612) |
| | | (29,980,203) | (30,038,196) |
| Balance Carried to Balance Sheet | | (29,980,203) | (30,038,196) |

Significant Accounting Policies & Notes on Accounts 19

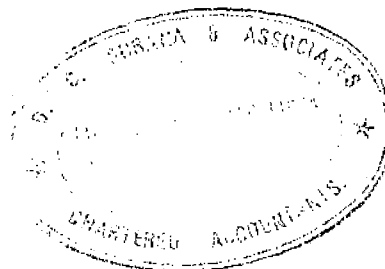
As per our Report of even date
FOR D.C. SURANA & ASSOCIATES
 Chartered Accountants

D C SURANA
 (Proprietor)
 Membership No. 100-34074
 Place : Mumbai
 Date : September 3, 2008

For & on behalf of the Board of Directors

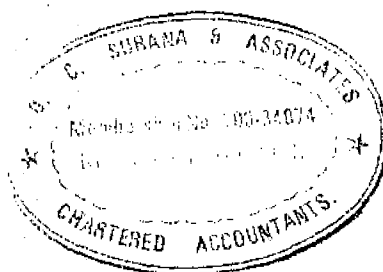
R S Lahoti
R S LAHOTI
 (Director)

Ram Anand Laloh
R A LAHOTI
 (Director)



SERVOTECH ENGINEERING INDUSTRIES LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

| PARTICULARS | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|---|----------------------------|----------------------------|
| <u>SCHEDULE 1 : SHARE CAPITAL</u> | | |
| AUTHORISED | | |
| 60,00,000 Equity Shares of Rs. 10 Each | 60,00,000 | 6,00,00,000 |
| ISSUED, SUBSCRIBED & PAID UP | | |
| 51,31,400 Equity Shares of 10/- each (Previous Year 51,31,400) | | |
| Fully paid up 5,13,14,000 | | |
| Less: Calls-in-Arrears 1,08,57,834 | 40,456,166 | 4,04,56,166 |
| TOTAL | 40,456,166 | 4,04,56,166 |
| <u>SCHEDULE 2 : SECURED LOANS</u> | | |
| CASH CREDIT ACCOUNT WITH Oriental Bank of Commerce, (Secured by hypothecation of Raw Material, Work - in - Progress, Finished Goods, book debts and personal guarantee given by Directors) | | |
| TOTAL | 9,297,388 | 92,97,388 |
| | 9,297,388 | 92,97,388 |



SERVOTECH ENGINEERING INDUSTRIES LIMITED

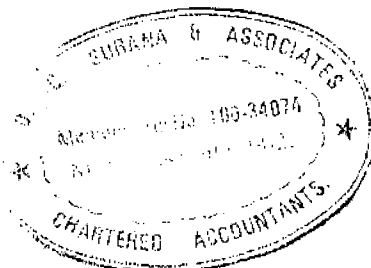
SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31/03/2008

SCHEDULE 3 : FIXED ASSETS

(Amount in Rs.)

| SR. NO | ASSETS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|--------|------------|----------------|----------|----------------|----------------|--------------|----------------------|----------------|----------------|-----------------|
| | | AS At 01.04.07 | Addition | As at 31.03.08 | Up to 01.04.07 | For the Year | Total up to 31.03.08 | As At 31.03.08 | As At 31.03.07 | Rate of Deprec. |
| 1 | COMPUTERS | 837180 | - | 837,180 | 672,467 | 26,700 | 699,167 | 138,013 | 164713 | 16.21% |
| 2 | SCOOTER | 25,362 | - | 25,362 | 17,690 | 729 | 18,419 | 6,943 | 7,672 | 9.50% |
| 3 | TELEPHONE | 50,309 | - | 50,309 | 21,006 | 1,392 | 22,398 | 27,911 | 29,303 | 4.75% |
| 4 | FAX MACHIN | 19,000 | - | 19,000 | 7,502 | 546 | 8,048 | 10,952 | 11,498 | 4.75% |
| Total | 2007-08 | 931851 | - | 931,851 | 718,665 | 29,367 | 748,032 | 183,819 | 213186 | |
| Total | 2006-07 | 893451 | 38400 | 931851 | 690122 | 28,544 | 718,665 | 213186 | - | |

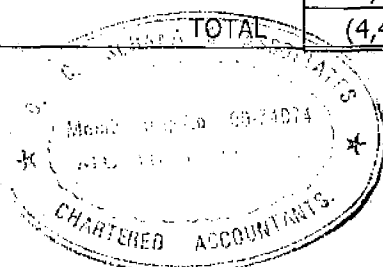
| PARTICULARS | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|--|----------------------|----------------------|
| SCHEDULE 4 : CAPITAL WORK - IN PROGRESS | | |
| Payment to Contractors & advance for fixed assets | 19,25,000 | 19,25,000 |
| SCHEDULE 5 : INVESTMENTS (Un quoted long term- at cost) | | |
| 52500 shares of M/s Sameto AG Drive Pot Pvt.Ltd Fully paid -up @ 10/- each | 525000 | 525000 |
| 2000 shares of M/s Gujarat chemi plant Pvt.Ltd Fully paid -up @ 100/- each (Previous Year 3000 Shares) | 200000 | 300000 |
| 190000 shares of M/s City Estate Devlopers Ltd. Fully paid -up @ 10/- each | 1900000 | 1200000 |
| 2000 shares of M/s. Saac Exports Pvt Ltd. Fully Paid- up @ 100/- each | 2000000 | 2000000 |
| Total | 4625000 | 4025000 |
| SCHEDULE 6: INVENTORIES | | |
| STOCK - IN -TRADE (As Valued and Certified by the Management) | | |
| Finished Goods | - | 4465280 |
| Total | - | 4465280 |
| SCHEDULE 7 : SUNDRY DEBTORS (Unsecured) | | |
| Debts Outstanding for a Period exceeding Six Months | 9,187,708 | 8,689,876 |
| Other Debts Considered Good) | 7,102,732 | 497,832 |
| Total | 16,290,440 | 9,187,708 |
| SCHEDULE 8 : CASH AND BANK BALANCES | | |
| a) Cash in Hand | 11,466 | 137,500 |
| b) With Scheduled Banks in Current Accounts | 211,992 | 27,870 |
| Total | 223,458 | 165,370 |



SERVOTECH ENGINEERING INDUSTRIES LIMITED

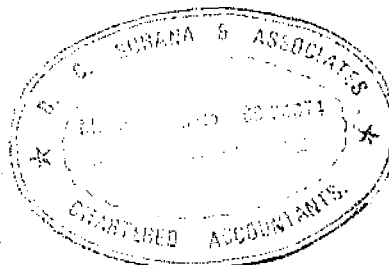
SCHEDULES FORMING PART OF THE BALANCE SHEET

| PARTICULARS | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|---|----------------------------|----------------------------|
| <u>SCHEDULE 9 : LOANS & ADVANCES</u> | | |
| (Unsecured) | | |
| Advance receivable in Cash or in Kind or for Value to be received | 72,000 | 36,118 |
| Loans & Advances | 1,086,642 | 1,929,272 |
| Deposits | 186,587 | 235,587 |
| Sales Tax Refundable | 7,116 | 23,645 |
| TOTAL | 1,352,345 | 2,224,622 |
| <u>SCHEDULE 10 : CURRENT LIABILITIES AND PROVISIONS</u> | | |
| a) <u>Current Liabilities</u> | | |
| Sundry Creditors for goods | 2,977,762 | 716,604 |
| Sundry Creditors for Expenses | 164,500 | 190,308 |
| | 3,142,262 | 906,912 |
| b) <u>Outstanding Liabilities</u> | 336,995 | 236,442 |
| TOTAL | 3,479,257 | 1,143,354 |
| <u>SCHEDULE 11 : DEFERRED SALES TAX</u> | | |
| Deferred Sales Tax payments (Interest Free) under Maharastra Govt. 1993 Package Scheme of Incentive as per Sicom Limited eligibilty certificate No Finc(1)/1993/defferal/EC 3809 dtd.12.1.99 | 1,347,454 | 13,47,454 |
| TOTAL | 1,347,454 | 13,47,454 |
| <u>SCHEDULE 12 : SALES</u> | | |
| Net Sales | 15,162,851 | 9,488,868 |
| Taxes | 523,963 | 205,992 |
| TOTAL | 15,686,814 | 9,694,860 |
| <u>SCHEDULE 13 : OTHER INCOME</u> | | |
| Dividend Recd | 72,000 | - |
| Cr Balance W/off | - | 13,350 |
| TOTAL | 72,000 | 13,350 |
| <u>SCHEDULE 14 : INCREASE/DECREASE IN STOCK</u> | | |
| <u>FINISHED GOODS</u> | | |
| Closing Stock (As valued & certified by the directors of the Company) | - | 4,465,280 |
| Less : Opening stock | 4,465,280 | 4,570,700 |
| TOTAL | (4,465,280) | (105,420) |



SERVOTECH ENGINEERING INDUSTRIES LIMITED
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| PARTICULARS | For The year Ended 31.03.2008 Rs. | For The year Ended 31.03.2007 Rs. |
|---|--|--|
| <u>SCHEDULE 15 : MATERIALS CONSUMED</u> | | |
| Opening Stock | - | - |
| Purchase during the year | 10,558,932 | |
| <u>Less : Job Charges</u> | 378,922 | 10,180,010 |
| <u>Less : Closing Stock</u> | - | 7,177,432 |
| TOTAL | 10,180,010 | 7,177,432 |
| <u>SCHEDULE 16 : MANUFACTURING EXPENDITURE</u> | | |
| Job Charges | 378,922 | 407,928 |
| TOTAL | 378,922 | 407,928 |
| <u>SCHEDULE 17 : EMPLOYEES' REMUNERATION AND BENEFITS</u> | | |
| Salaries, Wages, Allowances, Gratuity & Bonus. | 108,000 | 878,000 |
| Staff Welfare Expenses | 10,671 | 25,438 |
| TOTAL | 118,671 | 903,438 |
| <u>SCHEDULE 18 : ADMINISTRATIVE, SELLING DISTRIBUTION & OTHER EXP.</u> | | |
| Postage, Telegrams & Telephones | 6,878 | 67,729 |
| Printing & Stationery & Xerox | 813 | 58,045 |
| Travelling Expenses | 70,229 | 184,223 |
| Conveyance Exp. | 28,061 | 34,398 |
| Legal, Professional and Consultancy Charges | 20,000 | 98,195 |
| Transport, Packing & Forwarding | - | 23,187 |
| Director's Remuneration | 120,000 | 120,000 |
| Listing fees | 15,000 | 15,000 |
| Bank Charges | 6,258 | 24,972 |
| Membership fees | 7,000 | 15,600 |
| General Expenses | 9,674 | 26,191 |
| Sales Tax | 154,664 | - |
| Auditors Remuneration | 19,500 | 19,500 |
| Balance w/off | 14,000 | - |
| Repair & Maintenance | - | 650 |
| Electricity Charges | - | 58,632 |
| Share Registrar Charges | 15,910 | 41,661 |
| Advertisement Expenses | 15,000 | 54,599 |
| Accounting Charges | - | 15,000 |
| Donation | 20,000 | 144,100 |
| TOTAL | 522,987 | 1,001,682 |



SERVOTECH ENGINEERING INDUSTRIES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

| Sr. No. | Particulars | As at 31.03.2008 Rs. | As at 31.03.2007 Rs. |
|-----------|--|----------------------------|----------------------------|
| A. | CASH FLOW OPERATING ACTIVITIES | | |
| | Net profit / (loss) before tax | 57,993 | 70,416 |
| | Adjustment For : | | |
| | Depreciation | 29,367 | 28,544 |
| | Preliminary/Share issue exp. W/off | - | - |
| | Operating profit/(loss) before working Capital Charges | 87,360 | 98,960 |
| | Adjustment for : | | |
| | (Increase) Decrease in Inventories | 4,465,280 | 105,420 |
| | (Increase) Decrease in Sundry Debtors | (7,102,732) | (467,246) |
| | (Increase) Decrease in Loans & Advance | 872,277 | (337,853) |
| | Increase (Decrease) in Current Liabilities | 2,335,903 | (161,098) |
| | Income Tax | | |
| | NET CASH USED IN OPERATING ACTIVITIES | 658,088 | (761,817) |
| B. | CASH FLOW FROM INVESTING ACTIVITIES | | |
| | Purchase of Investments | - | - |
| | purchase of Fixed assets. | - | 38,400 |
| | (Increase) Decrease in Capital W-I-P | - | - |
| | NET CASH FLOW FROM INVESTING ACTIVITIES | 658,088 | (800,217) |
| C. | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Proceeds from issue of share capital | - | - |
| | Share application Money Received / Adjusted | - | - |
| | (Increase) Decrease in Unsecured loans | - | - |
| | (Increase) Decrease in Secured loans | - | - |
| | (Increase) Decrease in Investments | 600,000 | 800,000 |
| | | 600,000 | 800,000 |
| D. | NET CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Net Increase/ Decrease in Cash & Cash Equivalents | 58,088 | (217) |
| | Cash & Cash equivalents at the beginning of the year | 165,370 | 165,587 |
| | Cash & Cash equivalents at the end of the Year | 223,458 | 165,370 |

As per our reports of even date attached
FOR D.C. SURANA & ASSOCIATES
Chartered Accountants

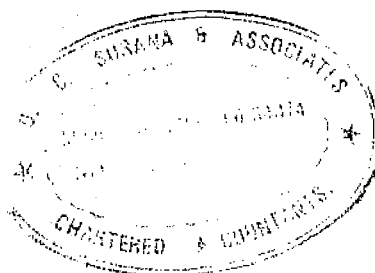
D C SURANA
(Propriet
Membership No. 100-34074

Place: Mumbai
Date: September 3, 2008

For & on behalf of the Board of

R S Lahoti
R S Lahoti
Director

R A Lahoti
R A Lahoti
Director



SERVOTECH ENGINEERING INDUSTRIES LIMITED

SCHEDULE "19"

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008.

A. SIGNIFICANT ACCOUNTING POLICIES :

1. Accounting Concepts :

The Company follows the mercantile system of accounting and recognized Income and Expenditure on accrual basis. The accounts are prepared on historical cost convention and as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted Accounting Principles.

2. Fixed Assets

Fixed Assets are stated at cost (Including other expenses related to acquisition and installation). Less accumulated Depreciation

3. Depreciation

- i. Depreciation has been provided under W D V method at the rates prescribed in Schedule XIV of the Companies Act, 1956 (as amended).
- ii. Depreciation of fixed assets is provided on Pro-rata basis from the date of their purchase / acquisition / capitalization till the date of disposal.

4. Inventories

- i. Raw materials and stores and spares are valued at Cost or net realizable value, whichever is Lower
- ii. Work-in-Progress is valued at estimated value.
- iii. Finished goods are valued at lower of cost or market price.

5. Turnover

Turnover represented invoice value of goods sold including of sales tax, insurance, packing & forwarding charges and Technical services etc. Sales of goods is recognized on transfer of property of goods as per agreed terms

6. Miscellaneous Expenditure

Miscellaneous Expenditure "consists of preliminary expenses and share issue expenses" which are amortized equally over ten years.

7. Retirement Benefits

These are accounted for as and when paid.

8. Investments

Investments are valued at cost.



NOTES ON ACCOUNTS

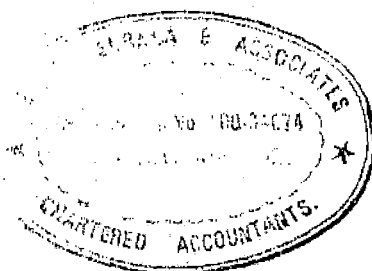
1. In the opinion of Board, the current assets are approximately at the value stated except doubtful debts as per notes no.4 & 6, as if realized in the ordinary course of business.

2. Auditors Remuneration consists of :

| | <u>Current Year</u> | <u>Previous Year</u> |
|----------------|---------------------|----------------------|
| | Rs. | Rs. |
| Audit Fees | 15,000/- | 15,000/- |
| Tax Audit Fees | 4,500/- | 4,500/- |
| | ----- | ----- |
| TOTAL | 19,500/- | 19,500/- |
| | ===== | ===== |

3. No Provision has been made in accounts for interest payable to Oriental Bank of Commerce on working capital loan. The balance is subject to confirmation by the Bank. The matter is pending in Debt Recovery Tribunal, the liability will be accounted for in the Year in which, the matter is decided.
4. No provision has been made for Bad debts which are considered as doubtful of recovery.
5. No provision has been made for accrued liability on retirement benefits i.e gratuity and encashment of leave as recommended by the Institute of Chartered Accountants of India vide Accounting standard No. 15, it is the practice of the company to account for this as and when paid.
6. The company has advanced the sum of Rs. 19,25,000/- to contractors towards fixed assets but they have not supplied materials till date. No Provision has been made in books of accounts for Capital work in progress of Rs. 19,25,000/- , which is considered on doubtful for recovery.
7. Provision has been made for Income tax as per the provisions of Income Tax Act 1961.
8. As per the package scheme of Incentives issued by Sicom Ltd. under Rule 31B of the Schedule to Government Notification U/s. 41 vide Certificate No. 401407-S/R-31B/970 dated 24.03.1999. As per the incentive scheme, the company is entitled to defer the Sales Tax liability as per the returns / assessment pertaining to the period from 01.02.1999 to 31.05.2002. The amount of incentives availed during the period will be repaid after expiry of incentive period. The Company has availed the aforesaid incentives as under :

| <u>Year</u> | <u>Incentives</u> (Rs.) |
|-------------|----------------------------|
| 1998-1999 | 4,46,250.00 |
| 1998-2000 | 4,89,641.00 |
| 1998-2001 | 4,11,563.00 |
| | ----- |
| | 13,47,454.00 |
| | ===== |



9. In accordance with the Accounting Standard on " Related Party Disclosure"(AS-18),the disclosure in respect of transactions with the company's related parties are as follows :

- a) Associate company
(in which some of directors are interested) : Lahoti Exports Pvt Ltd
- b) Related Party Transactions : Director Remuneration of Rs. 1,20,000/-
- c) Key Managerial Person: : R S Lahoti (Director)

10. All Balances of sundry Debtors, Creditors, Loan & Advances are subject to confirmations & reconciliation there of whets ever necessary

11. In view of Accounting Standard -22 " Accounting for Taxes on Income", deferred tax Assets has been considering lack of virtual certainty of its realization of losses.

- I) Licensed Capacity : Not applicable
- II) Installed : Not applicable
- Units Produced : Refer to appoint no. III below

III) Quantitative details : **Regarding Machineries, Equipments and fabrication works etc.**
regarding opening stock consumption and Turnover As the Company is engaged in the business of supplying machineries, equipments and other materials as per customers Specifications, it is no possible to give quantitative details of each and every term. The company has not maintained record for raw materials store and spare parts and work in progress.

IV) Value of Imports : Rs. Nil (Nil)

V) Expenditure in foreign : Rs. Nil
Currency (Previous year Rs. Nil)

VI) Earnings in foreign : Rs. Nil
Exchange (Previous year Rs. Nil)

VII) Amount remitted during : Nil
the year in foreign
Currencies on account
Of dividend

13. Previous year figures have been regrouped and rearranged, wherever necessary.

14. Balance Sheet Abstract and General Profile of the Company is enclosed herewith.

**For D.C. SURANA & ASSOCIATES.
CHARTERED ACCOUNTANTS.**

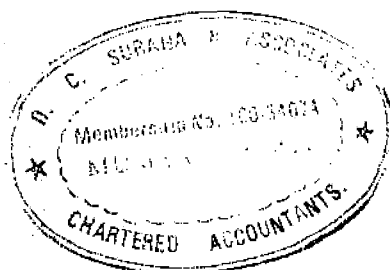
D. C. Surana
(Proprietor)

R S Lahoti
(Director)

R A Lahoti
(Director)

Place : Mumbai

Date : September 03, 2008



15. Additional information Pursuant to part IV of Schedule VI to the Companies Act, 1956.

I. Registration Details

| | |
|---------------------|------------|
| Registration number | 11-81857 |
| State Code No. | 11 |
| Balance Sheet Date | 31.03.2008 |

II. Capital Raised During the year

(Rs. in Thousands)

| | |
|--|-----|
| Public Issue (Issue through the Prospectus) | NIL |
| Rights Issue | NIL |
| Bonus Issue | NIL |
| Private Placement (Firm allotment to the promoters and Their associates) | NIL |

II. Position of Mobilisation & Deployment of Funds

| | |
|-------------------|-------|
| Total Liabilities | 54580 |
| Total Assets | 54580 |

SOURCE OF FUNDS

| | |
|-------------------|-------|
| Paid up Capital | 40456 |
| Reserve & Surplus | --- |
| Secured Loans | 9298 |
| Unsecured Loans | --- |

APPLICATION OF FUNDS :

| | |
|--------------------|-------|
| Net Fixed Assets | 2109 |
| Investment | 4625 |
| Net Current Assets | 13040 |
| Misc. Expenditure | |
| Accumulated losses | 29980 |

IV. Performance of Company

| | |
|------------------------------|-------|
| Turnover | 15759 |
| Total Expenditure | 15700 |
| Profit/(loss) before tax | 59 |
| Profit/(loss) after Tax | -- |
| Earnings per share (in Rs.) | |
| Divided Rate % | Nil |

V. Generic Name of Principal Product of Company

(As per Monetary Terms) : Not applicable
Item code no. and Product Description :

Manufacturer of turnkey projects of Solvent Extraction plants, Castor Oil Plants, Edible Oil plants, Oil Refinery Plants, Vanaspati Plants, and Dairy & food Processing Plants, Chemical/Petrochemical, Pharmaceutical Plants etc. Distilleries & its all type of equipment's, Accessories, Spare parts & Components.

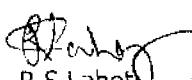
Signature to Schedule '1' to '19' as per our report of even date

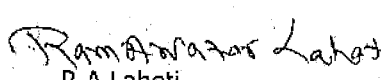
**For D.C. SURANA & ASSOCIATES
CHARTERED ACCOUNTANTS.**

D. C. Surana
(Proprietor)

Place : Mumbai

Date : September 3, 2008


R S Lahoti
(Mg. Director)


R A Lahoti
(Director)

