

*PHIL CORPORATION LIMITED*

**ANNUAL REPORT**

2009 - 2010



**Board of Directors**

- A. Y. Fazalbhoy - Chairman
- Kavas D. Patel - Vice Chairman
- John B. Bowman - Director
- S. V. Muzumdar - Director
- K. D. Bhat - Managing Director
- A. V. Gaikwad - Executive Director (up to 31.10.2009)  
Director (w.e.f. 01.11.2009)

**Audit & Shareholders' Grievance Committee**

- Kavas D. Patel - Chairman
- A. Y. Fazalbhoy - Member
- S. V. Muzumdar - Member

**Remuneration Committee**

- Kavas D. Patel - Chairman
- John B. Bowman - Member
- A. Y. Fazalbhoy - Member
- K. D. Bhat - Member

**Secretary & Compliance Officer**

- A. V. Gaikwad (up to 31.10.2009)

**Registered Office**

Vision House, Tivim,  
Mapusa, Goa-403 526.

**Auditors**

V. C. Shah & Company  
Chartered Accountants, Mumbai

**Solicitors**

Gagrats,  
Vigil Juris

**Factory**

Mauxi Road, Valpoi,  
Sattari - Goa.

**Executive Office**

Excom House, 7 Saki Vihar Road, Mumbai - 400 072.

**Registrars & Share Transfer Agents**

Datamatics Financial Services Ltd.  
Plot No. A-16 & 17, MIDC, Part B Cross Lane,  
Marol, Andheri (E), Mumbai - 400 093.

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## DIRECTOR'S REPORT / MANAGEMENT DISCUSSION AND ANALYSIS

### TO THE MEMBERS OF PHIL CORPORATION LIMITED

1. The Directors present herewith the Annual Report along with the audited Accounts of the Company for the financial year ended 31st March, 2010.

### 2. Financial Results at a glance :

	Rs. in Lacs	Rs. in Lacs
	2009-10	2008-09
Sales & Services	77.10	57.45
Other Income	145.90	285.58
	<u>223.00</u>	<u>343.03</u>
Gross Operating Profit/(Loss)	(12.00)	(64.53)
Less : Interest	-	0.23
Depreciation	19.59	19.62
	<u>19.59</u>	<u>19.85</u>
Profit/(Loss) before Tax	(31.59)	(84.38)
Less : Provision for Taxation		
Current Tax	-	-
Fringe Benefit Tax	-	2.21
Profit/(Loss) after Tax	(31.59)	(86.59)
Less : Extraordinary Items	-	562.71
Balance	(31.59)	476.12
Add : Balance brought forward	(2,512.83)	(2,988.95)
Balance (Loss) carried to	<u>(2,544.42)</u>	<u>(2,512.83)</u>
Balance Sheet		

### 3. Dividend :

In view of the operating cash loss made during the year and the accumulated losses, the Directors do not recommend any dividend for the financial year 2009-10.

### 4. Management Discussion and Analysis Report :

#### i) Financial Results

Sales during the year were Rs. 77.10 lacs compared to Rs. 57.45 lacs during the previous financial year. The other income mainly consisted of the profits from sale of assets; sale of scrap and sundry credit / debit balances written back for both the years. During the year some of the assets were sold and proportionate adjustment in the impairment loss provided in the earlier years was made and the balance provision of impairment loss of Rs. 518.82 lacs is being carried forward.

After taking into account the Other Income the loss for year was Rs. 31.59 lacs as compared to Rs. 86.59 lacs during the previous year.

#### ii) Operations & Restructuring

The initiatives taken by the Company in restructuring of operations of business particularly with focus on Food Business are showing signs of improvement. Food processing in general is a promising business and the strategies being followed by the Company are for steady development of this business. As a part of financial restructuring Amalgamation of wholly owned Subsidiary GoKhatak Enterprises Ltd. has been completed. Some of the old issues like settlement of redemption of Preference Shares etc. will hopefully be resolved during the next couple of years and the restructuring will thus be completed.

#### iii) Risks and Concerns

The development of the business will require new funds and management in order to take advantage of opportunities and minimise the risks of competition.

#### iv) Internal Control and Systems

The Company has maintained a core staff to complete the outstanding financial and restructuring issues. The system of internal control is oriented to review the risks, control measures, maintenance of proper accounting records and reliability of information and data.

### 5. Corporate Governance :

The Company has complied with the Corporate Governance requirements as per the Listing Agreement. Report on compliance with Corporate Governance and certificate from Auditors are given as Annexure –I to this Report.

### 6. Conservation of Energy :

*Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo :*

The details required under the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 are given in Annexure –II to this Report.

#### 7. Fixed Deposits :

The Company did not accept any fixed deposits during the year.

There were 64 nos. of fixed deposits amounting to Rs. 10.83 lacs which remained unclaimed as of 31st March, 2010. In respect of unclaimed deposits and interest the Company has created Liquid Asset by transferring the equivalent amount to a separate Bank Account. The unclaimed deposits and interest are being paid out of the said Bank Account.

#### 8. Directors :

In accordance with the provisions of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company, Shri A. Y. Fazalbhoy and Shri S.V. Muzumdar retire by rotation and are eligible for re-appointment. The resolutions pertaining to their re-appointment are put for your approval.

#### 9. Directors' Responsibility Statements :

The Board of Directors of the Company confirm :

- i. that in the preparation of the annual accounts the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the loss of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

#### 10. Qualifications in the Auditor's Report :

There are no qualifications in the Auditor's Report regarding audited Accounts for the year ended March 31, 2010.

The Auditor's have made certain comments and observations in their report in respect of non-

payment of undisputed and disputed statutory dues. In respect of these matters we have to state and clarify as under:

- a) In respect of Sales Tax, VAT, the Company will be able to make the payments during the current year. In respect of Gratuity the Company had fully funded the liability in respect of continuing employees and in respect of ex-employees and employees transferred to other associate Companies, the Company is making the payments directly as mentioned in Note No. 5 of Notes to Accounts.
- b) As regards various disputed statutory liabilities stated as Contingent Liabilities the Company has submitted its appeals before adjudication /appellate authorities and is of the opinion that the matters will be decided in Company's favour.

#### 11. Merger of GEL with the Company :

GoKhatak Enterprises Ltd., (GEL), which was a wholly owned subsidiary of the Company had to discontinue its operations due to withdrawal of Konica Minolta from photographic business as its business was that of running of 'Konica Photo Express' outlets.

The Company had submitted its applications and filed Petitions under the provisions of Section 391 to 394 of the Company Act, 1956 for the merger of GEL, with the Company. The Amalgamation Scheme submitted to the High Court of Bombay, at Goa has been approved by the Hon'ble High Court as per its Orders passed on 6th August, 2010. The Audited Accounts for the financial year ended March 31, 2010 are therefore reflecting the financial position of the Company after giving effect to the merger of GEL with Phil Corporation Limited.

#### 12. Voluntary Delisting of shares on NSE :

The Company had submitted application for voluntary delisting of its Equity Shares on NSE as a measure of economy under delisting guidelines. The members of the Company had also approved the voluntary delisting as per the Resolution passed at the 26th Annual General Meeting held on 25th September, 2009. The Company has received approval from NSE for delisting of Equity Shares on NSE. The listing of Company's Securities on the Bombay Stock Exchange Ltd. will be continued.

**13. Auditors :**

The members will be appointing the Auditors for the next financial year and to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and fixing their remuneration. The Company has received a Certificate from M/s. V. C. Shah & Co., Chartered Accountants, Mumbai, under Section 224(1B) of the Companies Act, 1956 for being eligible for their reappointment.

**14. Particulars of the employees :**

Particulars of the employees as required under Section 217(2A) of the Companies Act, 1956 are not applicable as the Company did not have any employee drawing remuneration in excess of the sums prescribed.

**15. Appreciation :**

The Directors place on record their appreciation of the excellent contribution made by the employees of the Company at all levels.

For and on behalf of Board of Directors

A. Y. Fazalbhoj  
Chairman

*Place : Mumbai*  
*Dated : August 31, 2010*

## ANNEXURE – I REPORT ON CORPORATE GOVERNANCE

### Company's Philosophy on Corporate Governance :

The Company follows the philosophy of Corporate Governance to create an organisation culture that ensures good conscience, transparency, integrity and openness. The aim is to achieve desired goals with accountability and create a system that brings stability, growth, increased employee and customer satisfaction and increased shareholder value.

The Board of Directors appreciates the spirit behind Corporate Governance code which will bring the transparency in disclosure and communication. By initiating steps to improve Corporate Governance we can expect the benefits to shareholders, employees and other stakeholders.

### Board of Directors' – Composition :

The Board of Directors of your Company is led by Non-Executive Chairman Shri A.Y. Fazalbhoy. The composition of the Board of Directors is in conformity with Clause 49 of the Listing Agreement with the Stock Exchange.

Name of the Director	Business Relationship	Executive/Non-Executive/Independent	No. of other Directorships	No. of other Committee Memberships	
				Chairman	Member
Shri A.Y. Fazalbhoy	Chairman	Promoter, Non-Executive	-	-	-
Shri Kavas D. Patel	Vice Chairman	Independent, Non-Executive	8	2	1
Shri John B. Bowman	Director	Independent, Non-Executive	1	-	-
Shri S.V. Muzumdar	Director	Independent, Non-Executive	2	2	3
Shri K.D. Bhat	Managing Director	Executive	-	-	-
Shri A.V. Gaikwad	Director	Executive / Non Executive*	-	-	-

66.66% Non-Executive

50% Independent

### NOTES:

1. Except the Managing Director other Directors retire by rotation.
2. Number of other Directorships is given excluding Pvt. Ltd., Companies and Section 25 Bodies Corporates.
3. For Committee Membership / Chairmanship; the Committees considered are Audit Committee, Shareholder's Grievance Committee and Remuneration Committee.
4. None of the Directors is holding Membership of Committees more than 10 Committees and Chairmanship of more than 5 Committees as specified by Clause 49(I)(c)(ii) of the Listing Agreement.
5. \* Shri A.V. Gaikwad continued as Executive Director for part of the year. With effect from 1st November, 2009 he is Non-Executive Director liable to retire by rotation.

### Number of Board Meetings, Attendance at Board Meetings and previous Annual General Meeting :

Name of the Director	Board Meetings held during the period : 6	26th AGM held on 25th September, 2009	Dates of Board Meetings held during the period
	Attended	Attended	
Shri A.Y. Fazalbhoy	6	Y	18.04.2009
Shri Kavas D. Patel	6	Y	23.06.2009
Shri John B. Bowman	4	N	30.07.2009
Shri S.V. Muzumdar	3	N	25.09.2009
Shri K.D. Bhat	6	Y	31.10.2009
Shri A.V. Gaikwad	6	Y	30.01.2010

**Shareholding of Non-Executive Directors :**

The shareholding of the Non-Executive Directors as on 31st March, 2010 is as follows :

Name of the Non-Executive Director	No. of Equity Shares held	% of paid up Equity Capital
1. Shri A.Y. Fazalbhoj (Chairman)	2,26,140	1.95%
2. Shri Kavas D. Patel (Vice Chairman)	10,000	0.09%
3. Shri John B. Bowman	1,000	0.01%
4. Shri S.V. Muzumdar	1,100	0.01%
5. Shri A.V. Gaikwad	1,200	0.01%

**Code of conduct :**

Guidelines for Philcorp Code of Conduct to be observed by all the employees of the Company including the Whole Time Directors were issued. The Board of Directors have approved and adopted the Philcorp Code of Conduct. All the Board of Directors and senior personnel as per Clause 49 of the Listing Agreement have affirmed compliance with the Code of Conduct. A declaration to this effect signed by Managing Director (CEO) forms part of this report.

**Audit & Shareholders' Grievance Committee**

The Board has constituted the Audit and Shareholders' Grievance Committee of the following members :

Shri Kavas D. Patel -- Chairman

Shri A.Y. Fazalbhoj -- Member

Shri S.V. Muzumdar -- Member

The Composition of the Audit Committee is in Conformity with Clause 49(II)(A) of the Listing Agreement. Shri Kavas D. Patel, Chairman of the Committee is a member of the Institute of Chartered Accountants England & Wales.

The Committee deals with all matters indicated in Clause 49(II-D) of the Listing Agreement. In all three Meetings of the Audit and Shareholders' Grievance Committee were held during the year and the attendance at the Meeting

was as follows :

Name of the Member	No. of Audit Committee Meetings held during the period : 4	Dates of the Audit Committee Meetings held during the year
	Attended	
Shri Kavas D. Patel	4	23.06.2009
Shri A.Y. Fazalbhoj	4	30.07.2009
Shri S.V. Muzumdar	3	31.10.2010
		30.01.2010

**Remuneration Committee :**

The Remuneration Committee consists of the following Members :

1. Shri Kavas D. Patel -- Chairman
2. Shri John B. Bowman -- Member
3. Shri A.Y. Fazalbhoj -- Member
4. Shri K.D. Bhat -- Managing Director

The Committee is responsible for revising remuneration packages to Managing Director, Whole Time Directors, Senior Executives and Managers. No stock options are issued to the Directors or Employees. One meeting of Remuneration Committee was held during the year under review.

**Remuneration Policy :**

**Non Executive Directors :** Presently no commission or any other remuneration except the sitting fees are paid to the Non-Executive Directors. Sitting fees are paid for attending the Board Meetings, Audit Committee Meetings and Remuneration Committee Meetings. The Company pays Rs. 3,000/- per meeting towards the sitting fees to Directors for attending the Board Meeting / Audit Committee Meeting / Remuneration Committee Meeting. No sitting fees are paid for Executive Committee Meetings.

The Company did not have any pecuniary relationship or transactions with any of the Non-Executive Directors, except in case of Shri A. V. Gaikwad to whom Consultancy Fees have been paid as per approval of the Board / Shareholders.

**Managing Director/Executive Director :**

As approved by the Shareholders and the Central Government as applicable, the Company is paying remuneration to Managing Director and Executive Director by way of salary and perquisites (Fixed component). No commission or incentive is paid or payable to the Managing Director or Executive Director. No sitting fees for attending Board Meetings or any other Committee Meetings of the Company are paid to Managing Director or Executive Director.

The Board approves the appointment and the terms and conditions of appointment and remuneration of Whole Time Directors (including Managing Director) on the basis of recommendations of the Remuneration Committee. The terms and conditions and remuneration payable to the present Managing Director are within the ceilings prescribed as per the Schedule XIII of the Companies Act, 1956.

**Service Contracts, Severance Pay, Restrictive Covenants and Notice period :**

**Managing Director**

- Period of contract : Two years from 1st April, 2010
- Notice Period : By either party giving three Months notice in writing.
- Restrictive covenants/ Severance Pay : As per Board Resolution dated 30th July, 2009 and the Agreement entered between Shri K. D. Bhat and the Company

**Remuneration paid to the Directors :**

Non-Executive Directors are paid sitting fees for attending the Board Meetings / Audit Committee Meetings / Remuneration Committee Meetings. During the Financial year ended 31st March, 2009 the sitting fees paid to Non-Executive Directors are as follows :

Name of the Director	Remuneration Rs.	Sitting fee Rs.	Total Rs.
Shri A.Y. Fazalbhoy	-	30,000/-	30,000/-
Shri Kavas D. Patel	-	30,000/-	30,000/-
Shri John B. Bowman	-	12,000/-	12,000/-
Shri S.V. Muzumdar	-	18,000/-	18,000/-
Shri A. V. Gaikwad	*1,25,000	3,000/-	1,28,000/-

\* Consultation Fees

The details of Remuneration paid to Shri K.D. Bhat, Managing Director and Shri A.V. Gaikwad - Executive Director & Company Secretary are given below :

Name of the Director	Salary Rs.	Contribution to PF & Other Funds Rs.	Perquisites Allowances Rs.	Total Rs.
Shri K.D. Bhat Managing Director	6,60,000/-	1,65,000/-	2,68,000/-	10,93,000/-
* Shri A.V. Gaikwad Executive Director & Company Secretary	2,87,000/-	71,750/-	1,79,557/-	5,38,307/-

\* For part of the year

**Executive Committee of Directors :**

This Non-Mandatory Committee was constituted in the year 1985 and it has been functioning regularly. Its Composition as at 31st March, 2010 is as follows :

- Shri A.Y. Fazalbhoy - Chairman  
 Shri Kavas D. Patel - Vice Chariman  
 Shri K.D. Bhat - Managing Director  
 Shri A.V. Gaikwad - Director

**Terms of Reference :**

- Review and sanction of Capital Expenditure within delegated limits and recommendations to the Board for approval above its limits.
- To examine and study new proposals for investment and recommend to the Board for approval of any expansion or diversification projects.
- To formulate future strategies for business development.
- To consider all administrative matters/approvals within its delegated powers.

The powers delegated to this Committee as per Board Resolution dated 28th June, 2001 inter alia, include the following :

- Power to borrow moneys otherwise than on Debentures with limits.
- Power to invest the funds of the Company.
- Power to make loans.
- Purchase/disposal of fixed assets.
- Powers as per Article 162 of the Articles of Association.
- Powers in respect of operation/closing of Bank Accounts/Branches/Depots etc., and other administrative matters.



**Share Transfer Committee & Share Transfer System :**

The Share Transfer Committee consists of any two Directors of the Company. The Share Transfer Committee meets regularly. The Registrars and Share Transfer Agents process the physical Share Transfers and any defects while processing the Share Transfer Deeds are immediately intimated by objection letters by the Registrars and Share Transfer Agents to the concerned Transferor / Transferee.

In all 17 Meetings of Share Transfer Committee were held during the year.

**Means of Communication :**

The Unaudited quarterly results of the Company are taken on Record by the Directors and are communicated to the Stock Exchanges where the Shares of the Company are listed. The Unaudited quarterly results are published as per Clause 41 of the Listing Agreement.

During the period under review the results were published in the following newspapers :

- (1) Sunaparant (Goa) (Konkani)
- (2) Gomantak Times (Goa) (English & Marathi)

**General Body Meeting Venue & Time of previous Three Annual General Meetings :**

Day	Date	Time	Venue
Friday	25th September, 2009	5.00 p.m.	Mapusa Residency (Tourist Hostel, Mapusa, Goa)
Monday	29th December, 2008	5.00 p.m.	Mapusa Residency (Tourist Hostel, Mapusa, Goa)
Friday	7th September, 2007	5.00 p.m.	Mapusa Residency (Tourist Hostel, Mapusa, Goa)

**Disclosures :**

The Company has complied with the statutory provisions, rules and regulations relating to the 'Capital Market' during the last three years and no penalties or strictures have been imposed by Stock Exchange or SEBI or any other Statutory Authority.

**GENERAL SHAREHOLDER INFORMATION :**

**27th Annual General Meeting – Day, Date, Time and Venue**

Day	Date	Time	Venue
Wednes-day	29th September, 2010	4.30 p.m.	Mapusa Residency (Tourist Hostel, Mapusa, Goa)

There are no Special Resolutions for approval of the members by Postal Ballot system at the 27th Annual General Meeting

**Financial Calendar :**

- Financial Year : 1st April, 2009 to 31st March, 2010
- Unaudited Results : 1st Quarter - (April - June, 2009) July, 2009
- Unaudited Results : 2nd Quarter - (July - September, 2009) October, 2009
- Unaudited Results : 3rd Quarter - (October - December, 2009) January, 2010
- Unaudited Results : 4th Quarter - (January - March, 2010)
- Accounts Approval / Audited Results : August, 2010

**Dates of Book Closure (Both days inclusive) & Dividend payment date :**

Book Closure :	Dividend Payment
<b>From Wednesday the 22nd September, 2010 to Wednesday the 29th September, 2010 (Both days inclusive)</b>	Not Applicable

**The Company's Equity Shares are listed on the following Stock Exchange**

Bombay Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001  
Stock Code :  
Physical - 458  
Demat - 500458

Demat ISIN in NSDL & CSDL : INE601A01017

**Revocation of Suspension of trading of Equity Shares on BSE :**

The trading of Equity Shares listed on Bombay Stock Exchange Ltd. was suspended in the year 2005-06 because of the delay in payment of the listing fees. The listing fees were paid to the Stock Exchange and application for revocation of suspension was submitted earlier. However, the Company was declared as a 'Sick Company' by BIFR in January, 2007 and the application for revocation of suspension was not being considered by Bombay Stock Exchange Ltd. since the Company was declared a Sick Company.

Subsequently, in August, 2008 BIFR passed the order discharging the Company from the purview of 'Sick Industrial Companies (Special Provisions) Act,' 1985 (SICA). On receipt of this order, the application for revocation of suspension was revived and all the particulars for the revocation of suspension which were required by the Bombay Stock Exchange were submitted. Our application for revocation of suspension of trading of securities was considered by the Internal Committee of Bombay Stock Exchange on 19th May, 2009 and the Internal Committee has decided to revoke the suspension subject to fulfillment of the conditions as mentioned in their approval letter dated 20th May, 2009.

**Shareholding Pattern as on 31st March, 2010**

Category	No. of Shares held	% of Share holding
Directors, their relatives and Promoter Group	58,63,173	50.33
Mutual Fund and UTI	5,100	0.04
Banks, Financial Institutions, Insurance Companies(Central/State Govt.) Institutions/Non-Governmental Insurance	43,300	0.37
Foreign Institutional Investors	1,000	0.01
Private Corporate Bodies	2,91,240	2.50
Indian Public	53,92,999	46.29
Non-resident Indians/OCBs	53,188	0.46
<b>Total</b>	<b>1,16,50,000</b>	<b>100.00</b>

**Distribution of Shareholding as on 31st March, 2010**

Sr. No.	Share Range		Shares	% To Capital	No. of Holders	% to Total Holders
	From	To				
1	1	500	24,27,535	20.83	13,638	87.90
2	501	1,000	8,91,118	7.65	1078	6.95
3	1001	2,000	6,89,040	5.91	424	2.73
4	2001	3,000	3,74,612	3.22	143	0.92
5	3001	4,000	2,23,440	1.92	62	0.40
6	4001	5,000	2,84,210	2.44	59	0.38
7	5001	10,000	5,40,755	4.64	74	0.48
8	10001	50,000	5,01,574	4.31	26	0.16
9	50001	99,99,99,99,999	57,17,716	49.08	12	0.08
<b>TOTAL</b>			<b>1,16,50,000</b>	<b>100.00</b>	<b>15,516</b>	<b>100.00</b>

**Status of Shareholder's Complaints/Service Requests received and attended during the year :**

As per the quarterly reports received from Registrars and Share Transfer Agents the status of complaints and service requests received and attended during the year is as follows :

	Complaints	Service Requests
(i) Pending as on 1st April, 2009	0	0
(ii) Received during the period	3	39
(iii) Resolved/Attended during the period.	3	39
(iv) Pending as on 31st March, 2010	0	0

**Registrars & Share Transfer Agents:**

Datamatics Financial Services Ltd.  
Plot No. A-16 & 17, MIDC,  
Part B Cross Lane, Marol,  
Andheri (East), Mumbai 400 093.

## ANNEXURE TO THE REPORT OF THE DIRECTORS'

### CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To  
**The Shareholders of Phil Corporation Limited**

We have examined the compliance of conditions of Corporate Governance by Phil Corporation Limited, for the financial year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing

Agreement; except as mentioned in the report on Corporate Governance.

We state that in respect of investor grievances received during the financial year ended 31st March, 2010, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company or the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For V. C. Shah & Co.**  
*Chartered Accountants*  
*Firm Reg. No. 109818W*

*Place : Mumbai*  
*Dated : August 31, 2010*

**V. C. Shah**  
*Partner*  
*Membership No. 10360*

## DECLARATION

I, Kundapur Damodar Bhat, Managing Director of Phil Corporation Ltd., hereby declare that all the members of the Board of Directors and Senior Management Personnel as defined by Clause 49 of the Listing Agreement have affirmed compliance with the code of conduct for the financial year ended 31st March, 2010.

**For PHIL CORPORATION LIMITED**

*Place : Mumbai*  
*Dated : Augutst 31, 2010*

**K.D. BHAT**  
*Managing Director*

## ANNEXURE –II – TO DIRECTORS' REPORT

(Disclosure as per Notification GSR No. 1029 dated December 31, 1988)

### A. Conservation of Energy :

Energy conservation is a continuous programme and the Company has laid emphasis on creating awareness amongst employees for optimizing operations and improving efficiency of machinery and equipment. The Company is installing energy efficient devices in its new projects. The measures taken by the Company have resulted in saving in energy consumption.

### B. Technology Absorption :

Research and Development :

1. Specific areas in which R & D carried out by the Company :
  - Product/Process improvement and development.
  - Quality improvement.
2. Benefits derived as a result of R & D :
  - Improvement in quality and new product/process development.

### 3. Future plan of action:

- Continuous development of products and processes.

4. Expenditure on R & D	Rs. in lacs
Capital	--
Recurring	--
TOTAL	<u>    --</u>
Total R & D Expenditure as percentage of turnover	Nil

### 5. Imported Technology :

- |   |     |
|---|-----|
| (a) Technology imported over past 5 years   | Nil |
| (b) Has the technology been fully developed | N/A |

### C. Foreign Exchange Earnings and Outgo :

The details of foreign exchange earnings and outgo are given in Note No. 13 of the Notes to Accounts.

## REPORT OF THE AUDITORS

TO  
THE SHAREHOLDERS OF  
PHIL CORPORATION LIMITED

We have audited the attached Balance Sheet of PHIL CORPORATION LIMITED, as of 31st March, 2010 and also the Profit and Loss Account of the Company and the Cash Flow Statement for the year ended on that date annexed hereto.

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.

1. We have conducted our audit in accordance with auditing standards generally accepted in India.

Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books and proper returns adequate for the

purpose of our audit have been received from branches not visited by us;

- (c) the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit & Loss Account and Cash Flow statement comply with Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
- (e) on the basis of the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010, 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 the 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;
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
  - (ii) in the case of the Profit and Loss Account, of the "loss" of the Company for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

**For V. C. Shah & Co.**  
Chartered Accountants  
Firm Reg. No. 109818W

Place : Mumbai  
Dated : August 31, 2010

**V. C. Shah**  
Partner  
Membership No. 10360

## ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the fixed assets has been physically verified by the management during the year and in our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. We have been informed that no material discrepancies were noticed on such physical verification.
- (c) Fixed assets disposed off during the year were substantial. According to the information and explanations given to us, we are of the opinion that the status of the Company as a going concern has been affected on account of closure of major business division.
- (ii) (a) The inventories have been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and these have been properly dealt with in the books of account.
- (iii) The Company has not granted nor taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Sub-Clause (b), (c) and (d) 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. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) Based upon the audit procedures performed and according to the information and explanations given to us, the transactions that need to be entered in 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, such transactions exceeding the value of Rs. 5 lacs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any fixed deposits from the public during the year. There are unclaimed deposits, in respect of which the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. In respect of the orders passed by the Company Law Board in earlier years the Company has complied with the said orders.
- (vii) We are informed that in view of closure of substantial business of the Company the management has not considered it appropriate to have any formal internal audit system.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(i)(d) of the Companies Act, 1956 for any of the products of the Company.
- (ix) (a) According to the records of the Company, in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Cess have been generally, regularly deposited during the year with the appropriate authorities. As per the explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at 31st March, 2010 for a period of more than six months from the date on which they became payable. In respect of Sales Tax, Gratuity payments the extent of arrears of dues, as at the last day of the financial year outstanding for a period of more than six months from the date they became payable are as follows:

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which the Amount Relates
Delhi VAT Act, 2004	Sales Tax	5,52,616	April 2005 to August 2005
Maharashtra VAT Act, 2002	VAT	8,94,844	April 2006 to March 2009
A. P. VAT Act, 2005	Sales Tax	64,799	February 2006 to March 2006
Under Payment of Gratuity Act	Gratuity	32,07,155	Upto 31st March, 2009

(b) According to the records of the Company, Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute are given below :

Name of the statute (nature of dues)	Period to which the amount relates	A Forum where dispute is pending	Amount (Rs.)
Duty Drawback Rules	1989-1990	High Court, Mumbai	7,04,000
Demand of Excise Duty against show cause notice	1990-1992	Excise Department	15,72,000
Excise Duty on Nuts processing food products- Supreme Court Review Petition pending	1997-1999	Supreme Court	89,85,000
State Sales Tax / CST	1992-2006	Sales Tax Appellate/ Tribunal	8,33,72,608
Foreign Trade (Development & Regulation) Act, 1992	1999-2000	DGFT/Jt.DGFT	1,92,73,000
Service Tax	2003-2004	Central Excise Service Tax Appellate Tribunal, Mumbai	20,43,046
Excise Duty on Films.	2003-2005	Central Excise Tribunal.	1,70,46,000

(x) The accumulated losses at the end of the financial year are more than 50% of the net worth. The Company has incurred cash loss of Rs. 95,15,805, in the current financial year and Rs. 36,82,865 in the preceding financial year.

(xi) In our opinion and according to information given to us, the Company does not owe any dues to Financial Institutions, Banks or Debenture holders. Therefore the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of the clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.

(xv) According to the information and explanation given to us, the Company has not given any guarantees for loans taken by other from banks or financial institutions.

(xvi) According to the information and explanations given to us, the Company has not taken 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 Company has not raised any funds on short term or long term basis.

(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 Act.

(xix) The Company has not issued any debentures during the year.

(xx) During the year, the Company has not raised any money by public issue.

(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 V. C. Shah & Co.**  
Chartered Accountants  
Firm Reg. No. 109818W

Place : Mumbai  
Dated : August 31, 2010

**V. C. Shah**  
Partner  
Membership No. 10360

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule	2010 Rs.	2009 Rs.
<b>SOURCE OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Capital	1	12,65,00,000	12,65,00,000
Reserves & Surplus	2	14,11,16,347	14,11,16,347
		<u>26,76,16,347</u>	<u>26,76,16,347</u>
<b>2. Loan Funds</b>			
Secured Loans			
Unsecured Loans	3	11,85,555	13,20,555
		<u>11,85,555</u>	<u>13,20,555</u>
<b>TOTAL</b>		<u>26,88,01,902</u>	<u>26,89,36,902</u>
<b>APPLICATION OF FUNDS</b>			
<b>3. Fixed Assets</b>	4		
Gross Block		18,08,96,125	27,73,12,638
Less: Depreciation		8,33,80,836	12,57,13,207
Impairment Loss		5,18,82,172	10,76,87,634
Net Block		<u>4,56,33,118</u>	<u>4,39,11,797</u>
<b>4. Investments</b>	5	10,000	10,000
<b>5. Current Assets, Loans and Advances</b>			
Inventories	6	28,29,800	51,11,960
Sunday Debtors	7	14,38,528	13,19,098
Cash and Bank Balances	8	30,89,533	37,86,434
Loans and Advances	9	1,04,76,735	1,37,91,596
		<u>1,78,34,596</u>	<u>2,40,09,087</u>
<b>6. Less: Current Liabilities &amp; Provisions</b>	10		
Current Liabilities		4,94,14,287	4,86,28,044
Provisions		38,15,904	57,60,846
		<u>5,32,30,191</u>	<u>5,43,88,889</u>
<b>7. Net Current Assets</b>		<b>(3,53,95,596)</b>	<b>(3,03,79,802)</b>
<b>8. Deferred Tax Asset</b>		41,12,199	41,12,199
<b>9. Miscellaneous Expenditure</b>	11	25,44,42,182	25,12,82,707
<b>TOTAL</b>		<u>26,88,01,902</u>	<u>26,89,36,902</u>
<b>Statement of Significant Accounting Policies</b>	19		
<b>Notes to Accounts</b>	20		

**The schedules referred to above form an integral part of Balance Sheet**

As per our report attached

For and on behalf of the Board of Directors

For V.C.SHAH & CO.  
Chartered Accountants  
Firm Reg. No. 109818W

KAVAS D. PATEL - Vice Chairman

V.C.SHAH  
Partner  
Membership No. 10360

K.D.BHAT  
Managing Director

S. V. MUZUMDAR - Director

Mumbai  
Dated: August 31, 2010

B.S. SRIDHARA  
Company Secretary

A. V. GAIKWAD - Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	2010 Rs.	2009 Rs.
<b>INCOME</b>			
Sales and Services	12	77,10,157	57,44,882
Other Income	13	1,45,89,714	2,85,58,005
		<u>2,22,99,871</u>	<u>3,43,02,887</u>
<b>Less : EXPENDITURE</b>			
Cost of Goods sold	14	70,36,598	39,60,230
Personnel	15	54,64,729	88,46,967
Franchisee Service Charges		-	-
Other Expenses	16	1,09,94,319	2,79,44,576
Excise		4,638	3,976
		<u>2,35,00,285</u>	<u>4,07,55,749</u>
<b>Gross Operating Profit/(Loss)</b>		<b>(12,00,413)</b>	<b>(64,52,862)</b>
Less: Interest	17	-	22,465
Depreciation		19,59,063	19,61,890
		<u>19,59,063</u>	<u>19,84,355</u>
<b>Profit/(Loss) before Taxation</b>		<b>(31,59,476)</b>	<b>(84,37,217)</b>
Less : Provision for Taxation - Current tax		-	-
- Fringe Benefit Tax		-	2,21,438
<b>Profit/(Loss) after Taxation</b>		<b>(31,59,476)</b>	<b>(86,58,655)</b>
Less/Add : <b>Extra Ordinary items</b>	18	-	5,62,70,920
		<u>(31,59,476)</u>	<u>4,76,12,265</u>
Add: Balance brought forward		<u>(25,12,82,707)</u>	<u>(29,88,94,972)</u>
Loss carried to Balance Sheet		<u>(25,44,42,183)</u>	<u>(25,12,82,707)</u>
<b>Statement of Significant Accounting Policies</b>	19		
<b>Notes to Accounts</b>	20		

**The schedules referred to above form an integral part of Profit & Loss Account**

As per our report attached

For and on behalf of the Board of Directors

For V.C.SHAH & CO.  
Chartered Accountants  
Firm Reg. No. 109818W

KAVAS D. PATEL - Vice Chairman

V.C.SHAH  
Partner  
Membership No. 10360

K.D.BHAT  
Managing Director

S. V. MUZUMDAR - Director

Mumbai  
Dated: August 31, 2010

B.S. SRIDHARA  
Company Secretary

A. V. GAIKWAD - Director

PHIL CORPORATION LIMITED

SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	2010 Rs.	2009 Rs.
<b>SCHEDULE 1</b>		
<b>SHARES CAPITAL</b>		
<b>Authorised</b>		
1,50,00,000 (Previous year 1,50,00,000) Equity Shares of Rs.10 each.	15,00,00,000	15,00,00,000
10,00,000 (Previous year 10,00,000) Preference Shares of Rs.100 each.	<u>10,00,00,000</u>	<u>10,00,00,000</u>
	<u>25,00,00,000</u>	<u>25,00,00,000</u>
<b>Issued and Subscribed</b>		
1,16,50,000 (Previous year 1,16,50,000) Equity Shares of Rs.10 each fully paid	11,65,00,000	11,65,00,000
1,00,000 (Previous year 1,00,000) Cumulative Redeemable Non-Convertible Preference Shares of Rs.100 each fully paid. Redeemable on 9th June, 2003 at par (Refer Note No.3)	<u>1,00,00,000</u>	<u>1,00,00,000</u>
	<u>12,65,00,000</u>	<u>12,65,00,000</u>

<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
	35,06,438	35,06,438
<b>Capital Redemption Reserve</b>		
	4,20,00,000	4,20,00,000
<b>Securities Premium</b>		
	<u>9,56,09,909</u>	<u>9,56,09,909</u>
	<u>14,11,16,347</u>	<u>14,11,16,347</u>

<b>SCHEDULE 3</b>		
<b>UNSECURED LOANS</b>		
<b>Fixed Deposits</b> (Unclaimed including interest)	<u>11,85,555</u>	<u>13,20,555</u>
	<u>11,85,555</u>	<u>13,20,555</u>

	GROSS BLOCK-COST				DEPRECIATION			NET BLOCK	
	AS ON 1ST APRIL, 2009	ADDITIONS	DEDUCTION	AS ON 31ST MARCH, 2010	AS ON 31ST MARCH, 2010	AS ON 31ST MARCH, 2009	AS ON 31ST MARCH, 2010	AS ON 31ST MARCH, 2009	
LEASEHOLD LAND	17,69,821	-	-	17,69,821	-	-	17,69,821	17,69,821	
FREEHOLD LAND	2,20,050	-	-	2,20,050	-	-	2,20,050	2,20,050	
BUILDINGS	7,54,04,166	-	9,17,500	7,44,86,666	1,74,38,761	1,66,83,033	5,70,47,905	5,87,21,133	
PLANT & MACHINERY	17,31,70,219	-	8,65,64,438	8,66,05,781	5,81,57,608	9,59,28,238	2,84,48,173	7,72,41,982	
COMPUTERS	19,61,124	-	-	19,61,124	13,31,603	11,17,413	6,29,521	8,43,710	
VEHICLES	13,81,846	-	-	13,81,846	2,08,592	1,14,182	11,73,254	12,67,664	
FURNITURE & FIXTURES	2,34,05,412	-	1,33,25,912	1,00,79,500	62,44,272	1,18,70,341	38,35,228	1,15,35,072	
CAPITAL WORK IN PROGRESS	27,73,12,638	-	10,08,07,850	17,65,04,788	8,33,80,836	12,57,13,207	9,31,23,953	15,15,99,432	
	-	43,91,337	-	43,91,337	-	-	43,91,337	-	
<b>SUB TOTAL</b>	27,73,12,638	43,91,337	10,08,07,850	18,08,96,125	8,33,80,836	12,57,13,207	9,75,15,290	15,15,99,432	
IMPAIRMENT LOSS	-	-	-	-	-	-	5,18,82,172	10,76,87,634	
<b>T O T A L</b>	27,73,12,638	43,91,337	10,08,07,850	18,08,96,125	8,33,80,836	12,57,13,207	4,56,33,118	4,39,11,798	
PREVIOUS YEAR	30,67,46,276	14,54,960	3,03,88,597	27,78,12,638	12,57,13,207	13,37,86,590	4,39,11,798	5,59,85,805	

## SCHEDULES TO THE BALANCE SHEET AND PROFIT &amp; LOSS ACCOUNT

	2010 Rs.	2009 Rs.
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>Long Term</b>		
<b>Quoted - Fully Paid</b>		
1000 Units of Rs. 10 each of Unit Trust of India UGS Scheme 10000	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
Market value of Quoted Investments Rs. 34,000 (Previous year Rs. 24,000)		
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
Raw Materials & Components - at cost	3,73,763	10,24,090
Stores, packing materials etc. - at cost	5,92,940	7,12,851
Finished Goods - at lower of cost or realisable value	<u>18,63,097</u>	<u>33,75,019</u>
	<u>28,29,800</u>	<u>51,11,960</u>
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured		
Outstanding over six months - Considered good	4,68,417	4,79,710
Outstanding over six months - Considered doubtful	-	16,06,013
Less: Provision for Doubtful Debts	-	16,06,013
Other Debts - Considered good	<u>9,70,111</u>	<u>8,39,388</u>
	<u>14,38,528</u>	<u>13,19,098</u>
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash and Cheques on Hand	11,055	23,740
<b>With Scheduled Banks on</b>		
i) Current Accounts	28,33,275	35,17,491
ii) Deposit Accounts	<u>2,45,203</u>	<u>2,45,203</u>
	<u>30,89,533</u>	<u>37,86,434</u>

**SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

	2010 Rs.	2009 Rs.
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured, Considered good)</b>		
Advances recoverable in cash or in kind or for value to be received	80,25,585	1,11,19,806
Balance with Excise, Customs etc.	21,69,484	21,69,484
Payments towards Income Tax	2,81,667	5,02,306
	<u>1,04,76,735</u>	<u>1,37,91,596</u>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
1. Sundry Creditors		
i) Total outstanding dues to Small Scale Industrial Undertaking	5,17,700	5,75,558
ii) Others	2,47,97,040	1,73,71,669
2. Advances from customers (Include for sale of property)	18,82,387	17,34,021
3. Other Liabilities	2,22,17,161	2,89,46,796
	<u>4,94,14,287</u>	<u>4,86,28,044</u>
<b>B. Provisions</b>		
For Staff Benefits	38,15,904	57,60,845
	<u>5,32,30,191</u>	<u>5,43,88,888</u>
<b>SCHEDULE 11</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
<b>Profit &amp; Loss Account as per contra</b>	25,44,42,182	25,12,82,707
	<u>25,44,42,182</u>	<u>25,12,82,707</u>
<b>SCHEDULE 12</b>		
<b>SALES AND SERVICE</b>		
Sales	77,09,068	57,36,882
Service	1,089	8,000
	<u>77,10,157</u>	<u>57,44,882</u>

**SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

	2010 Rs.	2009 Rs.
<b>SCHEDULE 13</b>		
<b>OTHER INCOME</b>		
Interest on Deposits	1,25,544	68,388
Dividend	14,111	-
Sale of Scrap	14,93,062	3,59,965
Miscellaneous Income	22,87,850	1,15,228
Sundry Debit / Credit Balance W/off	96,10,100	-
Profit on sale of Fixed Assets	10,59,046	2,80,14,424
	<u>1,45,89,714</u>	<u>2,85,58,005</u>
<b>SCHEDULE 14</b>		
<b>COST OF GOODS SOLD</b>		
<b>Raw Materials Consumed</b>		
<b>Opening Stock</b>		
Raw Materials and Components	10,24,090	10,02,000
Stores, packing materials etc.	7,12,851	4,72,000
	<u>17,36,941</u>	14,74,000
Purchase of Raw Materials and Components	55,55,983	42,68,283
	<u>72,92,924</u>	57,42,283
Less :		
<b>Closing Stock</b>		
Raw Materials and Components	3,73,763	10,24,090
Stores, packing materials etc.	5,92,940	7,12,851
	<u>9,66,703</u>	17,36,941
	63,26,221	40,05,342
Add: Purchase of Resalable goods	-	25,21,362
	<u>63,26,221</u>	65,26,704
<b>Stock Adjustments</b>		
<b>Finished Goods</b>		
<b>Opening Stock</b>		
	32,05,497	8,08,545
Less: Stock scrap & W/off	6,32,023	-
Less: Closing Stock	18,63,097	33,75,019
	<u>7,10,377</u>	(25,66,474)
	<u>70,36,598</u>	<u>39,60,230</u>
<b>SCHEDULE 15</b>		
<b>PERSONNEL EXPENSES</b>		
Salaries, Wages and Bonus	40,50,899	56,97,505
Staff Welfare Expenses	3,86,363	2,79,338
Contribution to Provident and Other Funds	10,27,467	28,70,124
	-	-
	<u>54,64,729</u>	<u>88,46,967</u>

**SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

<b>SCHEDULE 16</b>	<b>2010</b>	<b>2009</b>
	Rs.	Rs.
<b>OTHER EXPENSES</b>		
Stores Consumed	1,17,981	3,31,616
Rent	88,734	9,37,079
Rates & Taxes	61,587	6,36,773
Insurance	66,031	66,338
Power & Lighting	3,73,854	10,32,368
Travelling and Conveyance	11,83,127	20,14,116
Repairs & Maintenance		
- Machinery	1,19,812	1,13,657
- Building	2,02,748	99,818
- Others	4,72,734	5,63,303
	<u>7,95,294</u>	<u>7,76,778</u>
Packing, Freight & Forwarding	6,56,099	4,52,911
Loss on sales of investments	-	1,20,58,200
Advertising and Sales Promotion	2,57,284	2,75,865
Postage & Telephones	5,15,928	6,62,419
Printing & Stationery	2,43,595	3,30,710
Legal & Professional Charges	20,24,132	28,93,092
Security & Housekeeping Charges	5,64,522	9,95,034
Statutory Fees	4,28,344	1,98,828
Vehicle Expenses	8,10,256	13,80,075
Miscellaneous Expenses	9,67,909	5,55,772
Sales Tax Paid	9,47,470	18,72,546
Auditors' Remuneration		
Audit Fees	3,15,000	3,15,000
Other Services	36,000	36,000
Travelling and Out of Pocket Expenses including Service Tax	36,155	36,155
	<u>3,87,155</u>	<u>3,87,155</u>
Directors' Fees	93,000	84,000
Bad Debts written off	4,12,016	2,903
	<u>1,09,94,319</u>	<u>2,79,44,576</u>

**SCHEDULE 17**

**INTEREST**

Interest on :		
Fixed Deposits	-	-
Others	-	22,465
	<u>-</u>	<u>22,465</u>

**SCHEDULE 18**

**EXTRA ORDINARY ITEMS**

Excess Provision made in earlier years Written back	-	5,62,70,920
	<u>-</u>	<u>5,62,70,920</u>

## SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

### SCHEDULE-19

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

- (i) **BASIS OF PREPARATION OF FINANCIAL ACCOUNTING POLICIES :**  
The financial statements have been prepared to comply in all material respect with the mandatory Accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on accrual basis except in case of assets for which provision for impairment is made and valuation is carried out. The Accounting policies have been consistently applied by the Company and are consistent with those used in previous year.
- (ii) **FIXED ASSETS, DEPRECIATION & IMPAIRMENT LOSS :**  
Fixed Assets are stated at cost net of modvat/cenvat. The cost includes all pre-operative expenses and the financing cost of borrowed funds relating to the construction period in the case of new projects. Depreciation has been provided on straight line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956.  
The carrying amounts of the Fixed Assets are reviewed at each Balance Sheet date to assess whether they are recorded in excess of their recoverable amounts. In case the recoverable amount of the Fixed Assets is lower than its carrying amount a provision is made for the Impairment loss.
- (iii) **INVESTMENT :**  
Long term investments are stated at cost, provision is made to recognise a decline, other than temporary, in the value of long term investments.
- (iv) **INVENTORIES :**  
The raw materials & components, stores, packing materials and work-in-progress are valued at cost and finished goods are valued at lower of cost or net realisable value on "First in First out" basis. Excise and Custom Duties payable in respect of finished goods/imported materials held in bond are provided for and consequently include cost of conversion and other cost incurred in bringing the inventories to their present location and conditions. Obsolete, unserviceable and slow moving inventories are duly recognised and provided .
- (v) **SUNDRY DEBTORS :**  
Sundry Debtors are stated after making adequate provision for doubtful debts/advances.
- (vi) **RECOGNITION OF INCOME AND EXPENDITURE :**  
All income and expenditure are accounted on accrual basis.
- (vii) **SALES :**  
Sales are inclusive of Excise Duty, but net of Sales Tax, returns and trade discounts. Revenue from sales is recognised on transfer of all significant risk and rewards of ownership to the buyer.
- (viii) **RETIREMENT BENEFITS :**  
(a) Contribution to Provident Fund and is made to Regional Provident Fund Commissioner. Contributions towards Super Annuation Fund and Gratuity are made to the schemes of Life Insurance Corporation of India based on premium actuarially assessed and intimated in terms of the policies taken with them. These contributions are charged to the Profit & Loss Account.  
(b) Provision for incremental liability in respect of encashable privileged leave is made on the basis of independent actuarial valuation at the year end.
- (ix) **FOREIGN CURRENCY TRANSACTIONS :**  
Transaction in Foreign Currencies are recorded at the exchange rate prevailing at the date of transaction. Foreign currency denominated Current Assets and Current Liabilities at year end exchange rates. The resulting gains or losses are recognised in the Profit & Loss Account. The premia or gains/losses arising from forward cover transactions are recognised in the Profit & Loss Account over the life of the forward contract.
- (x) **TAXES ON INCOME :**  
Income tax expenses comprise Current Tax and Deferred Tax charge or credit. Provision for Current Tax is made on the assessable income at the tax rate applicable to the relevant Assessment Year. The Deferred Tax Asset and Deferred Tax Liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax Assets arising mainly on account of brought forward losses and Unabsorbed Depreciation under tax laws, are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognised, only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of Deferred Tax Assets are reviewed to reassure realisation.

**SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

**SCHEDULE 20**

**2010**                      **2009**  
**Rs.**                              **Rs.**

**NOTES TO THE ACCOUNTS**

**1. SCHEME OF AMALGAMATION**

In accordance with the Scheme of Amalgamation ( the " Scheme" ) as approved by the Hon'ble High Court of Bombay at Goa vide its orders dated 06-08-2010 the whole business and affairs of the erstwhile GOKHATAK ENTERPRISES LIMITED the Wholly owned Subsidiary of the Company ( the "Transferor Company") have been transferred to and vested in the Company with effect from the Appointed Date i.e. 01-04-2008. The scheme has accordingly been given effect to in the accounts.

The amalgamation being in the nature of merger has been accounted for under "Pooling of interests method" of accounting as prescribed by Accounting Standard (AS) 14 "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.

As per the scheme all the Assets and Liabilities of the Transferor Company have been taken at book value.

As per the Scheme, w.e.f. 1st April, 2008 upto 6th August, 2010 erstwhile Transferor Company has been carrying its business in "trust" on behalf of the Company. All the Income and Expenditure of the Transferor Company have been included in the Company.

The audited Consolidated Accounts of the Company for the year ended 31st March, 2009, which were circulated to the members of the Company for the 26th AGM held on 25th September, 2009, have become merged accounts of the Company and have therefore been incorporated in the previous years figures for F. Y. 2008-09 in the statement of Accounts for the financial year ended 31st March, 2010. While giving effect to the amalgamation of the Subsidiary Company capital reserve on consolidation has been adjusted against the brought forward losses.

**2. Contingent Liabilities not provided for :**

(i) Estimated amounts of contract remaining to be executed on capital account not provided for (net of advances)	<b>5,00,000</b>	-
(ii) Claims for Sales Tax / Excise / Service Tax not accepted by the Companies for which appeals are pending.	<b>9,59,72,654</b>	8,87,28,784
(iii) Claims against the Company not acknowledged as debts.	<b>2,50,42,516</b>	2,50,42,516
(iv) Export obligations not fulfilled against advance / EPCG licences.	<b>1,92,73,000</b>	1,92,73,000
(v) Duty drawback claim granted and later revoked.	<b>7,04,000</b>	7,04,000
(v) Counter Guarantee given to bankers against guarantee given by them for Sales Tax and Deposit for Electricity.	<b>15,97,000</b>	15,97,000
(vii) The Income Tax Assessments have been completed upto the Assessment Year 2006-07 and there is no demand raised by Income Tax Department. The Liability for A. Y. 1998-99 of Rs. 10,99,593/- stands deleted.	-	10,99,583
(viii) Penalty imposed by Commissioner - Customs & Central Excise, Goa, in respect of CVD on bulk (semi-packed / semi-finished) films which were imported by Phil Marketing Services Pvt. Ltd. and given to the Company for further packing and in respect of which Excise Duty has been paid by the Company. Customs, Excise & Service Tax Tribunal, Western Region have granted stay against the recovery of the penalty.	<b>1,70,46,000</b>	1,70,46,000

**3.** 1,00,000 - 13.75% Redeemable Cumulative Preference Shares of Rs. 100 each of the Company are held equally by General Insurance Corporation of India and New India Assurance Co. Ltd. These were due for redemption in June 2003. Dividend on Non Convertible Cumulative Redeemable Preference Shares upto the due date of Redemption not provided for, there being no profit Rs. 41,25,000/-. Proposal for



**SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

**2010**                      **2009**  
**Rs.**                              **Rs.**

settlement of redemption of the said Preference Shares and waiver of right to cumulative dividend has been submitted by the Company.

4. In respect of Fixed Assets the provision for impairment loss of Rs. 5,18,82,172/- on existing Fixed Assets is continued. Further the management has reviewed the realisable value of assets in use and are of the opinion that no further provision for impairment of fixed assets is considered necessary. During the year the impairment loss of the erstwhile wholly owned subsidiary Gokhatak Enterprises Limited which has been merged with the Company has been reversed due to the sale / scrap of Assets.
5. During the financial year 2007-08 the Company had funded the actual liability for gratuity in respect of continuing employees amounting to Rs. 28,39,032/-. Further liability in respect of the gratuity based on the actuarial valuation informed by LIC has been provided in the Books of Accounts and Funded. Gratuity liability in respect of ex-employees and employees transferred to Associate Companies is being paid directly by the Company for which the necessary provision has been made in the Books of Accounts.
6. The Company has unabsorbed depreciation and carried forward losses etc. available for set off under Income Tax Act 1961. However in view of present uncertainty regarding generation of sufficient future taxable income, Net Deferred Tax Asset in respect of related credit for the year has not been recognised in the accounts on prudent basis.
7. In case of Deferred Tax Asset of the erstwhile (Gokhatak Enterprises Limited) subsidiary Company, Net Deferred Tax Assets is as under:

Deferred Tax Assets up to last year	<b>4,55,64,236</b>	4,55,64,236
Deferred tax liability	<b>4,14,48,854</b>	4,14,48,854
Deferred tax assets	<b>41,12,199</b>	41,12,199

The realisability of Deferred Tax Assets of earstwhile subsidiary has not been reviewed no adjustment has been made as amalgamation has been sanctioned on 6th August, 2010.

8. On account of uncertainty of restructuring of business no segment reporting can be done.
9. Payments made or provided for the Whole time Directors
 

(i) Salaries	<b>9,47,000</b>	11,33,000
(ii) Contribution to Provident /Superannuation Fund	<b>2,36,750</b>	2,83,250
(iii) Other Perquisites	<b>4,38,557</b>	2,51,145
Total	<b><u>16,22,307</u></b>	<u>16,67,395</u>

**10. Detailed quantitative information in respect of each class of goods manufactured.**

Class of goods	Units	Annual Installed Capacity on Single Shift Basis	Actual Production 2010	Actual Production 2009
1. Projectors	Nos.	7,200	<b>28</b>	66
2. Roasted/Salted/Flavoured Nuts	Kgs.	15,04,000	<b>20,062</b>	19,490

Notes:

- i) Licensed Capacity : No Industrial Licence is required for manufacturing of any of the products of the Company.
- ii) Annual Installed Capacity-As certified by the Management and relied upon by Auditor being a technical matter.

**SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

	2010 Rs.	2009 Rs.
<b>11. (a) Turnover by class of goods:</b>		
Projectors & Spares	2,89,407	4,06,682
Photosensitive coated products	46,527	-
Food Products	73,73,134	53,30,200
Others	1,089	8,000
	<u>77,10,157</u>	<u>57,44,882</u>
<b>(b) Details of goods Purchased</b>		
Photographic / Imaging Products	7,610	25,21,362
Food Products	55,48,373	-
	<u>55,55,983</u>	<u>25,21,362</u>
<b>(c) Opening and Closing stock held in hand and in transit:</b>		
Photographic / Imaging Products, Spares and Accessories		
Opening Stock	25,21,362	-
Closing Stock	18,20,512	-
Others (Food Products)		
Opening Stock	52,112	-
Closing Stock	42,585	-
Total Opening Stock	<u>25,73,474</u>	-
Total Closing Stock	<u>18,63,097</u>	-

Note: There are no common units in respect of turnover, purchases, stocks etc. for most of the Company's products; therefore, no quantitative information has been given.

**12. Consumption of Raw materials and Components:**

**Indigenous**

Assorted type Components of Projectors	4.19%	2,56,274	3.40%	1,41,127
Food Products (Processed Nuts, Cereals etc.)	95.81%	58,58,652	96.60%	38,64,215
	<u>100%</u>	<u>61,14,926</u>	<u>100%</u>	<u>40,05,342</u>

Note: The above components are consumed in production of goods stated in Note No. 10.

**13. Earning in Foreign Currency**

Exports of Goods on F.O.B. basis	-	9,68,701
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14. The names of Small Scale Industrial Undertaking and to whom the Company owes sums exceeding Rs. 1 lac each and which are outstanding for more than 30 days as at 31st March, 2010 are nil; as the vendors of the Company have not filed intimation about their recognition as "Supplier" under the provisions of the Small Scale Industrial Undertaking Development Act, 2006.

## SCHEDULES TO BALANCE SHEET AND PROFIT &amp; LOSS ACCOUNT

	2010 Rs.	2009 Rs.
<b>15. Earning Per Share Calculation</b>		
Net Profit/(Loss) after Tax	(31,59,476)	(86,58,655)
No of Equity Shares	1,16,50,000	1,16,50,000
Earning Per share (Basic)	(0.27)	(0.74)
Diluted	(0.27)	(4.09)
<b>16. Related Party Disclosures</b>		
<b>a) List of Related Parties</b>		
Other Related Parties with whom transactions have taken place during the year:		
New Vision Group Holding Pvt. Ltd.		
New Vision Imaging Pvt. Ltd.		
<b>b) Transactions with related parties</b>		
<b>1) Sales, Services and other income</b>		
Associates	6,79,548	-
<b>2) Purchases of goods</b>		
Associates	-	25,21,362
<b>3) Outstanding balances as at 31st March, 2010</b>		
<b>Debtors</b>		
Associates	54,48,600	54,48,095
<b>4) Advance and Deposit</b>		
Associates	10,50,000	15,00,000
<b>5) Creditors</b>		
Associates	-	1,00,000
<b>6) Reimbursement of Expenses</b>		
Associates	-	-
<b>7) Cessation of liability</b>		
Associates	-	-
<b>8) Sale of Investment</b>		
Associates	-	13,39,800
<b>9) Loans and advances include security deposits to Company in which Directors are interested.</b>	10,50,000	15,00,000

17. Previous year's figures have been regrouped where necessary.

CASH FLOW STATEMENT AS ON 31ST MARCH, 2010 AS PER CLAUSE 32 OF LISTING AGREEMENT

	2010 Rs.	2009 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax & Extra - Ordinary items	(31,59,476)	(84,37,217)
<b>Adjustment for :</b>		
Depreciation	19,59,063	19,61,890
Interest & Dividend received	(1,39,655)	22,465
Loss on sale of Investment	-	1,20,58,200
Profit on sale of fixed assets	(10,59,046)	(2,80,14,424)
Excess Provision Written back	(63,36,276)	5,62,70,920
Sundry Debit/Credit A/c Write off	-	(2,21,445)
<b>Operating Profit/Loss before Changes in Operating Assets</b> (Increase)/Decrease in Operating Assets		
Inventories	22,82,160	(28,29,415)
Loans & Advances	33,14,861	19,81,363
Trade Receivables	(1,19,430)	90,596
Trade Payables	7,86,243	(7,46,56,498)
<b>Cash Generated From Operations</b>	<b>6,87,920</b>	<b>(3,33,36,348)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-	(14,54,960)
Sale of Fixed Assets	17,70,000	3,94,51,000
Sale of Investment	-	13,39,800
<b>Net cash from Investing Activities</b>	<b>17,70,000</b>	<b>3,93,35,840</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest & Dividend received	1,39,655	(22,465)
Repayment of unsecured Loans	(1,35,000)	(37,340)
<b>Net cash from Financing Activities</b>	<b>4,655</b>	<b>(59,805)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(6,96,901)</b>	<b>(24,97,630)</b>
Cash & Cash Equivalents as on 31-03-09	37,86,434	61,53,464
Cash & Cash Equivalents as on 31-03-10	30,89,533	37,86,434

For and on behalf of the Board of Directors

K.D.BHAT  
Managing Director

KAVAS D. PATEL - Vice Chairman

S. V. MUZUMDAR - Director

B.S. SRIDHARA  
Company Secretary

A. V. GAIKWAD - Director

Mumbai  
Dated: August 31, 2010

**AUDITORS' CERTIFICATE**

We have verified the above Cash Flow Statement of Phil Corporation Ltd. for the period ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32, of the Listing Agreement with the corresponding Profit and Loss Account and Balance Sheet covered by our report of even date to the members of the Company.

For V. C. SHAH & CO.  
Chartered Accountants  
Firm Reg. No. 109818W

Mumbai  
Dated: August 31, 2010

V.C. SHAH  
Partner  
Membership No. 10360



10 YEARS'S HIGHLIGHTS

Rs.in Lacs

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	*2009-10
<b>SALES &amp; EARNINGS</b>										
Sales and other income	27850	20062	7888	4560	4285	2879	644	197	341	223
Gross Operating Profit/ (Loss) (EBIDTA)	1575	(92)	(1506)	(458)	(422)	(1347)	(1319)	(276)	(33)	(120.00)
Profit/(Loss) before taxes	283	(1361)	(2711)	(1656)	(1705)	(2655)	261.82	(296)	(53)	(32.00)
Profit/(Loss) after taxes	261	*(860)	(2711)	(1656)	(1705)	(2655)	261.82	(298)	(55)	(32.00)
Retained Earnings	68	0	0	0	0	0	0	0	0	0
<b>ASSETS</b>										
Gross Fixed Assets	6130	6205	6021	6018	5961	5951	5426	1991	1746	1809
Net Fixed Assets	4496	4307	3921	3671	3386	3146	972	537	417	456
Total Assets	15079	13924	10367	9336	8461	7271	3913	3402	3157	635
<b>LIABILITIES</b>										
Equity Share Capital	1165	1165	1165	1165	1165	1165	1165	1165	1165	1165
Non-Convertible Redeemable Preference Shares	600	600	600	600	600	600	100	100	100	100
Reserves	4437	3006	324	1911	1911	1911	1411	1411	1411	1411
Misc. Expenditure to the extend not W/off	81	0	0	0	0	0	0	0	0	0
Accumulated Loss	0	0	0	(3244)	(4948)	(7613)	(299)	(560)	(52)	(2512)
Networth	6122	4771	2089	432	(1272)	(3937)	2377	2116	2623	132
Borrowings	6196	6113	6136	6970	7804	8850	25	14	0	11
Total Funds	15079	13924	10367	9336	8461	2698	892	857	2689	2688
<b>RATIOS</b>										
Earning per Equity Share (Rupees)	2.24	0	0	0	0	0	2.25	2.56	(0.47)	(0.27)
Book Value per Equity Share (Rupees)	48.09	35.8	12.78	(1.44)	(16.07)	(38.94)	19.62	14.10	22.51	1.13
Dividend per Equity Share (Rupees)	0.6	0	0	0	0	0	0	0	0	0
Networth per Equity Share (Rupees)	47.4	35.8	12.78	(1.44)	(16.07)	(38.94)	19.62	14.10	22.51	1.13
<b>NUMBER OF EMPLOYEES</b>										
Number of Employees	705	686	468	378	352	239	24	22	25	15

\*Financial Year of 12 months ended 31st March, 2010

Figures shown are after merger



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