

ANNUAL REPORT

2007-2008

Shervani Industrial Syndicate Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixtieth Annual General Meeting of the Members of SHERVANI INDUSTRIAL SYNDICATE LIMITED will be held on **Saturday, the 30th August, 2008 at 11.30 A.M** at 2, New Cantonment, Kanpur Road, Allahabad to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2008, Balance Sheet as at that date together with the Reports of Auditors' and Directors' thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Tahir Hasan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Kush Bhargava, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Gopal Swarup Chaturvedi, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to provisions of Section 269, 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act including any statutory modification(s) or re-enactment thereof for the time being in force, consent of the Company be and is hereby accorded to re-appointment of Mr. Tahir Hasan as the Whole time Director of the Company for a further period of three years with effect from 1st June, 2008 on the following terms and conditions as approved by the Remuneration Committee:-

- a) SALARY : Rs. 12,000/- (Rupees Twelve Thousand only) per month.
- b) PERQUISITES : Mediclaim / Personal Accident Insurance as per rules of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter, vary, modify the terms and conditions of appointment of Mr. Tahir Hasan from time to time during the tenure of his appointment as Whole-time Director of the Company provided however that the total remuneration payable to him shall not at any time exceed the limit prescribed under Schedule XIII and all other applicable provisions of the Companies Act, 1956."

RESOLVED FURTHER THAT where in any Financial Year during the currency of tenure of appointment of Whole time Director, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Tahir Hasan, Whole time Director remuneration by way of salary and perquisites as specified supra, as minimum remuneration, subject to approvals, if any, as may be required.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to provisions of Section 269, 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act including any statutory modification(s) or re-enactment thereof for the time being in force, consent of the Company be and is hereby accorded to re-appointment of Mr. Saleem Iqbal Shervani as Managing Director of the Company for a further period of five years with effect from 3rd April, 2008 on the following terms and conditions as approved by the Remuneration Committee:-

- a) SALARY : Rs. 1,00,000/- (Rupees One Lac only) per month.
- b) PERQUISITES :
 - i) Housing: Unfurnished Residential Accommodation subject to deduction of 15% of his salary towards house rent.
 - ii) Medical reimbursement for self and family: One month's Salary in a year or three month's Salary over a period of three years.
 - iii) Personal Accident / Mediclaim Insurance as per the Rules of the Company.
 - iv) Company's Contribution towards Provident Fund: 12% of Salary.

The Perquisite stated in Clause b) iv) above will not be included in the computation of the ceiling on remuneration as specified in Part II of Schedule XIII.

EXPLANATION

"Family here means the spouse & dependent children of the Managing Director.

- c) Provision of Car for use in Company's business and telephone at residence will not be considered as perquisites, personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter, vary, modify the terms and conditions of appointment of Mr. Saleem Iqbal Shervani from time to time during the tenure of his appointment as Managing Director of the Company, provided however that the total remuneration payable to him shall not at any time exceed the limit prescribed under Schedule XIII and all other applicable provisions of the Companies Act, 1956."

RESOLVED FURTHER THAT where in any Financial Year during the currency of tenure of Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Saleem Iqbal Shervani, Managing Director remuneration by way of salary and perquisites as specified

supra, as minimum remuneration, subject to approvals, if any, as may be required.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution."

9. To consider and note the Report of the Scrutinizer and declare the result of the Postal Ballot on the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the Section 17 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification, re-enactment thereof for the time being in force) and subject to such approvals, sanctions or consents as may be required, the Objects Clause of the Memorandum of Association of the Company be and is hereby altered in the manner and to the extent as hereunder:

That the existing Objects Clause 3 of the Memorandum of Association of the Company be and is hereby extended by addition of the following sub-clause Z (4) immediately after the existing sub clause Z (3):

Z(4).To carry on in India or elsewhere the business of real estate, either alone or jointly with one or more person(s), colonizers, Site Developers, Builders, Contractors, Promoters and Developers and to build townships, acquire, develop, construct, erect, alter, buy, sell any movable or immovable property including land, real estate, multi-storied buildings, sheds, dwelling offices, shops, stores, public utility building, residential, commercial and industrial complexes, multiplexes, shopping malls and to rent, lease, build, construct, equip, execute, carry out, improve, work, develop, administer, maintain, manage or control works and conveniences of all kinds and infrastructure including roads, ways, highways, tramways, dams, flyovers, bridges, aerodromes, docks, ports, jetties, piers, wharves, canals, reservoirs, drainage, aqueducts and to deal in all sorts of lands and buildings and to do all incidental acts and things necessary for the attainment of foregoing objects.

"RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorised to take all necessary steps to give effect to the aforesaid alterations in the Memorandum of Association of the Company and to commence and undertake all or any of the businesses as specified in the newly introduced sub-clause Z under Clause 3 of the Memorandum of Association of the Company as and when deemed fit and considered most appropriate by the Board of Directors".

10. To consider, note the Report of the Scrutinizer and declare the result of the Postal Ballot on the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to necessary approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company to sell, transfer or otherwise dispose off the whole or substantially the whole of the Undertaking of the

Company pertaining to Flashlight and Drycell Battery Division located at Shervani Nagar, Sulem Sarai, Allahabad, to one or more persons, Companies or entities, at such price and on such terms and conditions, at such time and in such manner as may be decided by the Board of Directors or a Committee of Directors as may be appointed by the Board for the purpose, with power to the Board of Directors or to the said Committee, in its absolute discretion, to finalize the terms and conditions, the means, methods or modes in respect thereof and to finalize and execute all the required documents, deeds of assignment / conveyance and other documents and to do all such other acts, deeds, matters and things as may be deemed necessary and expedient for giving effect to this resolution and the matters incidental, consequential and connected therewith."

By Order of the Board
For Shervani Industrial Syndicate Limited

B.K. MISRA
Company Secretary & Accounts Manager

Place : Allahabad
Date : July 10, 2008

Registered Office :
Shervani Nagar, Sulem Sarai,
Allahabad-211 011 (U.P.)

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and the proxy need not be a member of the company. Proxy in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting.
2. An Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 in respect of the Special business under Item Nos. 7 to 10 is annexed hereto.
3. With respect to the Resolution at Item Nos. 9 and 10 of the Notice, Members are required to vote only by Postal Ballot in terms of Section 192A of the Companies Act, 1956. A Postal Ballot Form along with postage pre-paid envelope will be sent separately to members. Depending upon the result of the Postal Ballot, the said resolution will be declared as having been passed or otherwise at the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 23rd August, 2008 to Saturday, the 30th August, 2008, both days inclusive.
5. The Dividend, if declared at the Meeting, will be paid on and after on 30th August, 2008 to those members, whose names appear in the Companies Register of members on 22nd August 2008 and/or in respect of shares held in dematerialised form the dividend will be paid to members

whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as beneficial owners as on that date.

6. All amounts of Unclaimed dividend declared up to the Financial Year ended 31st March, 2000 have been transferred to the General Revenue Account of the Central Government / Investor Education and Protection Fund established by the Government of India as required by the Companies Act, 1956.
7. Dividends for the financial year ended 31st March, 2001 and thereafter, which remain unpaid or unclaimed for a period of Seven years from the date they became due for payment shall be transferred by the Company to the "Investor Education and protection Fund" established by the Government of India and that thereafter no claim shall lie against the Fund or the Company in respect of the amount so transferred. Members who have not so far encashed dividend warrant(s) for the aforesaid years may send their outdated dividend warrants to the Company for issue of duplicate warrant(s) in lieu thereof.
8. Members seeking any information regarding Accounts should write to the Company at its Registered Office at least seven days before the date of the Meeting so as to enable the management to keep the information ready, if the Chairman so permits.
9. The Members are requested to intimate to the Registrar of the Company immediately any change in their address alongwith the Pin Code Number indicating their Folio Number to "M/s Intime Spectrum Registry Limited" C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W) Mumbai – 400078.
10. The Members holding Shares in the physical form, who are desirous of making nominations as permitted under Section 109A of the Companies Act, 1956 in respect of the Shares held by them may write to the RTA for the prescribed form.
11. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking re-appointment at the forthcoming Annual General Meeting is given in the Annexure.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 7

Mr. Tahir Hasan was appointed as the Whole-time Director of the Company on 25th April, 2005 for a period of three years with effect from 1st June, 2005 and his term of appointment expired on 31st May, 2008. Considering his experience and valuable contribution made to the Company, the Board of Directors of the Company at its Meeting held on 26th April, 2008, re-appointed Mr. Tahir Hasan as the Whole-time Director of the Company for a further period of three years w.e.f. 1st June, 2008 on the terms and conditions as set out in the proposed resolution which are in line with the requirements of Schedule XIII of the Companies Act, 1956 and have been

approved by the Remuneration Committee. The Board recommends the resolution for acceptance.

None of the Directors of the Company except Mr. Tahir Hasan himself, may be considered as concerned or interested in the resolution.

The resolution along with accompanying Explanatory Statement may be treated as an abstract of the terms of appointment and Memorandum of Interest within the meaning of Section 302 of the Companies Act, 1956.

ITEM NO. 8

Mr. Saleem Iqbal Shervani was appointed as the Managing Director of the Company on 30th June, 2003 for a period of five years with effect from 3rd April, 2003 and his term of appointment expired on 2nd April, 2008. Considering his experience and valuable contribution made to the Company, the Board of Directors of the Company at its Meeting held on 26th April, 2008, re-appointed Mr. Saleem Iqbal Shervani as the Managing Director of the Company for a further period of five years w.e.f. 3rd April, 2008 on the terms and conditions as set out in the proposed resolution which are in line with the requirements of Schedule XIII of the Companies Act, 1956 and have been approved by the Remuneration Committee. The Board recommends the resolution for acceptance.

None of the Directors of the Company except Mr. Saleem Iqbal Shervani himself, Mr. Tahir Hasan, Whole-time Director, Mr. A.N. Shervani, Mr. S.M. Shervani and Mrs. Salma Hasan, Directors being related to him may be considered as concerned or interested in the resolution.

The resolution along with accompanying Explanatory Statement may be treated as an abstract of the terms of appointment and Memorandum of Interest within the meaning of Section 302 of the Companies Act, 1956.

ITEM NO. 9

The Company had been engaged in the business of manufacturing Flashlights and Drycell Batteries. Due to changed business scenario in Flashlight and Drycell Battery Industry, the operations of the Company suffered a serious set back leading to closure of business operations. As the business prospects for the aforesaid activities did not seem promising, the Board of Directors of the Company has decided to dispose off the whole or substantially the whole of the Undertaking pertaining to Flashlights and Drycell Batteries after obtaining the necessary approvals. The Board of Directors of the Company after careful consideration of the situation, decided to make a foray in Real Estate Business. In order to enable the Board to enter into the newly identified Business activity, the Objects Clause of the Memorandum of Association of the Company is being altered. The alteration will facilitate rejuvenation of Company's operations and activities through increased revenues, leading to long term business sustainability. Accordingly, in terms of the provisions of Section 17 read with Section 192 A of the Companies Act, 1956 approval of the Members is being sought by way of the intended Special Resolution through the Postal Ballot Process for alteration in Objects clause of the Memorandum of Association of the Company. The proposed alteration in the Objects Clause is subject to registration by the Registrar of Companies in terms of the provisions of Section 18 of the Companies Act, 1956. The Board of Directors of the Company accordingly, recommends the Special

Resolution for approval by the Members by exercising their voting rights through Postal Ballot Process.

None of the Directors of the Company may be considered as concerned or interested in the Resolution.

ITEM NO. 10

The Company had been engaged in the Business of Manufacturing of Flashlight and Drycell Battery under the brand name 'Geep' with its manufacturing facilities situated at Shervani Nagar, Sulem Sarai, Allahabad. The Company had earlier sold 'Geep' brand to 'Gillette' and as a part of the arrangement, the Company was obliged to make production of Drycell Batteries exclusively for 'Gillette' for the next ten years. However, the Battery manufacturing activities suffered a serious set back as 'Gillette' did not renew its business contract with us. However, the Company continued to carry on the business as Contract manufacturer of Geep, Eveready and Salora brand of torches. As the Company had been undertaking only Contract manufacturing activities, the capacity utilization was dependant on job work orders which were not adequate due to adverse market conditions aggravated by tremendous increase in the product costs and wide acceptance of low priced and energy saving LED (Light Emitting Diode) torches by the consumers. On account of the above factors Flashlight Division suffered serious setback with huge operational losses which ultimately resulted in closure of Contract manufacturing activities as well. As the prospects of the conventional brass flashlight business did not appear to be promising, taking into consideration the various factors, the Board of Directors of the Company decided to dispose off the whole or substantially the whole of the Undertaking of the Company pertaining to Flashlights and Drycell Battery Division. Section 293(1)(a) of the Companies Act, 1956 provides, inter-alia, that the Board of Directors of a Public Company shall not except with the consent of the Members of the Company in General Meeting, Sell, Transfer, Lease or otherwise dispose off the whole or substantially the whole of the Undertaking of the Company or where the Company owns more than one Undertaking, of the whole or substantially the whole of any such Undertaking. Accordingly, in terms of the provisions of Section 293(1) (a) read with Section 192 A of the Companies Act, 1956 approval of the Members is being sought by way of intended resolution through Postal Ballot Process for disposal of Flashlight and Drycell Battery Division. The Board of Directors of the Company accordingly, recommends the Ordinary Resolution for approval by the Members by exercising their voting rights through Postal Ballot Process.

None of the Directors of the Company is concerned or interested in the resolution.

All the documents referred to in the accompanying Notice are open for inspection of members at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on all working days except holidays up to the date of the meeting.

By Order of the Board
For Shervani Industrial Syndicate Limited

B.K. MISRA
Company Secretary & Accounts Manager

Place : Allahabad
Date : July 10, 2008

ANNEXURE TO THE AGM NOTICE Information pursuant to Clause 49 of the Listing Agreement regarding re-appointment of the Directors.

| | |
|--|--|
| Name of the Director | Mr.Tahir Hasan |
| Date of birth | 21.07.1946 |
| Date of appointment | 28.06.1979 |
| Specialised expertise | Industrialist |
| Qualifications | B.E., PGDM |
| Directorship of other Companies as on 31.03.2008 | Shervani Hospitalities Ltd. Shervani Sugar Syndicate Limited Tara Cement Co. Private Limited The Saraswati Sugar Mills Limited The Saraswati Industrial Syndicate Limited Tara Snacks & Foods Limited |
| Chairman/Member of other Committees of Companies as on 31.3.2008 | Remuneration Committee Shervani Sugar Syndicate Ltd. |
| Name of the Director | Mr. Kush Bhargava |
| Date of birth | 20.10.1952 |
| Date of appointment | 11.07.1981 |
| Specialised expertise | Company Executive |
| Qualifications | M.A. |
| Directorship of other Companies as on 31.03.2008 | K.B. Builders Private Limited |
| Chairman/Member of other Committees of Companies as on 31.3.2008 | NIL |
| Name of the Director | Mr. G.S. Chaturvedi |
| Date of birth | 23.01.1950 |
| Date of appointment | 12.01.2000 |
| Specialised expertise | Advocate |
| Qualifications | B.Sc., LL.B |
| Directorship of other Companies as on 31.03.2008 | Shervani Sugar Syndicate Limited |
| Chairman/Member of other Committees of Companies as on 31.3.2008 | NIL |

SHERVANI INDUSTRIAL SYNDICATE LIMITED
Regd. Office : Shervani Nagar, Sulem Sarai, Allahabad-211011 (U.P.)

ATTENDANCE SLIP

| Name | Folio No./ Client ID | No. of Shares | |
|-------|----------------------|---------------|----------|
| | | Ordinary | Deferred |
| _____ | _____ | _____ | _____ |

I hereby record my presence at the 60th ANNUAL GENERAL MEETING of the Company at 2, New Cantonment, Kanpur Road, Allahabad at 11.30 a.m. on Saturday, the 30th August, 2008.

(Proxy's full name)

Member's / Proxy's Signature

- Notes:** 1. The Member/Proxy must bring the Attendance Slip to the meeting duly completed and signed and hand over the same at the entrance of the Meeting place.
2. Please bring your copy of Annual Report.

PROXY FORM

I/We _____ of _____
_____ in the District of _____
being a Member / Members of SHERVANI INDUSTRIAL SYNDICATE LIMITED, Shervani Nagar, Sulem Sarai, Allahabad-211011 hereby appoint _____ of _____
_____ in the district of _____ of failing him _____ of _____
_____ in the district of _____ as my / our Proxy to attend and vote for me/us
on my/our behalf at the 60th Annual General Meeting of the Company to be held on Saturday, the 30th August, 2008 at 11.30 a.m. at 2, New Cantonment, Kanpur Road, Allahabad - 211001 and at any adjournment thereof.

Signed this _____ day _____ 2008

Folio No. / Client ID. : _____

No. of Shares held : _____

Ordinary _____

Deferred _____

Affix Re.1/-
Revenue
Stamp

Note: The form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

BOARD OF DIRECTORS

Mr Azhar Nisar Shervani
Chairman Emeritus

Dr. Kamal Kumar
Chairman

Mr. Tahir Hasan
Vice Chairman

Mr. Saleem Iqbal Shervani
Managing Director

Mr. Raju Verghese
Whole-time Director

Mr. Saeed Mustafa Shervani

Ms. Salma Hasan

Mr. Kush Bhargava

Mr. Gopal Swaroop Chaturvedi
Directors

**COMPANY SECRETARY
& ACCOUNTS MANAGER**

Mr. B. K. Misra

AUDITORS

M/s. P.L. Tandon & Co.

BANKERS

Central Bank of India

Union Bank of India

State Bank of India

ICICI Bank Ltd.

HDFC Bank Ltd.

**REGISTERED OFFICE
SHERVANI NAGAR, SULEM SARAI
ALLAHABAD - 211011 (U.P.)**

SHERVANI INDUSTRIAL SYNDICATE LIMITED

ANNUAL REPORT 2007-2008

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Your Directors take pleasure in presenting the 60th Annual Report together with the audited Statements of Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

| | (Rs. in Lacs) |
|--|---------------|
| Operating Loss before Depreciation | 48 |
| Depreciation | 51 |
| Operating Loss | 99 |
| Net Income and Exceptional items | 302 |
| Profit before Tax | 203 |
| Fringe Benefit Tax | 4 |
| Current Tax | 24 |
| Net Profit after Tax | 175 |
| Add Balance brought forward from last year | 123 |

Surplus Available for Appropriation **298**

| | |
|-------------------------|-----|
| Appropriation: | |
| Dividend | 33 |
| Tax on dividend | 5 |
| Balance Carried Forward | 260 |

DIVIDEND:

Your Directors recommend dividend @ 10% for the year 2007-08 payable as under:

| | (Rs. in Lacs) |
|---|---------------|
| (1) Ordinary Shares @ Re.1.00 per share | 32.60 |
| (2) Deferred Shares @ Rs.2.50 per share | 0.20 |
| TOTAL | 32.80 |

OPERATIONS REVIEW

During the year under review due to non receipt of adequate orders for production of Flashlights, Company has suffered huge operational losses. Company has restructured its business by giving VRS to employees to reduce its cost and become competitive. Negotiations are going on with the established manufacturers for revival of the business and regular orders on revised rates considering the cost reduction achieved and it is expected that in coming months some positive agreements can take place to continue present business of contract manufacturing for reputed brands of torches. Company is also exploring other alternatives to make use of its assets.

SUBSIDIARY COMPANIES

TARA SNACKS & FOODS LIMITED

The subsidiary company has not done any business during the year and the management is looking for some alternate arrangement to safeguard the interest of the Company.

SHERVANI SUGAR SYNDICATE LIMITED :

In View of bleak prospects of Sugar industry and continued

Losses in the Business, the Board had divested the investment at Book value. After the transfer of these shares Shervani Sugar Syndicate Limited Ceased to be subsidiary of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the accounting standard AS-21 on consolidated financial statements read with accounting standard AS-23 on accounting for investments in associates, your company has prepared the consolidated financial statements and those shareholders who desire to obtain these statements, would be provided the same upon receiving such request.

DIRECTORS

Mr. A. N. Shervani has resigned from the Chairmanship of the Board with effect from 26.04.2008 to reconstitute the Board in compliance of clause 49 of Corporate Governance of the Listing Agreement with the Stock Exchanges. Board has accepted the resignation and appreciated his services and guidance extended to the Board and to the Company during his tenure as Chairman.

Mr. A.N. Shervani has been appointed as Chairman Emeritus by the Board of Directors in its meeting held on 26th April, 2008.

Dr. Kamal Kumar has been appointed as Chairman by the Board of Directors in its meeting held on 26th April, 2008

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Tahir Hasan, Mr. Kush Bhargava and Mr. Gopal Swarup Chaturvedi Directors of the Company retire by rotation at this Annual General Meeting and are eligible for re-appointment.

AUDITORS

The observations of the Auditors in their report are appropriately dealt with in the schedule of Notes forming part of Accounts.

M/s P. L. Tandon & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

Report on Corporate Governance along with Auditors' Statement on its compliance is annexed to this Annual Report.

CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the

Report of Board of Directors) Rules, 1988, information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure 'A' to this Report.

PARTICULARS OF EMPLOYEES

Information in accordance with Sub-Section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time and forming part of Directors Report—Not Applicable

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors state as under :

- (i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed and there is no material departure;
- (ii) That the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period;
- (iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Annual Accounts have been prepared on a going concern basis.

DEPOSITS

During the year fixed deposits amounting to Rs.2.50 lacs were paid. No Deposits was due for payment on or before 31st March, 2008. Depositors were intimated well in advance regarding the maturity of deposits with requests to claim their deposits on maturity.

INDUSTRIAL RELATIONS

Industrial Relations remained satisfactory during the period under review.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep sense of appreciation for the devoted services of all the employees of the Company and assistance and co-operation received from all stakeholders.

For and on behalf of the Board

Saleem I. Shervani
Managing Director

Raju Verghese
Whole-time Director

Place : Allahabad
Date : June 21, 2008

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended from time to time and forming part of Directors' Report for the year ended 31st March, 2008.

A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken—Nil
- b) Additional investments & schemes being implemented — Nil
- c) Impact of measure (a) & (b) above—Nil

B. TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT—Nil**C. FOREIGN EXCHANGE EARNINGS AND OUTGO-**

Foreign Exchange used equivalent to Rs.0.04 Lac and Foreign Exchange earned Rs.Nil.

For and on behalf of the Board

Saleem I. Shervani
Managing Director

Raju Verghese
Whole-time Director

Place : Allahabad
Date : June 21, 2008

(Pursuant to clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY

The Company's philosophy on Corporate Governance is to enhance the long term economic value of the Company, its stakeholders and the society at large by adopting better corporate practices in fair and transparent manner. Your Company continues to follow procedures and practices in conformity with the code of corporate governance outlined in the listing agreement.

2. BOARD OF DIRECTORS

The Board comprises of Chairman, Managing Director, two Whole-time Directors and Five Non-executive Directors of whom three are Independent Directors.

During the Financial Year ending 31st March, 2008, five Board Meetings were held on 14th April, 2007, 24th May, 2007, 28th July, 2007, 27th October, 2007, and 22nd January, 2008. The details of attendance of each Director at said meetings, at Annual General Meeting, number of Companies and other Board Committees where he/she is a director/member or chairman as at 31st March, 2008 are given below:

| Director | Category | Attendance Board Meeting | AGM | No. of outside Directorship * | No. of other Board Committees | |
|--------------------|------------------------------------|-----------------------------|-----|----------------------------------|----------------------------------|----------|
| | | | | | Member | Chairman |
| Mr. A. N. Shervani | Chairman Emeritus Non Executive | X | X | 2 | Nil | Nil |
| Dr. Kamal Kumar | Chairman, Independent | 4 | X | 1 | Nil | Nil |
| Mr. Tahir Hasan | Vice Chairman, Executive | 5 | ✓ | 5 | 1 | Nil |
| Mr. S. I. Shervani | M.D, Executive | 5 | X | 6 | Nil | Nil |
| Mr. Raju Verghese | Whole Time Director Executive | 5 | ✓ | Nil | Nil | Nil |
| Mr. S. M. Shervani | Non Executive | X | X | 1 | Nil | Nil |
| Ms. Salma Hasan | Non Executive | 1 | X | Nil | Nil | Nil |
| Mr. Kush Bhargava | Independent | 1 | X | Nil | Nil | Nil |
| Mr. G.S.Chaturvedi | Independent | 2 | ✓ | 1 | Nil | Nil |

* This excludes directorships held in Private Limited Companies.

Particulars of the directors being re-appointed are given in Notice of Annual General Meeting.

3. AUDIT COMMITTEE

- a.) Mr. G. S. Chaturvedi, Chairman Independent Non-executive
- b.) Mr. Kush Bhargava, Member Independent Non-executive
- c.) Dr. Kamal Kumar, Member Independent Non-executive

The Company Secretary of the Company also acts as Secretary to the Committee.

The Audit Committee was set up by the Board of Directors and the terms of reference of the Committee cover the matters specified for Audit Committee in compliance of Clause 49 of the listing agreement as well as of Section 292 A of the Companies Act, 1956.

The Committee had met on 22nd May 2007, 27th July, 2007, 26th October, 2007, and 21st January, 2008 attended by all members.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Committee is being headed by Mr. G. S. Chaturvedi. The other members of the Committee are Mr. S. I. Shervani and Mr. Tahir Hasan. During the year the Company has received a complaint from the investor/Stock Exchange which has been settled in time..

5. REMUNERATION COMMITTEE

The Board has constituted Remuneration Committee comprising following members in compliance of Schedule XIII of the Companies Act, 1956 and Clause 49 of the listing agreement with the Stock Exchanges.

- a.) Mr. G. S. Chaturvedi, Chairman Independent, Non-executive
- b.) Mr. Kush Bhargava, Member Independent, Non-executive
- c.) Dr. Kamal Kumar, Member Independent, Non-executive

The Company Secretary of the Company also acts as Secretary to the Committee.

Directors' remuneration details for the year ended 31st March, 2008 are as under:

| Name of Directors | Salary | Perquisites (including retirement benefits) | Total |
|--------------------|-----------|---|-----------|
| Mr. S. I. Shervani | 12,00,000 | 3,51,552 | 15,51,552 |
| Mr. Tahir Hasan | 1,44,000 | 13,420 | 1,57,420 |
| Mr. Raju Verghese | 1,80,000 | NIL | 1,80,000 |

6. GENERAL BODY MEETINGS

| AGM | Date | Time | Venue |
|---------------------|------------|-------------|--|
| AGM (for 2004-2005) | 28/09/2005 | 11.30 A. M. | 2, New Cantoment Kanpur Road, Allahabad-211001 |
| AGM (For 2005-2006) | 27/09/2006 | 11.30 A.M. | Same as above |
| AGM (For 2006-2007) | 12/09/2007 | 11.30 A.M. | Same as above |

Some Special Resolutions were proposed in the above meetings and were duly passed by show of hands. No special resolution was put through postal ballot last year.

7. DISCLOSURES

There was no transaction of material nature with the directors or management or their relatives during the year. There was no non compliance by the Company on any matter related to Capital Market. Consequently, there were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any Statutory Authority.

8. MEANS OF COMMUNICATIONS

Quarterly/Half yearly Financial Results of the Company are published in Aaj (Hindi) & Financial Express. The Company has not made any presentations to any Institutional Investors/Analyst.

The Company has not got any web site.

9. SHAREHOLDERS INFORMATION

Annual General Meeting:

| | |
|-------|--|
| DATE | : August 30, 2008 |
| DAY | : Saturday |
| TIME | : 11.30 A. M. |
| VENUE | : 2, New Cantonment, Kanpur Road, Allahabad-211001, U.P. |

Financial Calendar

| | |
|--|---|
| Financial reporting for the Financial year | : 1 st April- 31 st March |
| Quarter ending June 30, 2008 | : End of July 2008 |
| Half year ending September 30, 2008 | : End of October 2008 |
| Quarter ending December 31, 2008 | : End of January 2009 |
| Quarter ending March 31, 2009 | : End of April 2009/June 2009 |

Date of Book Closure : 23rd August, 2008 to 30th August, 2008 (both days inclusive)

Date of Dividend Payment : On or after 30th August, 2008, within statutory time limit

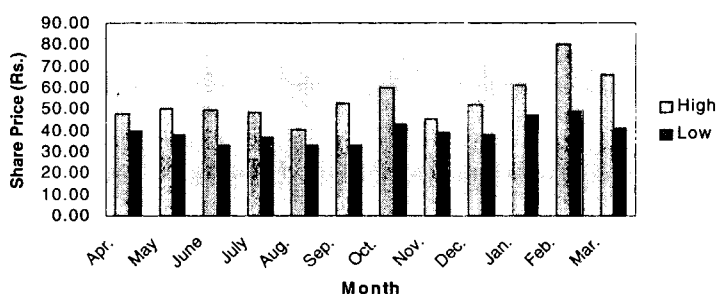
Listing on Stock Exchanges : 1. Bombay Stock Exchange Limited, Mumbai
2. The Delhi Stock Exchange Association Ltd. New Delhi
3. The U. P. Stock Exchange Association Ltd. Kanpur

Stock Code : 526117(BSE) / 3079(DSE)

Market Price Data (Financial Year 2007-2008)

The detail of share price movement is as under :-

| | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| High | 47.95 | 49.95 | 49.70 | 48.60 | 40.50 | 52.70 | 59.85 | 45.25 | 52.20 | 61.00 | 79.90 | 66.15 |
| Low | 40.10 | 38.00 | 33.10 | 36.50 | 32.80 | 33.05 | 43.15 | 39.00 | 38.00 | 46.85 | 49.10 | 40.80 |

Share Price Movement**REGISTRAR**

: **Intime Spectrum Registry Limited**
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg,
Bhandup (W),
Mumbai- 400 078

Share Transfer System

The company has appointed M/s Intime Spectrum Registry Ltd. having its office as above as Registrar for demat as well as for physical segment which provides all related services within the prescribed period under law and the Listing Agreements with the Stock Exchanges. All share transfers & transmissions etc. are being approved by a Committee of Directors, which meets periodically.

Shareholding Pattern and Share Distribution as on 31st March, 2008

| SHAREHOLDING PATTERN | | | DISTRIBUTION OF SHAREHOLDING | | |
|----------------------------------|---------------|--------|------------------------------|---------------------|---------|
| Category | No. of Shares | % | No. of Shares | No. of Shareholders | Shares |
| Promoters, Directors & Relatives | 1634310 | 50.13 | 1-500 | 1043 | 131887 |
| Nationalised Bank | 6040 | 0.19 | 501-1000 | 80 | 63368 |
| Bodies Corporate | 474573 | 14.56 | 1001-2000 | 49 | 71401 |
| Public | 1140367 | 34.97 | 2001-3000 | 23 | 55414 |
| Others (Foreign Nationals) | 920 | 0.03 | 3001-4000 | 15 | 52624 |
| NRIs/OCBs | 4040 | 0.12 | 4001-5000 | 7 | 29840 |
| | | | 5001-10000 | 24 | 179453 |
| | | | 10001 and above | 42 | 2676263 |
| Total | 3260250 | 100.00 | | 1283 | 3260250 |

Dematerialisation of Shares

The shares of the Company are fully under the category of compulsory delivery in dematerialised mode by all categories of investors. The Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. As on March 31, 2008 over 75.74% of the shares of the Company are dematerialised.

Plant Locations : Shervani Nagar, Harwara, Allahabad (U.P.)

Address for Correspondence : **SHERVANI INDUSTRIAL SYNDICATE LIMITED**
Registered Office: Shervani Nagar, Sulem Sarai
Allahabad-211011 (U.P.)
Phones : 0532-2102305 Fax -0532-2436928
Email: shervaniind@rediffmail.com

MANAGEMENT DISCUSSION AND ANALYSIS**Industry Structure and Development**

Brass Flashlight was the largest segment of Indian Flashlight Industry but it suffered a set-back in the market because of poor marketing policies of major players, tremendous increase in product cost, and wide range acceptance of low priced and energy saving LED Torches by the consumers. Growth of the market of conventional Brass Flashlight is not expected in the coming years.

Outlook on Opportunities, Threats, Risks and Concern

Since the Company is undertaking only 'contract manufacturing', the capacity utilization is dependent on Job Work Orders of Customers, which are presently not adequate due to reduction in their requirement. Negotiations are going on to get regular orders but overall scenario of the industry is not very positive.

Financial Performance

The income from Job charges has been reduced drastically in comparison to previous years due to reduced orders from the principal purchaser. The substantial interest income and profit on sale of land together with other income resulted in increase in Profit after Tax.

Subsidiary Company

Tara Snacks & Foods Limited, a Wholly Owned Subsidiary of your Company, has not done any business during the year. Reports from the market also indicate that it is not viable to continue this business. The management is looking for some alternate arrangements to safeguard the interest of the Company..

Internal Control Systems and Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business. The Company have appointed internal auditors who carry out audit extensively through out the year.

Human Resource

The company maintains a very cordial relationship with its employees and they wholeheartedly support the management in its development activities.

To The Members of Shervani Industrial Syndicate Limited

We have examined the compliance of conditions of Corporate Governance by Shervani Industrial Syndicate Limited as at 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementations thereof, adopted by Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, no investor Grievances pending for a period exceeding one month.

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

For P.L. TANDON & CO.,
CHARTERED ACCOUNTANTS

P.P. SINGH
Partner
Membership No.72754

Place : Kanpur
Date : June 21, 2008

TO THE MEMBERS OF SHERVANI INDUSTRIAL SYNDICATE LIMITED

1. We have audited the attached Balance Sheet of Shervani Industrial Syndicate Limited, as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company 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 also 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 & 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 purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008;
 - (b) in the case of the Profit & Loss Account of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For P.L. TANDON & CO.,
CHARTERED ACCOUNTANTS

S.K. SRIVASTAVA
PARTNER
Membership No.70455

Place : Allahabad
Date : 21st June, 2008

ANNEXURE TO THE AUDITORS' REPORT**(Referred to in Paragraph (3) of our report of even date)**

- (i) In respect of its Fixed Assets :
- (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) In our opinion and according to the information and explanations given to us, the company has not made any substantial disposal of fixed assets during the year.
- (ii) In respect of its Inventories :
- (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and discrepancies noticed on verification between physical stocks and the book records were not material.
- (iii) In respect of loans, secured or unsecured, granted or taken by the company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, according to the information and explanations given to us :
- (a) The company has / had granted loans to three Parties. The maximum amount involved during the year was Rs.2415.78 Lacs and the year end balance of such loan granted was Rs.2415.78 Lacs.
 - (b) In our opinion the rate of interest and other terms and conditions are not prima facie, prejudicial to the interest of the company.
 - (c) Shervani Sugar Syndicate Limited an associate company and Tara Snacks & Foods Limited a subsidiary company have not repaid the principal and interest.
 - (d) Repayment terms of Shervani Sugar Syndicate Limited may be dependent upon Modified Rehabilitation Scheme under consideration of BIFR. Repayment of loan to wholly owned subsidiary company depends on disposal of assets of subsidiary company.
 - (e) The company has not taken any Loan from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the company has not taken any Loans, Secured or Unsecured, from parties listed in the register maintained under section 301 of the Companies Act, 1956, paragraphs 4(iii)(f) and (g) of the Order, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- (v) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 :
- (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provision of sections 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposit accepted from the Public.
- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) According to the information and explanations given to us, in respect of statutory and other dues:
- (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty and excise duty were in arrears as at 31-03-2008 for a period of more than Six months from the date they became payable.
- (c) According to the records of the company, income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute, are as follows :-

| Name of the Statute | Nature of the Dues | Amount (Rs. In Lacs) | Forum where dispute is pending |
|---------------------|-----------------------|----------------------|-------------------------------------|
| Sales Tax | Demands on Assessment | 0.54 | Case remanded to Assessing Officer. |
| Income Tax | Demand on Assessment | 29.64 | CIT (Appeals) |

- (x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to bank.
- (xii) As explained to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities.
- (xiii) *The nature of company's business / activities during the year is such that clause (xiii) is not applicable.*
- (xiv) In our opinion, the company is not dealing in 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.
- (xvi) The company has not obtained any term loan during the year.

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) As the company has no debenture outstanding at any time during the year, paragraph (xix) of the Companies (Auditor's Report) Order, 2003 is therefore, not applicable to the company.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For P.L. TANDON & CO.,
CHARTERED ACCOUNTANTS

S.K. SRIVASTAVA
PARTNER
Membership No.70455

Place : Allahabad
Date : June 21, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

| | Schedule | As at 31.3.2008 | | As at 31.3.2007 | |
|---|----------|-----------------|-------------|-----------------|-------------|
| | | Rs. | Rs. | Rs. | Rs. |
| SOURCES OF FUNDS : | | | | | |
| SHAREHOLDERS' FUNDS | | | | | |
| Share Capital | 1 | 32,802,500 | | 32,802,500 | |
| Reserves and Surplus | 2 | 580,860,619 | 613,663,119 | 567,149,700 | 599,952,200 |
| LOAN FUNDS | | | | | |
| Secured Loans | 3 | 8,538,383 | | 94,099,260 | |
| Unsecured Loans | 4 | 2,639,390 | 11,177,773 | 3,057,427 | 97,156,687 |
| Deferred Tax Liability | | | 3,275,340 | | 3,275,340 |
| TOTAL | | | 628,116,232 | | 700,384,227 |
| APPLICATION OF FUNDS : | | | | | |
| FIXED ASSETS | | | | | |
| Gross Block | 5 | 197,401,313 | | 186,521,256 | |
| Less: Depreciation | | 107,654,616 | | 105,109,005 | |
| Net Block | | | 89,746,697 | | 81,412,251 |
| INVESTMENTS | 6 | | 247,949,149 | | 164,848,000 |
| CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| Inventories | 7 | 11,760,469 | | 12,675,461 | |
| Sundry Debtors | 8 | 1,190,484 | | 6,376,403 | |
| Cash and Bank Balances | 9 | 128,513,696 | | 179,808,020 | |
| Other Current Assets | | 17,185,201 | | 29,280,211 | |
| Loans and Advances | 10 | 197,034,400 | | 305,042,194 | |
| | | 355,684,250 | | 533,182,289 | |
| LESS: CURRENT LIABILITIES & PROVISIONS | | | | | |
| Liabilities | 11 | 16,376,908 | | 32,411,357 | |
| Provision for Dividend | | 3,280,250 | | 3,280,250 | |
| Provision for taxes | | 45,606,706 | | 43,366,706 | |
| | | 65,263,864 | | 79,058,313 | |
| NET CURRENT ASSETS | | | 290,420,386 | | 454,123,976 |
| TOTAL | | | 628,116,232 | | 700,384,227 |
| Notes on accounts | 17 | | | | |

Schedules 1 to 17 and accounting policies form integral part of the accounts.

B.K.MISRA
Company Secretary & Accounts Manager

RAJU VERGHESE
Whole-time Director

SALEEM I. SHERVANI
Managing Director

As per report attached
For P.L. TANDON & CO.
Chartered Accountants

S.K. SRIVASTAVA
Partner

Place : Allahabad
Dated : June 21, 2008

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

2007-2008

2006-2007

| | Schedule | Rs. | Rs. | Rs. | Rs. |
|--|----------|------------|-------------|------------|-------------|
| INCOME : | | | | | |
| Services rendered | | 3,966,609 | | 41,000,831 | |
| Sales | | 746,153 | | 309,788 | |
| Other Income | 12 | 17,299,650 | | 30,599,429 | |
| Interest (Net) | 13 | 20,277,616 | 42,290,028 | 13,100,398 | 85,010,446 |
| EXPENDITURE : | | | | | |
| Decrease in Finished / Process Stocks | 14 | 59,475 | | 346,775 | |
| Expenses | 16 | 46,962,608 | | 65,498,981 | |
| Excise Duty | | 28,428 | | 55,666 | |
| Depreciation | | 5,151,162 | 52,201,673 | 5,667,688 | 71,569,110 |
| PROFIT BEFORE EXCEPTIONAL ITEMS | | | (9,911,645) | | 13,441,336 |
| Exceptional items | 15 | | 30,257,124 | | (9,061,194) |
| PROFIT BEFORE TAX | | | 20,345,479 | | 4,380,142 |
| Fringe Benefit Tax | | | (381,500) | | (320,000) |
| Current Tax | | | (2,415,330) | | (577,000) |
| Income Tax Refunds/Adjustments- pertaining to Earlier Years | | | - | | 3,072,619 |
| Interest paid on tax demands | | | - | | (432,755) |
| PROFIT AFTER TAX | | | 17,548,649 | | 6,123,006 |
| Add : Balance brought forward from last year | | | 12,337,741 | | 10,052,465 |
| AMOUNT AVAILABLE FOR APPROPRIATIONS | | | 29,886,390 | | 16,175,471 |
| APPROPRIATIONS | | | | | |
| Proposed Dividend | | 3,280,250 | | 3,280,250 | |
| Tax on Proposed Dividend | | 557,480 | | 557,480 | |
| Balance carried to Balance Sheet | | 26,048,660 | 29,886,390 | 12,337,741 | 16,175,471 |
| Earnings Per Share (Basic/Diluted) | | | 5.35 | | 1.87 |
| Notes on accounts | 17 | | | | |

Schedules 1 to 17 and accounting policies form integral part of the accounts.

B.K.MISRA

Company Secretary & Accounts Manager

RAJU VERGHESE

Whole-time Director

SALEEM I. SHERVANI

Managing Director

As per report attached
For **P.L. TANDON & CO.**
Chartered Accountants**S.K. SRIVASTAVA**

Partner

Place : Allahabad

Dated : June 21, 2008

SCHEDULE 1-SHARE CAPITAL

| | As at 31.3.2008 | As at 31.3.2007 |
|--|-----------------|-----------------|
| | Rs. | Rs. |
| AUTHORISED | | |
| 20,000 Cumulative Redeemable Preference Shares of Rs. 100 each | 2,000,000 | 2,000,000 |
| 6,280,000 Ordinary Shares of Rs.10 each | 62,800,000 | 62,800,000 |
| 8,000 Deferred Shares of Rs.25 each | 200,000 | 200,000 |
| | 65,000,000 | 65,000,000 |
| ISSUED AND SUBSCRIBED | | |
| 3,260,250 Ordinary Shares of Rs. 10 each fully paid up | 32,602,500 | 32,602,500 |
| 8,000 Deferred Shares of Rs.25 each fully paid up | 200,000 | 200,000 |
| | 32,802,500 | 32,802,500 |

Note : 97400 Ordinary Shares & 800 Deferred Shares allotted without payment being received in cash

SCHEDULE 2 - RESERVES AND SURPLUS

| | As at 31.3.2008 | As at 31.3.2007 |
|----------------------------|-----------------|-----------------|
| | Rs. | Rs. |
| General Reserve | 547,044,434 | 547,044,434 |
| Capital Subsidy Reserve | 1,926,616 | 1,926,616 |
| Share Premium Account | 3,840,909 | 3,840,909 |
| Capital Redemption Reserve | 2,000,000 | 2,000,000 |
| Profit and Loss Account | 26,048,660 | 12,337,741 |
| | 580,860,619 | 567,149,700 |

SCHEDULE 3- SECURED LOANS

| | As at 31.3.2008 | As at 31.3.2007 |
|--|-----------------|-----------------|
| | Rs. | Rs. |
| UNION BANK OF INDIA | 8,538,383 | 94,099,260 |
| (Against pledge of Fixed Deposit Receipts) | 8,538,383 | 94,099,260 |

SCHEDULE 4 - UNSECURED LOANS

| | As at 31.3.2008 | As at 31.3.2007 |
|------------------------------|------------------|------------------|
| FIXED DEPOSITS | Rs. 1,990,230 | Rs. 2,240,230 |
| SECURITY DEPOSITS | | |
| From Contractors | 593,462 | 817,197 |
| ICICI Bank Limited | 55,698 | - |
| (Temporary Overdraft) | 2,639,390 | 3,057,427 |

SCHEDULE 5 - FIXED ASSETS

< ----- GROSS BLOCK ----- >

< ----- NET BLOCK ----- >

| DESCRIPTION | Book Value as at 01-04-2007 | Additions | Deductions | TOTAL | Depreciation for the year 2007-2008 | Depreciation upto 31-03-2008 | As at 31-03-2008 | As at 31-03-2007 |
|---|-----------------------------------|------------|------------|-------------|---|------------------------------------|---------------------|---------------------|
| | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Land (including leasehold having original cost of Rs.5179) | 9,606,342 | 16,348,869 | 7,605,373 | 18,349,838 | - | - | 18,349,838 | 9,606,342 |
| Buildings | 36,195,202 | 5,004,347 | - | 41,199,549 | 749,371 | 10,183,293 | 31,016,256 | 26,761,280 |
| Furniture and Fixtures | 3,178,633 | - | - | 3,178,633 | 44,069 | 2,794,995 | 383,638 | 427,707 |
| Plant and Machinery (Including for Scientific Research) | 98,662,647 | 128,004 | 278,566 | 98,512,085 | 2,899,411 | 71,833,938 | 26,678,147 | 29,463,482 |
| Electric Appliances & Installations | 11,939,883 | 346,000 | 57,000 | 12,228,883 | 333,346 | 8,575,617 | 3,653,266 | 3,658,035 |
| Office Equipments | 2,405,339 | - | - | 2,405,339 | 89,227 | 1,452,454 | 952,885 | 1,042,112 |
| Laboratory Equipments | 624,814 | - | - | 624,814 | 23,988 | 406,400 | 218,414 | 242,403 |
| Capital Expenditure on Scientific Research (other than Plant and Machinery) | 84,479 | - | - | 84,479 | 2,608 | 36,015 | 48,464 | 51,072 |
| Vehicles | 13,349,236 | 3,784,140 | 6,756,264 | 10,377,112 | 627,063 | 3,846,503 | 6,530,609 | 7,867,979 |
| Tube Wells | 1,477,203 | - | - | 1,477,203 | 23,476 | 381,460 | 1,095,743 | 1,119,219 |
| Data Processing Machines | 8,997,478 | 7,500 | 41,600 | 8,963,378 | 358,603 | 8,143,941 | 819,437 | 1,172,620 |
| | 186,521,256 | 25,618,860 | 14,738,803 | 197,401,313 | 5,151,162 | 107,654,616 | 89,746,697 | 81,412,251 |
| Previous Year | 176,995,631 | 18,195,378 | 8,669,753 | 186,521,256 | 5,667,687 | 105,109,005 | | |
| TOTAL | | | | | | | 89,746,697 | 81,412,251 |

SCHEDULE 6 - INVESTMENTS (AT COST)

As at 31.3.2008

As at 31.3.2007

| | | Rs. | Rs. | Rs. | Rs. |
|---|--|------------|-------------|-------------|-------------|
| (A) LONG TERM INVESTMENTS | | | | | |
| Trade Investment : | | | | | |
| in Equity Shares Unquoted fully paid up | | | | | |
| No. of Shares/ Units | | | | | |
| 900000 (900000) | SUBSIDIARY COMPANY: Tara Snacks & Foods Limited of Rs. 10/- each | | 2,700,000 | | 2,700,000 |
| 3000000 (13000000) | OTHER COMPANIES: Shervani Sugar Syndicate Ltd. of Rs. 10/- each* | 30,000,000 | | 130,000,000 | |
| | Less: provision for diminution | 27,000,000 | 3,000,000 | 117,000,000 | 13,000,000 |
| 1535750 (1535750) | Shervani Hospitalities Ltd. of Rs. 10/- each (including 21450 Bonus Shares) | | 15,143,000 | | 15,143,000 |
| 100000 (100000) | 0% Unsecured fully convertible debentures of Rs. 1000/- each of M/s Shervani Sugar Syndicate Ltd. | | 100,000,000 | | 100,000,000 |
| OTHER INVESTMENTS | | | | | |
| 500 | Shares of Super Bazar Cooperative Stores Ltd., of Rs. 10/- each | | 5,000 | | 5,000 |
| (B) CURRENT INVESTMENTS | | | | | |
| In Equity Shares-Quoted fully paid up | | | | | |
| 5000 (-) | Arvind Mills Limited of Rs.10/- each | 188,750 | | - | |
| 1000 (-) | Bombay Dyeing and Manufacturing Co. Ltd. of Rs.10/- each | 571,810 | | - | |
| 1000 (-) | Crompton Greaves Limited of Rs.2/- each | 269,112 | | - | |
| 500 (-) | DLF Limited of Rs.2/- each | 287,833 | | - | |
| 6000 (-) | I.D.B.I. Bank Limited of Rs.10/- each | 534,300 | | - | |
| 3800 (-) | IDEA Cellular Limited of Rs.10/- each | 390,450 | | - | |
| 2000 (-) | Infrastructure Development Finance Co. Ltd. of Rs.10/- each | 233,700 | | - | |
| 500 (-) | Reliance Industries Limited of Rs.10/- each | 896,840 | | - | |
| 500 (-) | Tata Motors Limited of Rs.10/- each | 311,725 | | - | |
| 3100 (-) | Firstsource Solutions Limited of Rs.10/- each | 113,615 | | - | |
| 3000 (-) | Bongaigaon Refinery & Petrochemicals Ltd. of Rs.10/- each | 146,550 | | - | |
| 1000 (-) | Hanung Toys and Textiles Limited of Rs.10/- each | 137,002 | | - | |
| 1000 (-) | India Cements Limited of Rs.10/- each | 186,800 | | - | |
| 1000 (-) | Schrader Duncan Limited of Rs.10/- each | 156,250 | | - | |
| 500 (-) | RDB Industries Limited of Rs.10/- each | 64,475 | | - | |
| 1000 (-) | J K Cement Limited of Rs.10/- each | 163,000 | | - | |
| 5000 (-) | Reliance Petroleum Limited of Rs.10/- each | 756,261 | | - | |
| 1000 (-) | Reliance Energy Limited of Rs.10/- each | 1,251,150 | | - | |
| 2000 (-) | Networth Stock Broking Limited of Rs.10/- each | 133,700 | | - | |
| 1500 (-) | Minda Industries Limited of Rs.10/- each | 216,075 | | - | |
| 2000 (-) | Power Grid Corporation of India Ltd. of Rs.10/- each | 195,900 | | - | |
| 4000 (-) | Kirloskar Ferrous Industries Limited of Rs.5/- each | 164,200 | | - | |
| 2000 (-) | Oriental Bank of Commerce of Rs.10/- each | 353,300 | 7,722,798 | - | |
| Total Carried over | | | 128,570,798 | | 130,848,000 |

| | | | | |
|--|------------|-------------|------------|-------------|
| Total Brought Forward | | 128,570,798 | | 130,848,000 |
| In Mutual Fund Units-Unquoted | | | | |
| 279712.46 Reliance Equity Opportunities Fund (Growth) | 5,000,000 | | 5,000,000 | |
| (279712.46) of Rs.10/- each | | | | |
| 497017.89 Birla Infrastructure Fund (Growth) | 5,000,000 | | 5,000,000 | |
| (497017.89) of Rs.10/- each | | | | |
| - Franklin India Flexi-Cap Fund(Growth) | - | | 5,000,000 | |
| (276090.558) of Rs. 10/- each | | | | |
| 468594.78 HSBC Advantage India Fund (Growth) | 5,000,000 | | 5,000,000 | |
| (468594.78) of Rs.10/- each | | | | |
| 278429.38 Sundaram Capex Opportunities Fund (Growth) | 4,000,000 | | 4,000,000 | |
| (278429.38) of Rs.10/- each | | | | |
| - FIDELITY Equity Fund (Growth) of | - | | 10,000,000 | |
| (977995.11) of Rs.10/- each | | | | |
| 487804.878 Birla Sunlife International Equity Fund (Growth) | 4,589,220 | | - | |
| (-) of Rs.10/- each | | | | |
| 250000.00 Sundaram Energy Opportunities Fund (Growth) | 1,992,075 | | - | |
| (-) of Rs.10/- each | | | | |
| 250000.00 HDFC Infrastructure Fund (Growth) | 2,338,500 | | - | |
| (-) of Rs.10/- each | | | | |
| 495348.676 Sundaram BNP Paribas SMILE Fund (Growth) | 10,000,000 | | - | |
| (-) of Rs.10/- each | | | | |
| 323659.161 Sundaram BNP Paribas India Leadership Fund (Growth) | 10,000,000 | | - | |
| (-) of Rs.10/- each | | | | |
| 173550.85 Birla Sunlife Frontline Equity Fund (Growth) | 10,000,000 | | - | |
| (-) of Rs.10/- each | | | | |
| 977995.11 JM Contra Fund (Growth) | 9,361,956 | | - | |
| (-) of Rs.10/- each | | | | |
| 975609.756 HSBC Dynamic Fund (Growth) | 9,430,146 | | - | |
| (-) of Rs.10/- each | | | | |
| 754420.907 DSP Meryll Lynch World Gold Fund (Growth) | 10,000,000 | | - | |
| (-) of Rs.10/- each | | | | |
| 143023.05 Tata Infrastructure Fund (Growth) | 4,560,276 | | - | |
| (-) of Rs.10/- each | | | | |
| 181712.458 DSP Meryll Lynch TIGER Fund (Growth) | 7,506,178 | | - | |
| (-) of Rs.10/- each | | 98,778,351 | | 34,000,000 |
| Share Application Money | | | | |
| India Global Exports Pvt. Limited | | 20,600,000 | - | |
| | | 247,949,149 | | 164,848,000 |

*30,00,000 Shares are pledged with State Bank Of India
Previous year figures have been shown in bracket.

Aggregate value of ;
Quoted investments
Unquoted Investments

Book Value
7,722,798
219,626,351

Market Value
8,214,890

SCHEDULE 7- INVENTORIES

| | As at 31.3.2008 | As at 31.3.2007 |
|---|-----------------|-----------------|
| | Rs. | Rs. |
| (Inventories and Valuation as certified by the Managing Director) | | |
| Stores and Spare Parts | 8,787,777 | 9,643,511 |
| Raw Materials Stock | 2,054,212 | 2,054,212 |
| Packing Materials Stock | 118,940 | 118,723 |
| Finished Goods | 788,275 | 847,750 |
| Work in progress | 11,265 | 11,265 |
| | 11,760,469 | 12,675,461 |

SCHEDULE 8- SUNDRY DEBTORS

| | As at 31.3.2008 | As at 31.3.2007 |
|--|-----------------|-----------------|
| | Rs. | Rs. |
| DEBTS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS | | |
| Unsecured-considered good | 531,633 | 3,917,952 |
| OTHER DEBTS | | |
| Unsecured-considered good | 658,851 | 2,458,451 |
| | 1,190,484 | 6,376,403 |

SCHEDULE 9- CASH AND BANK BALANCES

| | As at 31.3.2008 | | As at 31.3.2007 | |
|--|-----------------|-------------|-----------------|-------------|
| | Rs. | Rs. | Rs. | Rs. |
| CASH BALANCES | | | | |
| On Hand | | 35,939 | | 31,325 |
| CHEQUES/ DDs ON HAND | | 400,363 | | 19,682,391 |
| BALANCES WITH SCHEDULED BANKS | | | | |
| In Current Accounts | 1,533,279 | | 1,389,864 | |
| In Savings Account | 21,381 | | 21,381 | |
| In Fixed Deposits (FDRs of Rs.11Crores Pledged with Banks) | 126,522,734 | 128,077,394 | 158,683,059 | 160,094,304 |
| | | 128,513,696 | | 179,808,020 |

SCHEDULE 10- LOANS AND ADVANCES

| | As at 31.3.2008 | As at 31.3.2007 |
|---|-----------------|-----------------|
| | Rs. | Rs. |
| Unsecured -(Considered good unless otherwise stated) | | |
| Loans | | |
| Secured | 1,820,000 | 1,820,000 |
| Subsidiary Company | | |
| Tara Snacks & Foods Limited (Refer Note No.-3) | 46,714,379 | 46,714,379 |
| Other Companies | | |
| Shervani Hospitalities Limited | 59,300,000 | 59,300,000 |
| Shervani Sugar Syndicate Limited (Refer Note No.-3) | 135,564,000 | 135,564,000 |
| Others | 16,500,000 | 21,500,000 |
| Advances | | |
| Recoverable in cash or kind or for value to be received | 4,376,854 | 25,979,625 |
| Security and other Deposits | 5,106,543 | 5,206,905 |
| Balances with Central Excise Department | 16,147 | 31,010 |
| Advance payment of Taxes | 12,636,477 | 8,926,275 |
| Less: Provision for Doubtful Advances (Refer Note No.-3) | (85,000,000) | - |
| | 197,034,400 | 305,042,194 |

SCHEDULE 11 - CURRENT LIABILITIES

| | As at 31.3.2008 | As at 31.3.2007 |
|---|-----------------|-----------------|
| | Rs. | Rs. |
| Sundry Creditors | 4,816,056 | 6,472,979 |
| Other Liabilities | 11,094,698 | 25,512,822 |
| Interest accrued but not due on Loans | 61,234 | 47,926 |
| Investor Education & Protection Fund shall be credited by the following: (Amounts to be transferred to the said fund shall be determined on the respective due date) | | |
| Unpaid Matured Deposits & Interest thereon | 4,200 | 4,200 |
| Unpaid Dividends | 400,720 | 373,430 |
| | 16,376,908 | 32,411,357 |

SCHEDULE 12 -OTHER INCOME

| | 2007-2008 | 2006-2007 |
|---|-------------|------------|
| | Rs. | Rs. |
| Rent | 2,295,200 | 2,283,200 |
| Miscellaneous Receipts | 219,034 | 254,519 |
| Loss on sale of Asset (Net) | (1,148,508) | (841,486) |
| Profit on sale of current investments (Net) | 13,967,528 | 28,166,259 |
| Claims Realised | - | 68,420 |
| Provision of Liability no longer required | 1,958,096 | 668,517 |
| Dividend Received | 8,300 | - |
| | 17,299,650 | 30,599,429 |

SCHEDULE 13 -INTEREST (NET)

| | 2007-2008 | | 2006-2007 | |
|------------------------------------|-----------|------------|-----------|------------|
| | Rs. | Rs. | Rs. | Rs. |
| Interest Received (TDS Rs.3074041) | | 21,104,539 | | 16,591,505 |
| Less : Interest on Fixed Loans | 166,404 | | 222,313 | |
| Other Interest | 660,519 | 826,923 | 3,268,794 | 3,491,107 |
| Net Income from Interest | | 20,277,616 | | 13,100,398 |

SCHEDULE 14-DECREASE IN FINISHED/PROCESS STOCK

| | 2007-2008 | | 2006-2007 | |
|-------------------------------|-----------|---------|-----------|-----------|
| | Rs. | Rs. | Rs. | Rs. |
| STOCKS AT COMMENCEMENT | | | | |
| Finished Goods | 847,750 | | 1,185,525 | |
| Work-in-Process | 11,265 | 859,015 | 20,265 | 1,205,790 |
| STOCKS AT CLOSE | | | | |
| Finished Goods | 788,275 | | 847,750 | |
| Work-in-Process | 11,265 | 799,540 | 11,265 | 859,015 |
| | | 59,475 | | 346,775 |

SCHEDULE-15 EXCEPTIONAL ITEMS

| | 2007-2008 | | 2006-2007 | |
|---|--------------|--------------|-----------|-------------|
| | Rs. | Rs. | Rs. | Rs. |
| VRS & Related Expenses | | (27,098,566) | | (9,969,870) |
| Retrenchment Compensation | | (1,093,845) | | - |
| Profit on sale of land | | 142,397,476 | | - |
| Loss on sale of shares of Subsidiary Co. | 90,000,000 | | - | - |
| Less: Provision for diminution made in earlier years written back | 90,000,000 | - | - | - |
| Provision for loans: | | | | |
| Tara Snacks & Foods Ltd. (Subsidiary Co.) | (45,000,000) | | - | - |
| Shervani Sugar Syndicate Limited | (40,000,000) | (85,000,000) | - | - |
| Adjustment relating to prior period | | (49,532) | | - |
| Expenses Realised from others | | 1,101,591 | | 908,676 |
| | | 30,257,124 | | (9,061,194) |

SCHEDULE 16 - EXPENSES

| | 2007-2008 | | 2006-2007 | |
|---|------------|------------|------------|------------|
| | Rs. | Rs. | Rs. | Rs. |
| WORKS EXPENSES | | | | |
| Stores, Spare Parts, Chemicals etc. Consumed | 390,836 | | 2,249,686 | |
| Power and Fuel | 4,638,024 | | 8,832,980 | |
| Repairs Machinery | 231,501 | | 672,065 | |
| Repairs Electricals | 212,407 | | 599,562 | |
| Other Manufacturing Charges | 248,331 | 5,721,099 | 5,202,761 | 17,557,054 |
| PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | | | |
| Salaries, Wages, Bonus, Compensation etc. | 16,698,367 | | 28,409,046 | |
| Company's Contribution to Provident Fund and Gratuity Fund | 3,250,816 | | 3,149,265 | |
| Company's Contribution to Employees State Insurance Corporation | 181,351 | | 731,530 | |
| Welfare Expenses | 364,319 | 20,494,853 | 491,190 | 32,781,031 |
| OTHER EXPENSES : | | | | |
| Rent | 458,100 | | 501,200 | |
| Rates and Taxes | 323,650 | | 326,393 | |
| Telephone Expenses | 714,425 | | 946,689 | |
| Repairs Building | 139,315 | | 1,399,446 | |
| Safety & Protection | 1,530,895 | | 1,719,383 | |
| Insurance | 355,431 | | 664,152 | |
| Vehicle Maintenance | 1,465,900 | | 1,603,070 | |
| Retainership | 1,209,358 | | 1,854,082 | |
| Professional Charges | 1,629,382 | | 623,723 | |
| Travelling and Conveyance Expenses | 369,233 | | 351,872 | |
| Diminution in the value of current investments | 7,008,581 | | - | |
| Miscellaneous Expenses | 3,577,821 | 18,782,091 | 3,346,098 | 13,336,108 |
| Remuneration to Statutory Auditors : | | | | |
| Audit Fee Rs. 100,000 (Previous Year Rs. 1,00,000) | | | | |
| Certificates including limited reviews Rs. 50,000 (Previous Year Rs. 50,000) | | | | |
| Service Tax Rs. 24,720 (Previous Year Rs. 24,720) | | | | |
| Travelling Expenses Rs. 50,000 (Previous Year Rs. 50,000) | | | | |
| Tax Audit Fee Rs. 11,236 (Previous Year Rs. 11,236) | 235,956 | | 235,956 | |
| Directors' Remuneration | 1,524,000 | | 1,376,419 | |
| Directors' Fee | 69,000 | | 51,000 | |
| Bad Debts written-off | 95,609 | | 131,313 | |
| Charity and Donations | 40,000 | 1,964,565 | 30,100 | 1,824,788 |
| | | 46,962,608 | | 65,498,981 |

SCHEDULE -17 NOTES ON THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

1 Contingent liabilities not provided for:

As at 31.03.2008 As at 31.03. 2007
Rs. Rs.
Amount indeterminate

Claims against the company not acknowledged as debts

2 Current Liabilities - "Sundry Creditors/other Liabilities" shown in Schedule 11 include Rs.61572 payable to Directors and Loans & Advances shown in Schedule 10 include Rs.56413 recoverable from Director.
(Previous Year payable amount Rs.162509)

3. Investments and Loans outstanding in subsidiary companies : (Amount in Rs.)

| Name of the company | Investment in Shares | % of shareholding | Loan Balance outstanding |
|-----------------------------|----------------------|-------------------|--------------------------|
| Tara Snacks & Foods Limited | 2,700,000 | 100.00 | 46,714,379 |

Provisions have been made for possible losses on loans given to under noted Companies:

| Name of the company | Balance Outstanding (Rs.) | Provisions made (Rs.) |
|--|---------------------------|-----------------------|
| Tara Snacks & Foods Limited (Wholly owned subsidiary Company, whose assets are under active consideration for disposal) | 46,714,379 | 45,000,000 |
| Shervani Sugar Syndicate Limited (Modified Rehabilitation scheme of the Company is pending before BIFR) | 135,564,000 | 40,000,000 |

4 Disclosure as per Accounting Standard 15 Employees benefit :

| | Gratuity (Funded) | Leave Encashment (Unfunded) |
|--|-------------------|-----------------------------|
| a Reconciliation of opening & closing balances of Defined Benefit obligation | | |
| Defined Benefit obligation at beginning of the year | 10,017,799 | 2,193,988 |
| Current Service Cost | 76,593 | 84,079 |
| Interest Cost | 801,424 | 175,519 |
| Actuarial (gain)/loss | (5,934,158) | 796,326 |
| Benefits paid | (4,440,994) | (2,836,018) |
| Defined Benefit obligation at the year end | 520,664 | 413,894 |
| b Reconciliation of opening & closing balances of fair value of plan assets | | |
| Fair value of plan assets at beginning of the year | 6,077,634 | - |
| Expected return on plan assets | - | - |
| Actuarial gain/(loss) | 527,801 | - |
| Employer contribution | 4,378,907 | - |
| Benefits paid | 9,296,106 | - |
| Fair value of plan assets at year end | 1,688,236 | - |
| Actual return on plan assets | - | - |
| c Reconciliation of fair value of assets & obligations | | |
| Fair value of plan assets as at 31st March 2008 | 1,688,236 | - |
| Present value of obligation as at 31st March 2008 | 520,664 | 413,894 |
| Amount recognised Balance Sheet | - | 413,894 |
| d Expenses recognised during the year (Under the head "Payments to and Provisions for Employees) | | |
| Current Service Cost | 76,593 | 84,079 |
| Interest Cost | 801,424 | 175,519 |
| Expected return on plan assets | - | - |
| Actuarial (gain)/loss | (5,934,158) | 796,326 |
| Net Cost | (5,056,141) | 1,055,924 |
| e Investments Details | | |
| L.I.C. Group Gratuity Policy | 1,688,236 | |

| | | | | |
|----|--|---------------------|-------------------|-------------------|
| f | Actuarial Assumptions | | | |
| | Mortality Table (L.I.C.) | | 1994-96 | 1994-96 |
| | Discount Rate (per annum) | | 8% | 8% |
| | Expected rate of return on plan assets (per annum) | | NA | NA |
| | Rate of escalation in salary (per annum) | | 10% | 10% |
| | This being the first year of implementation, previous year figures have not been given. | | | |
| 5 | Major components of deferred tax Assets / Liabilities are : | | | |
| | | 31.03.2008 | 31.03.2007 | 31.03.2006 |
| | Deferred Tax Liability | (Rs.) | (Rs.) | (Rs.) |
| | Depreciation | 13,303,788 | 13,963,738 | 15,415,186 |
| | Deferred Tax Asset | | | |
| | Compensation under Voluntary Retirement Scheme | 10,116,435 | 4,791,006 | 3,533,640 |
| | Provision for Liability Covered under Sec. 43 (B) of I.T. Act | 496,819 | 671,558 | 8,606,206 |
| | Unabsorbed Depreciation to be carried forward | 15,273,003 | 9,051,687 | - |
| | | <u>25,886,257</u> | <u>14,514,251</u> | <u>12,139,846</u> |
| | Net Deferred Tax (Liability)/Asset | 12,582,469 | 550,513 | (3,275,340) |
| | The company has not recognised the net deferred tax asset arises since 01.04.2006 due to business losses, as there is no virtual certainty that sufficient taxable income will be available in future to realise the deferred tax asset. | | | |
| 6 | Related Party disclosures. | | | |
| | Relationship | | | |
| A | Subsidiary Company | | | |
| | Tara Snacks & Foods Ltd. | | | |
| B. | Associate Companies | | | |
| | Shervani Sugar Syndicate Ltd. | | | |
| | Shervani Hospitalities Limited | | | |
| C | Key Management Personnel | | | |
| | Mr. S.I. Shervani | Managing Director | | |
| | Mr. Tahir Hasan | Vice Chairman | | |
| | Mr. Raju Verghese | Whole time Director | | |
| | and their relatives | | | |
| | | 31.03.2008 | 31.03.2007 | |
| D | Nature and volume of transactions | (Rs.) | (Rs.) | |
| | (i) Remuneration | Refer Note '8' | | |
| | (ii) Rent | | | |
| | Key management personnel (Paid) | 456,000 | 432,000 | |
| | Associate/Subsidiary Companies (Received) | 1,200 | 1,200 | |
| | Associate Company (Received) | 264,000 | 242,000 | |
| | (iii) Hire charges of Assets | | | |
| | Key management personnel (Paid) | 240,000 | 240,000 | |
| | Associate/Subsidiary Companies (Received) | 480,000 | 480,000 | |
| | (iv) Interest Received | | | |
| | Associate Company | 4,744,000 | 4,744,000 | |
| | (v) Balance at the end of the year | | | |
| | Subsidiary Company | | | |
| | Tara Snacks & Foods Limited | 46,714,379 | 46,714,379 | |
| | Provision for doubtful loan | (45,000,000) | - | |
| | Associate Companies | | | |
| | Shervani Sugar Syndicate Ltd. | 135,564,000 | 135,564,000 | |
| | Provision for doubtful loan | (40,000,000) | - | |
| | Shervani Hospitalities Limited | 59,300,000 | 59,300,000 | |

| | | | | | | | |
|-----|--|---------------------------------|------------------------|---------------------------|----------------|---|-----------------------|
| 7 | Earning per share : | 31.03.2008 | 31.03.2007 | | | | |
| (a) | Net Profit available for equity share holders (Numerator used for calculation) | 17,548,694 | 6,123,006 | | | | |
| (b) | Weighted Average No. Equity Share used as denominator for calculating EPS | 3,280,250 | 3,280,250 | | | | |
| (c) | Basic and Diluted Earning per share (Rs.) (Equity Shares of face value of Rs.10 each) | 5.35 | 1.87 | | | | |
| 8 | In view of inadequacy of profit under section 349 of the Companies Act 1956 no commission is payable to the Directors. Minimum remuneration has been paid as under : | This Year (Rs.) | Previous Year (Rs.) | | | | |
| (A) | Salary | 1,524,000 | 1,376,419 | | | | |
| (B) | Company's Contribution to P.F. | 144,000 | 144,000 | | | | |
| (C) | Perquisites | 220,972 | 266,380 | | | | |
| 9 | Quantitative information regarding capacity and production in respect of each class of goods manufactured by the Company. (Figures in brackets refer to the previous year) | (Quantities In Million Numbers) | | | | | |
| | | Flashlight Cases | Miniature Lamps | Dry Cell Batteries | | | |
| (A) | Capacity Installed (Per Annum) | 5.0 (5.0) | 6.00 (6.0) | 153.00 (153.0) | | | |
| (B) | Production during the year For Job Work | 0.08 (1.26) | 0.00 (0.01) | 0.00 0.00 | | | |
| 10 | Quantitative Information regarding opening and closing stocks, job work despatches & sale of goods manufactured for own trade and services rendered by the company (Figures in brackets refer to previous year) | (Quantities in Million Numbers) | | | | | |
| | | Opening Stock (Qty) | Rs. in Lacs | Closing Stock (Qty) | Rs. in Lacs | Job Work Despatches/ Sales (Qty) | Value Rs. |
| A. | Manufactured for outside parties (Job Work) | | | | | | |
| (a) | Flashlight Cases | - (-) | - (-) | - (-) | - (-) | 0.08 (1.26) | 3966609 (40847779) |
| (b) | Miniature Bulbs | - (-) | - (-) | - (-) | - (-) | 0 (0.01) | 0 (103062) |
| (c) | Drycell Batteries | - (-) | - (-) | - (-) | - (-) | 0 (0.00) | 0 (0) |
| | Total (A) | | | | | | 3966609 (40950841) |
| B. | Manufactured for own trade | | | | | | |
| (a) | Flashlight Cases | 0.014 (0.018) | 8.48 (10.83) | 0.013 (0.014) | 7.88 (8.48) | 0.001 (0.004) | 77800 (309788) |
| (b) | Miniature Bulbs | - (0.04) | - (0.10) | - (-) | - (-) | - (-) | - (-) |
| | Misc. Items | | | | | | 668352 |
| | Total (B) | | | | | | 746152 (309788) |
| | Total (A+B) | | | | | | 4712761 |
| 11 | Value of Imports on C.I.F. basis: | Nil | | | | | |

12 Value of Imported and indigeneous Stores and Spare Parts Consumed.

(Figures in brackets refer to previous year)

| | IMPORTED | | INDIGENOUS | | TOTAL Value Rs. |
|------------------------------------|----------------|---------------------|---------------------|---------------------|-----------------------|
| | Value (Rs.) | Percentage Total | Value (Rs.) | Percentage Total | |
| Stores and Spare Parts | - (-) | - (-) | 390836 (2249686) | 100 (100) | 390836 (2249686) |
| (Amount in Rs.) | | | | | |
| 13 Expenditure in Foreign Currency | This Year | | Previous Year | | |
| others | 3677 | | 4172 | | |

14 Based on the information available with the Company there are no dues payable to Small Scale Industrial Undertakings.

15 The figures of the previous year have been rearranged wherever necessary.

1) Basis of Preparation of Financial Statement

- a) The Financial Statements have been prepared under historical cost convention in accordance with the generally accepted accounting principles and the Companies Act, 1956 as adopted consistently by the company.
- b) The company generally follows mercantile systems of accounting and recognises significant items of income and expenditure on accrual basis.

2) Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost of acquisition minus the accumulated depreciation. Direct costs are capitalised till the assets are ready to be put to use.
- b) Depreciation on Fixed Assets is provided on straight line method at rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

3) Investments

Current investments are carried at lower of cost or quoted/fair value computed on an individual investment basis.

Long Term Investments are carried at cost. Diminution in value if any, which is not of temporary nature is provided.

4) Inventories

Inventories are valued at cost except for finished goods. Finished goods are valued at cost or market value whichever is lower.

Job charges are accounted for on the basis of finished goods produced and taken in Excise Record.

5) Sales

Sales includes excise duty and Packing charges realised from customers but exclude rebates and discounts.

6) Excise, Custom Duty

- a) Liability for Excise Duty/Custom in respect of materials lying in bonded ware-house or finished goods lying in approved factory premises is accounted for as and when material is removed.
- b) Interest Payable/Receivable on demands/Refunds of Excise Duty/Income Tax/Sales Tax/Trade Tax are accounted for in the year of payment/receipt.

7) Income Tax

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

8) Retirement Benefit to employee

Company's contribution to Provident Fund is charged to Profit and Loss Account.

Leave encashment benefit to employees are charged to Profit and Loss account on the basis of actuarial valuation.

The liability of gratuity in respect of all employees is accounted for on the basis of actuarial valuation.

The entire liability on account of payments made under VRS/Retrenchment Compensation are fully charged to Profit and Loss Account in the same year.

(Rs. in Lacs)

| | 2007-2008 | | 2006-2007 | |
|--|-----------|-----------|-----------|----------|
| A) CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Profit Before Tax | | 203.45 | | 43.80 |
| Adjustment For: | | | | |
| Depreciation | 51.51 | | 56.68 | |
| (Profit) / Loss on sale of assets | (1412.49) | | 8.41 | |
| Interest (Net) | (202.78) | | (131.00) | |
| Profit on Sale of Investments | (139.67) | | (281.66) | |
| Provisions of Loans | 850.00 | | - | |
| Diminution in the value of current investments | 70.09 | 783.34 | - | (347.57) |
| Operating Profit before Working Capital Changes | | 579.89 | | (303.77) |
| Adjustment for: | | | | |
| (Increase)/ Decrease in Trade and Other receivables | 389.99 | | (139.78) | |
| (Increase)/Decrease in Inventories | 9.15 | | 5.14 | |
| Increase/ (Decrease) in Trade Payables | (160.48) | 238.66 | (93.18) | (227.82) |
| Cash Generated used in operation | | (341.23) | | (531.59) |
| Add/(Deduct)For: | | | | |
| Direct Tax paid/Refund of earlier years | | 48.24 | | 32.33 |
| Net Cash From operating activities (Total-A) | | (389.47) | | (499.26) |
| B) CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | | (256.19) | | (181.95) |
| Sale of Fixed Assets | | 1533.82 | | 22.39 |
| Loans made with Subsidiary/Others | | 50.00 | | (36.54) |
| Sale of Investments | | 389.68 | | 731.66 |
| Purchase of Investments | | (1151.10) | | (240.00) |
| Interest received | | 211.05 | | 165.92 |
| Net Cash Generated from investing Activities (Total - B) | | 777.26 | | 461.48 |
| C) CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Dividend paid | | (32.80) | | (32.80) |
| Bank Borrowings | | (855.61) | | 69.66 |
| Unsecured Loans | | (4.18) | | (22.25) |
| Interest Paid | | (8.14) | | (35.69) |
| Net Cash used in financing activities (Total-C) | | (900.73) | | (21.08) |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | (512.94) | | (58.86) |
| Add: Cash and Cash Equivalents as on 1.4.2007 | | 1798.08 | | 1856.94 |
| Cash and Cash Equivalents as on 31.3.2008 | | 1285.14 | | 1798.08 |

Note : Figures in brackets indicate negative figures

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs. In Thousand)

| | | |
|---|-----------------------------------|---------------------------|
| I. Registration Details | | |
| Registration No. | 1891 | State code |
| Balance Sheet Date | 31-03-2008 | 20 |
| II Capital Raised During the year | | |
| | Public Issue | Right Issue |
| | Nil | Nil |
| | Bonus Issue | Private Placement |
| | Nil | Nil |
| III Position of Mobilisation and Deployment of Funds | | |
| Sources of Funds | Total Liabilities | Total Assets |
| | 624841 | 624841 |
| | Paid-up Capital | Reserve & Surplus |
| | 32803 | 580861 |
| | Secured Loans | Unsecured Loans |
| | 8538 | 2639 |
| Application of Funds | Net Fixed Assets | Investments |
| | 89747 | 247949 |
| | Net Current Assets | Miscellaneous Expenditure |
| | 287145 | NIL |
| | Accumulated Losses | |
| | NIL | |
| IV. Performance of the Company | | |
| | Turn over | Total Expenditure |
| | 4713 | 52202 |
| | Profit/(Loss)Before Tax | Profit/(Loss) After Tax |
| | 20345 | 17549 |
| | Earning Per Share in Rs. | Dividend Rate |
| | 5.35 | 10% |
| V. Generic Names of Three Principal Products/Services of the Company | | |
| | Product Description (ITC Code) | Item Code No. |
| | Flashlight Cases | 85131005 |
| | Dry Cell Batteries | 85068229 |
| | Miniature/Electric Lamps | 85392901 |

SALEEM I. SHERVANI
Managing Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary : Tara Snacks & Foods Limited
 Financial Year of the Company : 1st April, 2007 to 31st March 2008

| | |
|---|---|
| Shares held in the subsidiary company at the end of financial year of the subsidiary | 9,00,000 Equity Shares of Rs. 10/- each, fully paid-up |
| Extent of Holding | 100.00% |
| Changes in the interest of the Company at the end of financial year of the Subsidiary Company and 31st March, 2008. (No. of Shares acquired) | Nil |
| The net aggregate of Profit/(Loss) of the Subsidiary Company so far as it concerns the members of the Company | |
| (A) Dealt with in the Accounts of the Company for the year ended 31st March, 2008. | Nil |
| (B) Not dealt with in the Accounts of the Company for the year ended 31st March, 2008 | (Rs.15,54,575) |
| The net aggregate of Profits/(Losses) of the Subsidiary Company for previous financial years so far as it concerns the members of the Company | |
| (A) Dealt with in the Accounts of the Company for the year ended 31st March, 2008. | Nil |
| (B) Not dealt with in the Accounts of the Company for the year ended 31st March, 2008 | (Rs.6,05,78,532) |
| Material changes between the end of the financial year of the Subsidiary Company and 31st March, 2006 | |
| a) Fixed assets | N.A. |
| b) Investments | N.A. |
| c) Moneys lent by the Subsidiary Company | N.A. |
| d) Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities | N.A. |

The Directors submit their annual report together with the audited statement of account for the year ended 31st March 2008.

1. Financial Results

| | 2007-2008 Rs. | 2006-2007 Rs. |
|--|------------------|------------------|
| Profit/(Loss) before depreciation | (611,906) | (3,879,069) |
| Depreciation | 941,569 | 947,649 |
| Fringe Benefit Tax | 1,100 | 4,000 |
| Profit/(Loss) after depreciation And tax | (1,554,575) | (4,830,718) |
| Add/Less Loss Brought forward from earlier years | (60,578,532) | (55,747,813) |
| Balance carried to Balance sheet | (62,133,107) | (60,578,532) |

2. Performance

During the year the company has not carried out any manufacturing activity and your directors are looking after alternate arrangement to safeguard the interest of stakeholders.

3. Directors Responsibility Statements.

Pursuant to section 217 (2AA) of the companies (Amendment)Act ,2000 the directors confirms that :

- (i) In the preparation of the accounts for the financial year ended 31st March ,2008 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2008 and of the profit of the company for the year ended 31st March 2008.
- (iii) The Directors have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the companies act 1956 for safeguarding the company and for the preventing and detecting frauds and other irregularities.
- (iv) The Directors have prepared the accounts for the financial year ended 31st March 2008 on a going concern basis.

4. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of the Association of the Company, Mr. S. Zafar Subhan & Mr. Nadesan T., Directors of the Company retire by rotation at this Annual General Meeting and are eligible for re-appointment.

5. Auditors

M/S P.L.Tandon & Co. Chartered Accountants, Kanpur retire from as auditors and are being eligible offer themselves for re- appointment . They have furnished a certificate to the effect that their re- appointment will be in accordance with the limits specified in sub-section 224 of the Companies Act,1956. You are requested to considered their re appointment.

6. Secretarial Compliance certificate

Pursuant to provisions of section 383 A of the Companies Act 1956, Compliance Certificate received from M/S S.K.Gupta & Co. Company Secretaries in practice, Kanpur is enclosed herewith and forms part of this report.

7. Particulars of Employees

There was no employee , who was in receipt of remuneration ,which is aggregate was more than Rs. 24,00,000.00 per annum or Rs. 2,00,000.00 per month for the year under report.

8. Conservation of energy, Technology Absorption and foreign Exchange earnings and outgo

In terms of section 217 (1) (a) of the companies Act ,1956 read with companies (Disclosures of particulars in the report of board of directors) Rules ,1988 Your directors report that there is nothing to be disclosed in respect of (a) Conservation of energy (b) Technology absorption ; and (c) Foreign exchange earning and outgo.

For and on behalf of the Board

ZAFAR SUBHAN **NADESAN T.**
Director Director

Place : Allahabad
Dated : June 17, 2008

TO THE MEMBERS OF TARA SNACKS AND FOODS LIMITED

1. We have audited the attached Balance Sheet of **TARA SNACKS AND FOODS LIMITED** as at 31st March, 2008, and also the Profit and Loss Account 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 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 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i.) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii.) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
 - iii.) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - iv.) In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956 except comments in para (vi) below.
 - v.) On the basis of written representations received from the directors as on 31st March, 2008 we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clauses (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi.) Gratuity and Leave encashment payable to Employees are accounted for on payment basis.
 - vii.) Subject to the matters referred to in sub paragraphs (vi) (a) and (vi) (b) and read with other notes, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - (a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2008;
 - (b) In the case of the Profit & Loss Account of the Loss of the Company for the year ended on that date.

For P.L. TANDON & CO.
Chartered Accountants

P.P.Singh
PARTNER

Membership No. 72754

PLACE : Kanpur

DATED : June 17, 2008

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in Paragraph (3) of our report of even date)

I. In respect of its Fixed Assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, the company has not made any substantial disposal during the year.

section 301 of the Companies Act, 1956. The maximum balance involved during the year was Rs.489.56 Lacs and the year end balance was Rs. 489.21 Lacs.

- (f) The rate of interest and other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- (g) There is no stipulation for the repayment of loans in four cases and in one case payment of principal and interest is not regular.

II. In respect of its Inventories :

- (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and discrepancies noticed on verification between physical stocks and the book records were not material.

III. In respect of Loans, Secured or Unsecured, granted or taken by the Company to or from Companies, Firms or other Parties covered in the Register maintained under section 301 of the Companies Act, 1956, according to the information and explanations given to us :-

- (a) The Company has not granted any loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the Company has not granted any loans secured or unsecured to parties listed in the register maintained under section 301 of the Companies Act, 1956, the Provisions of clause 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are therefore, not applicable to the company.
- (e) Company had/taken unsecured loans from five parties covered in the Register maintained under

IV. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.

V. In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956:

- (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market price at the relevant time.

VI. The company has not accepted any deposit from the Public.

VII. The company does not have comprehensive internal audit system as the management is of the opinion that the existing system of internal control check is serving the purpose.

- VIII. The Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the company.
- IX. According to the information and explanations given to us, in respect of statutory and other dues.
- (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were in arrears as at 31st March, 2008 for a period more than Six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty and excise duty which have not been deposited on account of any disputes.
- X. In our opinion, the accumulated Losses of the Company are more than fifty percent of its net worth. The Company has incurred Cash Losses during the financial year covered by our audit, however, the company had not incurred cash losses in the immediately preceding financial year.
- XI. According to the information and explanations given to us, the company has defaulted in repayment of dues to U.P. Financial Corporation for which the company is pursuing one time settlement. The total amount of default is Rs. 37,69,998.61
- XII. As explained to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities.
- XIII. The nature of Company's business / activities during the year is such that the provisions of clause 4 (xiii) of Companies (Auditor's Report) Order, 2003 is not applicable to the company
- XIV. In our opinion, the Company is not dealing in 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 any banks or financial institutions.
- XVI. The Company has not obtained any term loan during the year.
- XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- XIX. As the Company has no debenture outstanding at any time during the year, The provisions of clause 4 (xix) of the Companies (Auditors' Report) Order, 2003 are therefore, not applicable to the Company
- XX. The Company has not raised any money by Public issue during the year.
- XXI. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For P.L. TANDON & CO.,
Chartered Accountants,

P.P.Singh
PARTNER

Membership No. 72754

PLACE : Kanpur
DATE : June 17, 2008

BALANCE SHEET AST AT 31ST MARCH, 2008

| | As at 31.03.2008 | As at 31.03.2007 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| SOURCES OF FUNDS | | |
| Share Holder's Fund | | |
| Share Capital | 9,000,000 | 9,000,000 |
| LOAN FUNDS | | |
| Secured Loan | 4,801,722 | 4,524,872 |
| Unsecured Loan | 58,920,590 | 58,749,378 |
| | 72,722,312 | 72,274,250 |
| APPLICATION OF FUNDS | | |
| Fixed Assets | | |
| Gross Block | 21,019,625 | 21,019,625 |
| Less : Depreciation | 6,483,019 | 5,541,450 |
| Net Block | 14,536,606 | 15,478,175 |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| Cash and Bank Balances | 202,262 | 49,794 |
| Inventories | 725,629 | 725,629 |
| Sundry Debtors | 434,397 | 804,397 |
| Loans & Advances | 610,056 | 603,056 |
| | 1,972,344 | 2,182,876 |
| Less : Current Liabilities & Provisions | | |
| Current Liabilities | 5,914,645 | 5,961,333 |
| Provisions | 5,100 | 4,000 |
| | 5,919,745 | 5,965,333 |
| Net Current Assets | (3,947,401) | (3,782,457) |
| Profit & Loss Account | 62,133,107 | 60,578,532 |
| | 72,722,312 | 72,274,250 |

As per our report of even date attached.

for and on behalf of the board

For P.L. TANDON & CO.
CHARTERED ACCOUNTANTS.

P.P. SINGH
 Partner

ZAFAR SUBHAN
 Director

NADESAN T.
 Director

Place: Kanpur.
 Date : June 17, 2008

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

| | As at 31.03.2008 | As at 31.03.2007 |
|---|------------------|------------------|
| | Rs. | Rs. |
| INCOME | | |
| Sales | - | 2,347,631 |
| Other Income (Liability Written Back) | 42,610 | 404,459 |
| Increase/(Decrease) in Stock of Finished Goods/Goods-in-Process | - | (664,233) |
| TOTAL | 42,610 | 2,087,857 |
| EXPENDITURE | | |
| Material Consumed | - | 2,747,340 |
| Other Expenses | 377,666 | 2,942,586 |
| Interest Paid | 276,850 | 277,000 |
| Depreciation | 941,569 | 947,649 |
| TOTAL | 1,596,085 | 6,914,575 |
| Loss before Tax | 1,553,475 | 4,826,718 |
| Provision for Fringe Benefit Tax | 1,100 | 4,000 |
| Loss After Tax | 1,554,575 | 4,830,718 |
| Add : Loss Brought forward from last year | 60,578,532 | 55,747,814 |
| Balance carried to Balance Sheet | 62,133,107 | 60,578,532 |

As per our report of even date attached.

for and on behalf of the board

For P.L. TANDON & CO.
CHARTERED ACCOUNTANTS.

P.P. SINGH
 Partner

ZAFAR SUBHAN
 Director

NADESAN T.
 Director

Place: Kanpur.
 Date : June 17, 2008

TARA SNACKS & FOODS LTD.

NOTES ON THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

ACCOUNTING POLICIES :

1. Basis of preparation of Financial Statement
 - (a) The Financial Statements have been prepared under historical cost convention.
 - (b) The company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.
2. Fixed Assets and Depreciation
 - (a) Fixed assets are stated at their original cost less depreciation. Cost includes inward freight and expenses incidental to acquisition and installation.
 - (b) Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
3. Inventories
Raw Materials, Stores and Work-in-Process are valued at cost. Finished Goods are valued at lower of cost or net reliable value.
4. Sales
Sales includes Excise Duty but are net of rebate and discounts.

NOTES ON ACCOUNTS

- | | As At
31.03.2008 | As At
31.03.2007 |
|--|----------------------|---------------------|
| 1. Contingent Liabilities not provided for : | | |
| (a) Claims against the Company not acknowledged as debt | Amount indeterminate | |
| (b) Provision has not been made in respect of disputed demand for - | | |
| Power Charges | Rs. 8,117,106 | Rs. 8,117,106 |
| 2. Balances of Loan from U.P. Financial Corporation, Sundry Creditors, Unsecured Loans, Loans & Advances, Sundry Debtors, Deposits and others are subject to confirmation. | | |
| 3. The Company has not received the required information form suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid /Payable as required under the said Act, have not been made. | | |
| 4. Gratuity and Leave Encashment Payable to Employees are accounted for on payment basis. | | |
| 5. Provision for interest on unsecured loans has not been made in the books. | | |
| 6. In view of uncertainty regarding availability of sufficient future taxable income, deferred tax assets arising out of timing difference of unabsorbed business loss and unabsorbed depreciation have not been considered in the accounts. | | |
| 7. Provision for doubtful debts has not been made. | | |
| 8. Miscellaneous Expenses includes as Under :- | | |

| PARTICULERS | AMOUNT | AMOUNT |
|--------------------------------|------------------|------------------|
| Electricity Charges | 39,770.00 | 88,741.00 |
| General Charges | 11,598.00 | 10,062.00 |
| Books Preiodicals & News paper | 1,234.00 | 1,782.00 |
| Postage & telegram | 461.00 | 23,508.00 |
| Printing & stantionary | 935.00 | 9,681.00 |
| retanership | 5,500.00 | 5,000.00 |
| Bank Charges | 494.00 | 13,243.80 |
| Registration Filling Fee | 9,300.00 | 15,820.00 |
| Packing & Stacking Expenses | - | 239,695.00 |
| Design & Development | - | 101,500.00 |
| Sanitation Expenses | - | 3,600.00 |
| Entertainment Expenses | - | 2,341.00 |
| Garden & Office Maintenance | - | 11,108.00 |
| Legal Expenses | - | 11,500.00 |
| Vehicle Operating Exp. | - | 12,101.00 |
| Vehicles Repairs | - | 861.00 |
| Vehicle Tax | - | 28,105.00 |
| Testing Charges | | 8,081.00 |
| Office exp. | | 1,344.00 |
| Total | 69,292.00 | 588073.80 |

TARA SNACKS & FOODS LTD.

9. Earning Per Share (E P S) :
- | | Current Year | Previous Year |
|---|-------------------|-------------------|
| (a) Net Profit available for Equity Shareholders (Numerator used for calculation) | (1,554,575) | (4,830,718) |
| (b) Weighted Average Number of Equity Shares used for demoninator for calculating EPS. | 900,000 (1.73) | 900,000 (5.37) |
| (c) Basic and diluted earning per Share | | |
10. Additional information as required under paragraph 3, 4C and 4D of Part - II of Schedule - VI to the Companies Act, 1956 is as under :-

- (a) Quantitative information regarding capacity and production in respect of goods manufactured by the Company.
(Figures in bracket refer to Previous Year)
- | | LICENSED
CAPACITY | INSTALLED
CAPACITY |
|--|------------------------|--------------------------------------|
| 1. PRODUCT GROUP | | |
| Biscuits | - | 32 M.T. Per Day (32 M.T. Per Day) |
| 2. PRODUCTION | | |
| Biscuit | NIL (12798 Cartons) | |
| (b) Quantitative information regarding Opening Stocks, Closing Stocks and Sale of goods manufactured by the Company. (Figures in bracket refer to Previous Year) (Qty. in Cartons) | | |

| ITEM | OPENING STOCK QTY. | VALUE | CLOSING STOCK QTY. | VALUE | SALE QTY. | VALUE |
|---------|-----------------------|----------|-----------------------|-------|--------------|-----------|
| Biscuit | - | - | - | - | - | - |
| Biscuit | (2424) | (664233) | (-) | (-) | (15422) | (2347631) |

- (c) Raw Materials Consumed.

| S.No. | ITEM | UNIT | QTY. | THIS YEAR VALUE Rs. | PREVIOUS YEAR QTY. | VALUE Rs. |
|-------|---------------|------|------|---------------------------|-----------------------|--------------|
| 1. | Flour | Kgs. | - | - | 74790 | 815,305 |
| 2. | Sugar | Kgs. | - | - | 26700 | 533,795 |
| 3. | Vegetable Oil | Kgs. | - | - | 8890 | 420,020 |
| 4. | Others | - | - | - | - | 206,287 |
| | | | | | | 1,975,407 |

- (d) Value of imported and indigenous Raw Materials and Components and Spare Parts Consumed.
(Figures in bracket refer to Previous Year)

| | IMPORTED VALUE | PERCENTAGE TO TOTAL | INDIGENOUS VALUE | PERCENTAGE TO TOTAL | TOTAL (RS.) |
|-----------------------------|-------------------|------------------------|---------------------|------------------------|------------------|
| Raw Material | NIL (NIL) | NIL (NIL) | NIL (1975407) | - (100%) | NIL (1975407) |
| Components & Spare Parts | NIL (NIL) | NIL (NIL) | NIL (6560) | - (100%) | NIL (6560) |

- (e) Value of Imports on CIF Basis
- | | | |
|--|-------|-------|
| | NIL | NIL |
| | (NIL) | (NIL) |
| (f) Expenditure in Foreign Currencies. | NIL | NIL |
| | (NIL) | (NIL) |
| (g) Earning in Foreign Exchange. | NIL | NIL |
| | (NIL) | (NIL) |

10. The figures of the previous year have been regrouped / rearranged wherever necessary.

As per our report of even date attached.
For P.L. TANDON & CO.
CHARTERED ACCOUNTANTS.

for and on behalf of the board

P.P. SINGH
Partner

ZAFAR SUBHAN
Director

NADESAN T.
Director

Place: Kanpur.
Date : June 17, 2008

SHERVANI INDUSTRIAL SYNDICATE LIMITED

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