

MILKFOOD LIMITED

Annual Report
for the year ended 31st March, 2011



milkfood

BOARD OF DIRECTORS

ASHA GADI
AMARJEET KAPOOR
SURESH ALIPURIA
KEWAL KRISHAN KOHLI

AUDITORS

Madan & Associates
Chartered Accountants
New Delhi

BANKERS

State Bank of Patiala
Canara Bank

REGISTERED OFFICE

Bahadurgarh
Distt. Patiala-147021
(Punjab)

WORKS

Bahadurgarh
Distt. Patiala-147021
(Punjab)

Village Agwanpur
Kanth Road,
Moradabad-244001
(Uttar Pradesh)

HEAD OFFICE

Bhandari House
91, Nehru Place
New Delhi-110019

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MILKFOOD LIMITED

Registered Office : Bahadurgarh Distt. Patiala-147 021 (Punjab)

DP ID	
Client ID	

ATTENDANCE SLIP

Folio No.	
No. of Shares held	

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. Joint Shareholders may obtain additional attendance slip at the entrance.

I hereby record my presence at the 38th ANNUAL GENERAL MEETING at Bahadurgarh, Distt. Patiala on Friday, the 30th September, 2011.

SIGNATURE OF THE MEMBER OR PROXY _____

NAME OF MEMBER OR PROXY _____



MILKFOOD LIMITED

Registered Office : Bahadurgarh Distt. Patiala-147 021 (Punjab)

DP ID	
Client ID	

PROXY

Folio No.	
-----------	--

I/We _____
of _____ being
a Member/Members of MILKFOOD LIMITED hereby appoint Mr./Ms. _____
_____ of _____
or failing him/her Mr./Ms. _____
of _____
or failing him/her Mr./Ms. _____
of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 38th Annual General Meeting of the Company to be held on 30th September, 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011

Signed by the said _____

NOTE (1) The Proxy must be deposited at the Registered Office of the Company at Bahadurgarh, Distt. Patiala, not less than 48 hours before the time for holding the meeting.

(2) Shareholders are requested to forward their queries on the accounts of the Company for the period ended 31st March, 2011 to the Registered Office of the Company at least 10 days in advance to enable us to keep the information ready at the Meeting.

Affix a Revenue Stamp



NOTICE

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at Bahadurgarh, District Patiala – 147021, (Punjab) on Friday, 30th September, 2011 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon.
- (2) To appoint a Director. Mr. Amarjeet Kapoor, Director, retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.
- (3) To appoint Auditors and fix their remuneration. M/s Madan & Associates, (Formerly known as M/s R.N. Bahl & Co.) Chartered Accountants, the Statutory Auditors, retire and being eligible, offer themselves for re-appointment.

Dated: 26th August, 2011

By Order of the Board

Registered Office:

P.O. Bahadurgarh, __
Distt. Patiala,
Punjab-147021

Kamlesh Gupta
Company Secretary

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 IN HIS STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.**
2. The Register of Members and the Transfer Books of the Company will remain closed from 26th September, 2011 to 30th September, 2011 (both days inclusive) for the purpose of Annual General Meeting.
3. Members are requested to intimate changes, if any, in their addresses to their respective Depository Participants (DPs) in respect of their electronic share accounts and in respect of their physical share folios to the Registrar and Share Transfer Agent of the Company at Alankit Assignments Ltd., RTA Division, Alankit House, 2E/21, Jhandewalan Extension, New Delhi-110055, or to the Company at 5th Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.



Directors' Report

TO THE MEMBERS

The Directors present their Thirty Eighth Report together with Audited Accounts of the Company for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs./Lacs)

Profit/(Loss) after charging all expenses before Depreciation	9.35
Deduct: Depreciation	473.22
Profit/(Loss) for the year	(463.87)
Wealth Tax	1.45
Deferred Tax (Liability)	51.37
Transferred to General Reserve	(516.69)

OPERATIONS

During the period under Report, the Company's sales and other income are Rs. 30,900 lacs and cash profit is Rs. 9.35 lacs as compared to last year's figures of Rs. 30,994 lacs and cash loss of Rs. 0.32 lacs respectively. After depreciation, the loss for the year is Rs. 463.87 lacs as compared to the loss of Rs. 488.88 lacs in the previous year.

DIVIDEND

No dividend has been recommended by the Directors.

FIXED DEPOSITS

As on 31.03.2011, there were 20 unclaimed fixed deposits with Company amounting to Rs. 5,38,000/-, out of which 14 fixed deposits amounting to Rs. 3,68,000/- have been renewed/refunded.

CONSOLIDATED ACCOUNTS

In accordance with the general circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Annual Accounts of the subsidiary company are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company to any member of the company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company. The Consolidated Accounts of the Company and of its wholly owned subsidiary company is annexed to this Report.

PARTICULARS OF EMPLOYEES

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 form part of this Report. However, as per the provisions of section 219(1)(b)(iv), Report and Accounts are being sent to all the members of the Company excluding the statement of particulars of employees. Any member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in sub section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that:-

- (i) in the preparation of the annual accounts for the financial year ended 31st March, 2011 the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the losses of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a separate Report on Corporate Governance and a Certificate from the Auditors of the Company regarding the compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

INFORMATION UNDER THE LISTING AGREEMENT WITH STOCK EXCHANGE

The shares of your Company are listed at the Bombay Stock Exchange Ltd. (BSE) and the Stock Code at BSE is: 507621. Listing fees for the financial year 2011-2012 has been paid.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is annexed.

DIRECTORS

Mr. Amarjeet Kapoor, Director, retires by rotation and, being eligible, offers himself for re-election as an ordinary Director. The Board recommends his re-appointment.

Brief resume of the above Director, nature of his expertise in specific functional areas and name of companies in which he holds the Directorship and the Membership/Chairmanship of the Committees of the Board as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange are annexed in the Corporate Governance Report.

Dr. Umesh N. Saxena, Managing Director, has resigned from the Directorship of the Company w.e.f. 1st May, 2011 on the completion of his term as the Managing Director. The Board places on record its sincere appreciation for the useful services rendered by Dr. Umesh N. Saxena during his tenure of services with the Company.

AUDITORS

M/s. Madan & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment.

GENERAL

Your Directors wish to express their appreciation of the co-operation and support given by all employees and the bankers of the Company during the year.

The Notes forming part of the Accounts being self-explanatory, the comments made by the Statutory Auditors in their Report are not being dealt with separately.

For and on behalf of the Board

New Delhi
26th August, 2011

Suresh Alipuria
Director

K.K. Kohli
Director

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company firmly believes that Corporate Governance is very much crucial to the very existence of a Company, as the implementation of Code on Corporate Governance goes a long way in attainment of the highest levels of transparency, accountability and equity in all facets of operations. Your Company is committed to the adoption of best Corporate Governance Practices.

BOARD OF DIRECTORS:

As on 31st March, 2011 the Board of Directors of the Company has five Members. None of the Directors are related to each other. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors of the Company is a member of more than ten Committees or Chairman of more than five Committees across all companies in which he is a Director.

During the financial year 2010-11, six Board meetings were held on 14.05.2010, 11.08.2010, 01.11.2010, 03.11.2010, 11.02.2011 and 21.02.2011. Composition of Board of Directors as on 31st March, 2011 and other details are as under:

Name	Category	No. of Board Meetings attended	Whether previous AGM attended held on 29 th September, 2010	No. of Directorship held in other companies*	No. of Committee position held in other public limited companies as a Chairman	No. of Committee position held in other public limited companies as a Member
Dr. Umesh N. Saxena	Executive	6	No	6	Nil	Nil
Mrs. Asha Gadi	Non – Executive Independent	6	No	1	Nil	Nil
Mr. Suresh Alipuria	Non – Executive Independent	6	Yes	5	Nil	Nil
Mr. Amarjeet Kapoor	Executive	6	No	11	Nil	Nil
Mr. Kewal Krishan Kohli	Non – Executive Independent	6	Yes	13	Nil	Nil

*Directorship held in other companies by the Directors of the Company is on the basis of the information furnished by the Directors.

MANAGEMENT TEAM:

Management Team consists of the following Executives of the Company:

Dr. Umesh N. Saxena, President

Mr. Sudhir Avasthi, Finance Director

Mr. H.M. Sood, Head Moradabad Plant

Mr. Amar Baljeet Singh, Head Patiala Plant

AUDIT COMMITTEE:

The Audit Committee of the Company comprises of three Non-Executive Independent Directors. The terms of reference, role and powers of the Audit Committee are as provided under Clause 49 of the Listing Agreement with the Stock Exchange.

The composition of the Audit Committee as on 31st March, 2011 is as follows:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

Ms. Kamlesh Gupta, Company Secretary, acts as Secretary of the Committee.

Four meetings of the Audit Committee were held during the financial year. Attendance at meetings is as follows:

Date of Meetings	Mr. Suresh Alipuria	Mr. Kewal Krishan Kohli	Mrs. Asha Gadi
12.05.2010	Yes	Yes	Yes
09.08.2010	Yes	Yes	Yes
02.11.2010	Yes	Yes	Yes
09.02.2011	Yes	Yes	Yes

The Audit Committee Meetings are also attended by Mr. Sudhir Avasthi, Finance Director as a special invitee.

The Chairman of the Audit Committee was present at the last AGM of the Company.

REMUNERATION COMMITTEE:

The Remuneration Committee consists of three Non-Executive Independent Directors. The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange.

As on 31st March, 2011, the Remuneration Committee comprises of the following three Directors of the Company:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

During the year under review, no meeting of the Remuneration Committee was held.

DETAILS OF REMUNERATION PAID TO DIRECTORS:

The aggregate value of remuneration and perquisites paid for the financial year ended 31st March, 2011 to Dr. Umesh N. Saxena, Managing Director and Mr. Amarjeet Kapoor, Whole time Director is as follows:

	Dr. Umesh N. Saxena (Rs.)	Mr. Amarjeet Kapoor (Rs.)
Basic Salary	48,00,000	1,80,000
Contribution to Provident Fund	5,76,000	—
Other Benefits & Allowances	25,56,827	—
Total	79,32,827	1,80,000

During the financial year 2010-11, Company has incurred losses u/s 198 read with section 349 of the Companies Act, 1956 due to lower milk processing, increase in interest cost and increase in depreciation. Thus, the remuneration has been paid to its managerial personnel in accordance with the Section II of part II of Schedule XIII of Companies Act, 1956.

Company pays sitting fees to all the Non-Executive Directors @ Rs. 500 for each Board Meeting attended. The sitting fees paid to the Directors for the financial year ended on 31st March, 2011 is as follows:

Name of Director	Sitting fees
Mrs. Asha Gadi	Rs. 2,000
Mr. Suresh Alipuria	Rs. 2,000
Mr. Kewal Krishan Kohli	Rs. 2,000

Details of shareholding of Non-Executive Directors as on 31st March, 2011:

Name of The Director	No. of shares held
Mr. Suresh Alipuria	Nil
Mr. Kewal Krishan Kohli	Nil
Mrs. Asha Gadi	Nil

INVESTOR GRIEVANCE COMMITTEE:

The Investor Grievance Committee comprises of three Non-Executive Independent Directors. The functioning and terms of reference of the Committee are as prescribed under and in due compliance with the Listing Agreement with the Stock Exchange with particular reference to transfer of shares, complaints of shareholders etc.

The composition of the Committee as on 31st March, 2011 is as follows:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

The Committee held four meetings during the financial year. Attendance at meetings is as follows:

Date of Meetings	Mr. Suresh Alipuria	Mr. Kewal Krishan Kohli	Mrs. Asha Gadi
12.05.2010	Yes	Yes	Yes
09.08.2010	Yes	Yes	Yes
02.11.2010	Yes	Yes	Yes
09.02.2011	Yes	Yes	Yes

Ms. Kamlesh Gupta, Company Secretary, acts as Secretary to the Committee and also as the Compliance Officer.

During the year under review no complaint has been received from the members of the Company.

ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

Year	Date	Venue	Time	No of Special resolutions Passed
2008	29.08.2008	Registered Office	10.30 a.m.	2
2009	25.08.2009	Registered Office	10.30 a.m.	1
2010	29.09.2010	Registered Office	9.30 a.m.	Nil

No resolution has been passed through Postal Ballot.

**DISCLOSURE:**

During the financial year 2010-11, the Company has entered upon related party transactions envisaged under the Corporate Governance Code which have been disclosed in Note 18 under Schedule 18(B) to the Accounts.

There has not been any non compliance and no penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets during the financial year.

Code of Conduct:

The Company has adopted a Code of Conduct for Board Members and Senior Management Team of the Company. All Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. A declaration to this effect duly signed by Mr. Suresh Alipuria, Director of the Company is annexed. The Code of Conduct has been posted on the website of the Company.

MEANS OF COMMUNICATION:

The quarterly and yearly financial results of the Company are forwarded to the Stock Exchange where the Company is listed immediately upon the approval by the Board of Directors and quarterly results are published in a English daily and in a Punjabi daily as required under the Listing Agreement with the Stock Exchange.

Management Discussion and Analysis Report shall form part of the Annual Report.

GENERAL SHAREHOLDERS' INFORMATION:**Annual General Meeting (AGM):**

Date & Time : 30th September, 2011, 9.30 a.m.
 Venue : Registered Office
 Book Closure Date : 26th September, 2011 to 30th September, 2011 (both days inclusive)
 Dividend : Nil

Financial Calendar for 2011-2012: (Tentative)

Financial Results for
 First Quarter : up to mid August, 2011
 Second Quarter : up to mid November, 2011
 Third Quarter : up to mid February, 2012
 Fourth Quarter : up to mid May, 2012

Market Price Data:

High and Low market price during each month in last financial year from April, 2010 to March, 2011 at Bombay Stock Exchange Limited (BSE) is as follows:

Month	High	Low	Month	High	Low
April,10	265.80	192.00	October,10	225.95	196.00
May,10	228.00	188.00	November,10	211.00	177.00
June,10	207.80	177.05	December,10	199.45	162.25
July,10	287.35	181.00	January,11	176.30	123.00
August,10	229.95	188.00	February,11	148.90	107.25
September,10	260.85	182.05	March, 11	130.50	100.10

Registrar and Share Transfer Agent:

M/s Alankit Assignments Ltd., 205-206, Anarkali Market, Jhandewalan Extn., New Delhi-110055 acts as Registrar and Share Transfer Agent of the Company.

However, keeping in view the convenience of shareholders documents relating to shares will continue to be received by the Company at the Head Office at 5th Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.

Share transfer system:

The Company's Registrar M/s Alankit Assignments Ltd. have adequate infrastructure to process the share transfers. The requests received for the transfer of shares are processed within 15 days from the date of receipt, subject to the transfer instrument being valid and complete in all respects. Demat requests are processed within 21 days from the date of receipt to give credit of the shares through the Depository.

Distribution of shareholding as on 31st March, 2011

Shareholding of nominal value of Rs.	No. of shareholders	No. of shares held	%age of total shareholding (Rounded off)
1-5000	4251	563910	11.54
5001-10000	188	138618	2.84
10001-20000	83	116589	2.38
20001-30000	10	25279	0.52
30001-40000	12	41868	0.86
40001-50000	2	8616	0.18
50001-100000	1	7000	0.14
100001 and above	16	3984560	81.54
Total	4563	* 4886440	100.00

Shareholding pattern as on 31st March, 2011:

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	2452560	50.19
Mutual Funds	2600	00.05
Banks, Financial Institutions & Insurance Companies	500	00.01
FIs	202000	04.13
Corporate Bodies	1307641	26.76
Indian Public	917955	18.79
NRIs/OCBs	3184	00.07
Total	*4886440	100.00

*includes 2875 partly paid up equity shares.

Dematerialization of shares and liquidity:

As the members are aware, your Company's shares are tradable compulsory in electronic form and your Company has established the electronic connectivity with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

As on 31st March, 2011, 45.12% equity capital was held in dematerialized form and the rest in physical form.

Plant Locations:

Patiala Plant: P.O. Bahadurgarh, Distt. Patiala -147021, Punjab

Moradabad Plant: Village Mugalpur, Urf Agwanpur, Kanth Road, Distt Moradabad (U.P.)

Address for correspondence:

Registered Office: P.O. Bahadurgarh, Distt. Patiala-147021, Punjab.

Head Office & Share Department: 5th Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.

Investors' e-mail ID: investor_grievances_redressal@milfoodltd.com, sect1@milfoodltd.com

Unclaimed equity shares:

As per Clause 5A(II) of the Listing Agreement, three reminders have been issued for the unclaimed shares issued in physical form. Share certificates claimed by the shareholders pursuant to these reminders have been dispatched to them after proper verification. The remaining unclaimed shares will be dematerialized and transferred into one folio in the name of 'Unclaimed Suspense Account' in due course.

Information on Director seeking re-appointment at this Annual General Meeting:

(Pursuant to Clause 49 of the Listing Agreement)

Mr. Amarjeet Kapoor, Director, retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment. He was appointed as the Director of the Company w.e.f. 27th March, 2006. He is 50 years old and has vast experience in the field of finance and management. He holds 4216 equity shares of the company in his own name as on 31st March, 2011.

He is not holding the Chairmanship/Membership of any of the Committees in any other public limited company.

He holds the Directorship in the following companies:

Double Durable Investments Ltd.

Quick Return Investment Co. Ltd.

Industrial Containers & Closures Ltd.

Blue Skies Investments Pvt. Ltd.

Palm Beach Investments Pvt. Ltd.

Snowwhite Holdings Pvt. Ltd.

Hybrid Holdings Pvt. Ltd.

County Investments Pvt. Ltd.

Pickwick Holdings Pvt. Ltd.

Aristocrat Mineral Water Pvt. Ltd.

Galaxy Pet Packaging Pvt. Ltd.

Declaration as required under Clause 49 of the Listing Agreement

I, Suresh Alipuria, Director, hereby declare that the Code of Conduct adopted by the Company for its Board and Senior Management Personnel has been duly complied by all Board Members and Senior Management personnel of the Company.

(Suresh Alipuria)
Director

New Delhi
26th August, 2011



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Dairy industry is of crucial importance for the development of the economy of the country. India continues to be the largest producer of milk worldwide. Due to high production of milk, the scope of milk processing also increases. In the dairy industry, there is highly trained and wide recourse of man power. Purchasing power of consumer has also increased. The Dairy Industry is recognized as one of the largest and most important in the food industry. This industry has tremendous scope for the growth.

Opportunities and Threats

Although milk production has grown at a fast pace during the last three decades, still there is lack of availability of milk in the lean season because of the increasing consumption of milk products in domestic market.

As the world is getting integrated into one market, quality certification is becoming essential in the market.

The progress in this sector will result in a more balanced development of the rural economy.

Internal Control System

The Company has structured the internal control system which assures that there is an effective system for planning and achievement of goals. The integrated financial accounting system supported by inbuilt controls, ensures reliable and timely financial and operational reporting.

Establishment of milk collection centers and chilling centers has enhanced the life of raw milk and has minimized the wastage.

Segment wise /Product wise Reporting

The Company is operating in the single segment and engaged in the manufacture and sales of dairy products i.e. ghee, skimmed milk powder, whole milk powder, casein, whey powder and dairy whitener. Therefore, segment wise information has not been disclosed.

Financial Performance

Financial Performance of the Company has been given separately in the Directors' Report.

Human Resources

The success of any organization depends on the quality, dedication, devotion, determination, discipline and dynamism of its employees. Company firmly believes that motivated employees are its major asset. The Company maintained a cordial relationship with its personnel during the year. The management places its sincere appreciation for the useful contribution made by its employees during the year.

Disclaimer Statement

Statements made in the Report describing the current industry structure, development are based on certain assumptions and expectations. The Company cannot guarantee that these assumptions and expectations are accurate.....

for and on behalf of the Board

New Delhi
26th August, 2011

Suresh Alipuria
Director

K.K. Kohli
Director

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of
Milkfood Limited

We have reviewed the implementation of Corporate Governance procedures by Milkfood Limited during the year ended March 31, 2011, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.....

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

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.

On the basis of our review and according to the information and explanations given to us, the company has generally complied with the conditions laid down in clause 49 of the listing agreement.

For MADAN & ASSOCIATES.
Chartered Accountants
Reg. No.: 000185 N

Place: New Delhi
Date : 26th August, 2011

M.K. Madan
(Proprietor)
Membership No. FCA 82214

Financial Highlights

(Rs. in lacs or as indicated)

PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
ASSETS										
Fixed Assets (Net Block)	8,225	8,389	8,715	8,525	8,636	5,441	3,434	1,386	1,118	1,231
Investments	426	2,026	2,026	1,226	426	426	450	453	434	9
Current Assets	7,498	7,999	4,719	5,574	5,088	6,051	3,193	4,276	2,353	3,221
TOTAL	16,149	18,414	15,460	15,325	14,150	11,918	7,077	6,115	3,905	4,461
LIABILITIES										
Loans, Current Liabilities and Provisions	13,029	14,776	11,453	11,636	10,635	8,882	4,371	3,436	1,327	1,796
NET WORTH	3,121	3,638	4,007	3,689	3,515	3,036	2,706	2,679	2,578	2,66
REPRESENTED BY										
Share Capital	489	489	489	489	489	489	489	489	489	489
Reserves & Surplus	2,632	3,149	3,518	3,200	3,026	2,547	2,217	2,190	2,089	2,176
TOTAL	3,121	3,638	4,007	3,689	3,515	3,036	2,706	2,679	2,578	2,665
OPERATING PERFORMANCE										
Revenue	30,900	30,994	24,309	32,829	31,260	20,627	19,152	19,027	16,435	16,279
Gross Profit Earnings	936	0	501	823	1,005	581	91	286	3	7
Profit/(Loss) before tax	(464)	(489)	128	470	728	415	8	201	(127)	(157)
Profit/(Loss) after tax	(517)	(369)	318	175	478	330	27	101	(88)	(107)
Earnings per Share (Rs.)	(10.58)	(7.55)	6.50	3.57	9.79	6.75	0.56	2.07	-	-
Dividend -Amount per Share (Rs.)	-	-	-	-	-	-	-	-	-	-
-Rate(%)	-	-	-	-	-	-	-	-	-	-
Book Value of Shares(Rs.)	63.87	74.45	81.99	75.49	71.92	62.13	55.37	54.83	52.76	54.54
GROSS EARNINGS										
As a percentage of Revenue	3.03	0.0	2.06	2.51	3.22	2.82	0.48	1.50	0.02	0.04
As a percentage of Fixed Assets	11.38	0.0	5.74	9.66	11.64	10.68	2.65	20.63	0.27	0.57
As a percentage of Capital Employed	29.98	0.0	12.49	22.32	28.60	19.14	3.36	10.68	0.12	0.26



Auditors' Report

TO THE MEMBERS OF MILKFOOD LIMITED

1. We have audited the attached Balance Sheet of Milkfood Limited as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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 mis-statement. 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 and 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 these books *except that gratuity and leave encashment are accounted for on payment basis.*
 - (iii) The Balance sheet, Profit and loss account and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3 C) of section 211 of the Companies Act, 1956 *except that gratuity and leave encashment are accounted for on payment basis.*
 - (v) On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and read with Note No.3 (Schedule 18 A) regarding depreciation on Fixed Assets. Note No.7(iii) (Schedule 18 A) regarding accounting of income, Note 12 (Schedule 18 A) regarding Managerial Remuneration. Note No.11(a) & (b) (Schedule 18 B) regarding assets at Gurgaon. Note No.12 (Schedule 18 B) regarding investment. Note No.14 (Schedule 18 B) regarding impairment of Assets and subject to Note No.7 of Schedule 18B regarding non provision of gratuity amounting to Rs.220.57 lacs of which Rs.35.85 lacs relate to current year.
 - (a) in the case of the Balance sheet, of the state of affairs of the company as at 31st March 2011;
 - (b) in the case of the Profit and loss account, of the loss 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.give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (d) *We further report that had the remarks given by us in para (vi) above regarding non provision of gratuity been considered, the loss for the year would have been Rs.499.72 lacs (against the reported figure of Rs.463.87 Lacs), the reserve and surplus would have been Rs.2411.75 Lacs (against the reported figure of Rs.2632.32 Lacs). Net Current Assets would have been Rs.4093.79 Lacs (as against reported figure of Rs.4314.36 Lacs).*

For Madan & Associates,
Chartered Accountants
Reg. No.: 000185 N

M.K. MADAN
(Proprietor)

Membership No. FCA 82214

New Delhi

Dated : 26th August, 2011

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date to the members of Milkfood Limited on the accounts as at and for the year ended March 31, 2011.

1. (a) The Company has maintained list of fixed assets acquired by it. However the same is required to be updated substantially with regard to quantitative detail/location, identification etc.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. During the year no physical verification of the fixed assets is done.
(c) In our opinion and according to the information and explanations given to us, substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) on the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The company has not taken /granted loans to parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across, nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures and adjustments thereof except that internal control procedures in the case of advances to staff need to be strengthened.
5. In our opinion and according to explanations given to us and as certified the transactions that need to be entered into the register maintained under section 301 have been so entered.
6. In our opinion and according to the information and explanations given to us, the transactions of purchases/ sales made with the parties in pursuance of contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
7. In our opinion and according to the information and explanations given to us and read with note no.5 of schedule 18B the company has complied with the directives issued by the RBI and provisions of sections 58 A and 58 AA of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public. According to information and explanations given to us no order has been passed by the National Company Law Tribunal or Company Law Board or RBI or any Court or any other Tribunal relevant to sections 58A, 58AA or the other relevant provisions of the Act.
8. It has been informed to us that Company has inbuilt mechanism of internal checks and all the Plants have been visited by Internal Chartered Accountant to verify the operational systems and for safety of its Assets and other matters required by the Management. In our opinion the Internal Audit needs to be formalized and further strengthened in terms of scope, coverage and reporting.
9. In terms of Notification No.GSR 661(E) dated 8th October 2004 regarding Cost Accounting Records (Milk Food) (Amendment) Rules, 2004 - requirement of maintaining records as prescribed under section 209 (1) (d) of the Companies Act, 1956 has been dispensed with.
10. (a) According to the records of the company, 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, customs duty, excise-duty, cess and other statutory dues applicable to it with the appropriate authorities

(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of major dues of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess as at March 31, 2011 which have not been deposited on account of a dispute, are as follows:-

Sl. No.	Name of Statute	Nature of Dues	Amount Rs./Lacs	Forum where dispute is pending
1.	Delhi Sales Tax Act, 1975	Penalty under Sales Tax (1982-83)	19.73	Appeal before Delhi High Court
2.	Delhi Sales Tax Act, 1975	Disallowance of ST-1 Forms 1983-84/ Stock Transfer etc. 1984-85	37.02 1.86	Appeal before Delhi High Court Appeal before Sales Tax Appellate Tribunal, Delhi.
3	Income Tax Act, 1961	Regular Demand under section 143 (3), 2007-08	12.59	Before CIT (Appeals) Delhi
4	Income Tax Act, 1961	Regular Demand under section 143 (3), A.Y. 2008-09	12.31	Before CIT (Appeals) Delhi
5	U.P. Vat Act	Regular Demand for Assessment Year 2008-09	4.84	Before Addl. Commissioner (Appeals), Moradabad.

11. The company has NIL accumulated losses as at March 31, 2011 and it has not incurred any cash losses during the financial year ended on that date and in the immediately preceding financial year.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi / mutual benefit fund/ societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, the company has applied term loans for the purposes for which the loans were obtained.
17. On Global examination of Balance Sheet, in our opinion, no short term funds raised have been used for long term purposes.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debenture during the year, accordingly, no securities has been created.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company; noticed or reported during the year, nor have we been informed of such case by the management.

For MADAN & ASSOCIATES,
Chartered Accountants
Reg. No.: 000185 N

M.K. MADAN
(Proprietor)

Membership No. FCA 82214

Place : New Delhi
Dated : 26th August 2011

Balance Sheet

as at 31st March, 2011

	Schedule	2010-2011 Rs.'000	2009-2010 Rs.'000
SOURCES OF FUNDS			
Share Capital	1	48,853	48,853
Reserves and Surplus	2	263,232	314,901
LOAN FUNDS			
Secured Loans	3	486,254	465,899
Unsecured Loans		481,756	431,210
Deferred Tax Liability (Net) (Note 16)	18 B	16,448	11,311
TOTAL		1,296,543	1,272,174
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	1,201,900	1,156,178
Less: Depreciation		391,807	348,028
Net Block		810,093	808,150
Capital Work-in-progress		12,374	30,753
		822,467	838,903
INVESTMENTS	5	42,640	202,640
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	432,401	515,150
Sundry Debtors	7	72,694	93,941
Cash and Bank Balances	8	17,401	48,751
Loans and Advances	9	227,340	142,016
		749,836	799,858
Less: Current Liabilities & Provisions	10	318,400	569,227
		318,400	569,227
Net Current Assets		431,436	230,631
TOTAL		1,296,543	1,272,174
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS			
	18		

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

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

M.K MADAN

Proprietor

Membership No. 82214

For Madan & Associates

Chartered Accountants

Place : New Delhi

Date : 26th August, 2011

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Profit and Loss Account

for the year ended 31st March, 2011

	Schedule	2010-2011 Rs.'000	2009-2010 Rs.'000
INCOME			
Sales		3,068,334	3,085,867
Other Income	11	21,659	13,517
Total		3,089,993	3,099,384
EXPENDITURE			
Raw materials consumed		2,467,770	2,787,967
Packing material consumed		77,128	81,757
Manufacturing	12	156,591	139,972
Personnel	13	92,318	82,487
Administration	14	38,387	38,172
Selling and Distribution	15	44,639	47,222
Finance charges	16	122,548	95,466
Depreciation		47,322	48,856
		3,046,703	3,321,899
(Increase)/ Decrease in work-in-progress and finished goods	17	89,677	(173,627)
Total		3,136,380	3,148,272
Profit before Tax		(46,387)	(48,888)
Less : Provision for Tax			
a) Income Tax		-	-
b) Deferred Tax (Asset)Laibility (Note 16)	18 B	5,137	(12,142)
c) Wealth Tax		145	159
Profit / (Loss) after Tax		(51,669)	(36,905)
Balance transferred to General Reserve		(51,669)	(36,905)
Basic/Diluted Earnings Per Share of Nominal Value of Rs. 10 each (Rs.) (Note 19)	18 B	(10.57)	(7.55)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

18

This is the Profit and Loss Account referred to in our report of even date.

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

M.K MADAN

Proprieter

Membership No. 82214

For Madan & Associates

Chartered Accountants

Place : New Delhi

Date : 26th August, 2011

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Cash Flow Statement

for the year ended 31st March, 2011

Particulars	31.03.2011 Rs.'000	31.03.2010 Rs.'000
A. Cash flow from operating activities:		
Net (loss)/profit before tax	(46,387)	(48,888)
Adjustments for:		
Depreciation	47,322	48,856
Interest Expense	122,548	95,466
(Profit)/Loss on Fixed Assets sold	(588)	521
Provision for Wealth Tax/Income Tax	(145)	(159)
Foreign Exchange Fluctuation	(1,402)	(315)
Miscellaneous Balances Written Back and Miscellaneous Income	(3,875)	(5,869)
Insurance Claim Received	(6,403)	-
Operating profit before working capital changes	111,070	89,612
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	21,247	(75,587)
- (Increase)/Decrease in Other Receivables	(85,325)	(48,872)
- (Increase)/Decrease in Inventories	82,749	(167,166)
- (Increase)/Decrease in Trade and Other Payables	(250,812)	115,671
Cash generated from operations	(121,071)	(86,343)
Insurance claim received	6,403	-
Net cash from operating activities	(114,668)	(86,343)
B. Cash flow from Investing activities:		
Adjustments for changes in :		
Additions during the year	(50,966)	(17,633)
Capital Work in Progress	18,379	(1,556)
Proceeds from Sale of fixed assets	2,276	2,360
Sale of Investments	160,000	1
Net cash used in investing activities	129,689	(16,828)
C. Cash flow from financing activities:		
Proceeds from Fixed deposits (Net)	(10,214)	37,989
Proceeds from Cash Credits (Net)	102,486	(67,041)
Proceeds from Vehicle Loan	(12,707)	1,997
Proceeds from Supplier Credit	-	2
Proceeds from Term Loan	(8,665)	255,808
Proceeds from Inter Corporate & Other Deposits	-	-
Interest Paid	(122,548)	(95,466)
Foreign Exchange Fluctuation	1,402	315
Miscellaneous Balances Written Back and Miscellaneous Income	3,875	5,869
Net cash used in financing activities	(46,371)	139,473
Net Increase/(Decrease) in Cash & Cash Equivalents	(31,350)	36,302
Cash and cash equivalents as at 31.03.2010	48,751	12,449
Cash and cash equivalents as at 31.03.2011	17,401	48,751
Cash and cash equivalents comprise		
Cash, Cheques & Drafts (in hand) and Remittances in transit	1,358	1,209
Balance with Scheduled Banks	16,043	47,542
Total	17,401	48,751

- Notes :**
- The above Cash flow statement has been prepared under the indirect method setout in Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
 - Figures in brackets indicate cash outflows.
 - Cash and cash equivalents include Rs.5440 thousand (Previous Year - Rs 4535 thousand) which are not available for use by the Company.
 - Credit Facilities Available and not drawn are Term Loan of Rs.Nil and Cash Credit Limits of Rs.7701 thousand
 - Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

This is the Cash flow Statement referred to in our report of even date.

M.K MADAN

Proprieter

Membership No. 82214

For Madan & Associates

Chartered Accountants

Place : New Delhi

Date : 26th August, 2011

Significant Accounting Policies and Notes to Account

(Schedule 18) forms an integral part of the Cash Flow Statement.

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Schedules

Forming part of the Balance Sheet

1. SHARE CAPITAL [Schedule 18B(3)]

	2010-2011 Rs.'000	2009-2010 Rs.'000
Authorised		
75,00,000 Equity Shares of Rs. 10 each	75,000	75,000
50,000 Redeemable Cumulative Preference Shares of Rs. 100 each	5,000	5,000
	<u>80,000</u>	<u>80,000</u>
Issued		
48,87,890 Equity Shares of Rs. 10 each	48,879	48,879
Subscribed and Paid up		
48,86,440 Equity Shares of Rs. 10 each	48,865	48,865
Less: Calls in arrears	19	19
	<u>48,846</u>	<u>48,846</u>
Amount paid on 1450 Forfeited Shares	7	7
	<u>48,853</u>	<u>48,853</u>

2. RESERVES AND SURPLUS

Capital Redemption Reserve

As per last Balance Sheet 1 1

Share Premium Account 66,988 66,988

General Reserve

As per last Balance Sheet 247,912 284,817

Add : Transferred from Profit & Loss Account (51,669) (36,905)

196,243 247,912

263,232 314,901

3. LOAN FUNDS [Schedule 18B(4,5)]

SECURED

From Bank

(i) Cash Credit 242,299 139,812

Term Loan

(ii) From Bank 226,374 295,799

Vehicle Loan

(i) From Bank - 692

(ii) From Others 17,581 29,596

486,254 465,899

UNSECURED

Fixed Deposits 94,873 105,087

Inter Corporate Deposit 61,000 128,455

Term Loan

From Others 325,883 197,668

481,756 431,210

4. FIXED ASSETS [SCHEDULE 18A(2, 3, 11) 18B(10, 11)]

(Rs. '000)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	01.04.2010	Additions	Deductions	31.03.2011	01.04.2010	For the year	On Deductions	up to 31.03.2011	As on 31.03.2011	As on 31.03.2010	
Freehold Land	31,387	-	-	31,387	-	-	-	-	31,387	31,387	
Buildings	169,886	906	-	170,792	36,980	5,554	-	42,534	128,258	132,906	
Plant & Machinery	903,750	42,343	1,623	944,470	285,198	37,827	1,530	321,495	622,975	618,552	
Furniture, Fixtures and Equipments	12,871	178	46	13,003	10,159	181	-	10,340	2,663	2,712	
Vehicles	38,284	7,585	3,621	42,248	15,691	3,760	2,013	17,438	24,810	22,593	
Total	1,156,178	51,012	5,290	12,01,900	348,028	47,322	3,543	391,807	810,093	808,150	
Previous Year	1,146,144	17,633	7,599	1,156,178	303,891	48,856	4,719	348,028			
Capital work in progress (including capital advance Rs. 1030 thousand (previous year Rs.1030 thousand)									12,374	30,753	
									<u>822,467</u>	<u>838,903</u>	

5. INVESTMENTS [Schedule 18 A(4) 18B (12)(17)]

2010-2011
Rs.'000

2009-2010
Rs.'000

OTHER INVESTMENTS (Long Term) IN EQUITY SHARES, (NON TRADE, UNQUOTED)

Ispace Developers Pvt. Ltd
(previous year 4119900 equity share of 10/- each)

-

41,199

MFL Trading Pvt. Ltd
10000 equity share of 10/- each (previous year Nil)

100

-

IN PREFERENCE SHARES, (NON TRADE, UNQUOTED)

Grand Regency & Hospitalities Pvt. Ltd.

2% Redeemable, Non Cumulative

425,000 shares of Rs 100 each fully paid

42,500

42,500

Ispace Developers Pvt. Ltd

Nil 8% Preference Shares of Rs.10 each fully paid up (previous year

-

118,901

11890100 shares of 10 each fully paid).

National Saving Certificate (Pledged with Govt Authorities)

40

40

42,640

202,640

Aggregate Value of Unquoted Investments

42,640

202,640

6. INVENTORIES [Schedule 18A(5) 18B (13(1))]

Stores and Spare Parts

27,917

22,894

Raw and Packing Material

11,284

9,378

Finished Goods

373,639

464,873

Work-in-Progress

19,561

18,005

432,401

515,150

7. SUNDRY DEBTORS

Debts outstanding for a period exceeding 6 months

- Unsecured

1,144

698

Other debts

- Secured

1,528

1,563

- Unsecured

70,022

91,680

72,694

93,941



8. CASH AND BANK BALANCES

	2010-2011 Rs.'000	2009-2010 Rs.'000
Cash in hand	1,358	1,209
Balances with Scheduled Banks		
On Current accounts	2,088	37,679
On Deposit accounts	13,955	9,863
Notes		
Includes Rs. 5440 thousand as Margin Money for Bank Guarantee (Previous year Rs.4535 thousand)		
	<u>17,401</u>	<u>48,751</u>

9. LOANS AND ADVANCES [Schedule 18B(15)]

Unsecured, considered good - Advances recoverable in cash or kind or for value to be received	214,498	95,806
Advanced to wholly owned subsidiary	-	34,212
Security Deposits	9,444	9,111
Interest accrued on deposits	861	1,014
Advance Tax (Net of Provision)	2,537	1,872
	<u>227,340</u>	<u>142,016</u>

10. CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors		
- Total Outstanding dues of Creditors other than Small Scale Industrial Undertakings	183,042	335,917
Advances/Deposits from Customers	90,001	167,025
Other liabilities	37,095	61,043
Interest accrued but not due	8,117	5,083
Wealth Tax	145	159
	<u>318,400</u>	<u>569,227</u>

11. OTHER INCOME [Schedule 18 B (13(2))]

Insurance Claim received	6,403	-
Exchange Fluctuation and Export entitlement	11,064	7,722
Miscellaneous (including profit on sale of assets Rs. 588 thousand (previous year nil))	4,192	5,795
	<u>21,659</u>	<u>13,517</u>

12. MANUFACTURING

Consumption of stores and spare parts (Excluding Rs.3613 thousand charged to other revenue heads of accounts, (Previous year Rs. 5814 thousand)	14,605	11,266
Power and Fuel	133,002	91,775
Conversion Charges	-	29,431
Repairs - Building	296	98
- Machinery	6,594	5,406
ISI & Agmark Charges and ISO Charges	2,094	1,996
	<u>156,591</u>	<u>139,972</u>

13. PERSONNEL

	2010-2011 Rs.'000	2009-2010 Rs.'000
Salaries, wages, bonus, gratuity and hired services	84,260	74,401
Contribution to Provident Fund	4,192	4,559
Staff welfare	3,866	3,527
	<u>92,318</u>	<u>82,487</u>

14. ADMINISTRATION

Rent	892	1,322
Rates and taxes	1,309	638
Insurance	6,097	5,233
Directors' fees	6	11
Miscellaneous expenses (includes prior period expenses Rs.,515 thousand. Previous year Rs. 278 thousand)	30,083	30,968
	<u>38,387</u>	<u>38,172</u>

15. SELLING & DISTRIBUTION EXPENSES

Freight & Forwarding Expenses	29,449	34,981
Commission	7,440	5,588
Other Expenses	7,750	6,653
	<u>44,639</u>	<u>47,222</u>

16. FINANCE CHARGES

Interest Paid		
On Fixed Loans	48,161	50,377
Others	75,398	45,958
	<u>123,559</u>	<u>96,335</u>
Interest Received (Tax deducted at source Rs.101 thousand Previous Year Rs. 124 thousand)		
Interest on Bank deposits	(1,011)	(869)
	<u>(1,011)</u>	<u>(869)</u>
	<u>122,548</u>	<u>95,466</u>

**17. (INCREASE)/DECREASE IN WORK-IN-PROGRESS
AND FINISHED GOODS**

Opening Stocks		
Work-in-progress	18,005	12,550
Finished Goods	464,873	296,701
	<u>482,878</u>	<u>309,251</u>
Closing Stocks		
Work-in-progress	19,561	18,005
Finished Goods	373,640	464,873
	<u>393,201</u>	<u>482,878</u>
(Increase)/Decrease	<u>89,677</u>	<u>(173,627)</u>

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts

The accounts have been prepared in accordance with historical cost convention, applicable accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 following accrual method of accounting except for gratuity and leave encashment which are being accounted for on payment basis.

2. Fixed Assets

Fixed assets are stated at cost. All direct expenses incurred for bringing the assets to their present location are debited to the respective assets. In regard to new projects' expenditure incurred till the date of commencement of commercial productions are charged to the respective assets i.e. Building, Plant & Machinery proportionately. Replacement of various part of fixed assets are also capitalized considering the benefit of enduring nature.

3. Depreciation on Fixed Assets

On Fixed Assets : On written down value as per prescribed rates in Schedule XIV of Companies Act 1956.

On Stores Items Capitalized: Estimated useful life of the asset.

On Assets Held for Disposal: Only in case the net realizable value of Assets is lower than the carrying amount.

During the year Company has not charged depreciation in respect of Plant and Machinery and furniture and fixtures of Patiala Unit prior to financial year 2005-06 as these Assets had reached its residual value in earlier years as prescribed under Companies Act, 1956.

4. Investments

Long Term Investments are stated at cost, less provision if any for diminution in the value of such investments, other than temporary.

5. Inventories

Inventories are valued on lower of weighted average cost or net realizable value. Valuation of intermediary products (Whey Powder) is estimated on the basis of net realizable value of the final product.

6. Retirement Benefits (Revised)

Company follows AS-15 (revised) as detailed below:-

(1) Short-term benefits are recognized as expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.

(2) Leave encashments are not carried forward on year to year basis and facility is granted to employees only in the year of determination of service. Therefore no provision of leave encashment is made on year to year basis.

(3) Company provides bonus to eligible employees as per Bonus Act 1965 and accordingly liability is provided on actual cost at the end of the year.

(4) The Company has an obligation towards gratuity a defined benefit retirement plan covering all employees including the Directors in the wholtime employment of company. The plan provides for a lumpsum payment to employees at retirement/ determination of service on the basis of 15 days terminal salary for each completed year of service subject to maximum amount of Rs.10.00 lakh.

(5) Provident Fund:

The eligible employees of the company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both employees and the company make monthly contributions at a specified percentage of the covered employee's salary. The contributions as specified under the law are paid to the respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension Scheme.

7. Revenue Recognition

(i) Sales are recognized at the point of despatch to customers and are net of sales return. Export sales are recognized on the basis of date of bill of lading.

(ii) Export entitlements i.e. duty free scrips are accounted for on the basis of export of goods on FOB value determined for custom purpose.

(iii) In respect of entitlements under clear development mechanism (CDM) of Kyoto Protocol, Income is accounted on the basis of estimated valuation made by the Consultant appointed by the Company for the final registration with UNFCCC. Initial expenditure incurred for Registration etc., are charged over a period during which benefit is likely to accrue. During the year a sum of Rs.4.21 Lacs have been charged to Profit & Loss Account.

8. Deferred Tax

The tax expense consists of current tax and deferred tax. Provision for the current tax is based on tax liability computed in accordance with relevant provisions of the Income Tax Act. Provisions for deferred tax are made for all timing differences arising between taxable incomes and accounting income at Income Tax rates that have been enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets are recognised and carried forward only if there is convincing evidence that they will be realised in future against future taxable income. The carrying amounts of Deferred Tax Asset are reviewed for the appropriateness of their respective carrying values at each balance sheet date (also refer Note 16 of Schedule 18 B).

9. Borrowing Costs

Interest and other cost that are directly attributable to the acquisition, construction or production of a qualifying asset (including trial

run) and for product development (under AS-26) within the meaning of Accounting Standard-16 are capitalized as part of the cost of that asset till the assets are ready for intended use or for producing on commercial scale/sale. Other borrowing costs are recognized as an expense in the period in which they are incurred. However, no borrowing cost has been capitalized during the year.

10. Foreign Currency Transactions

Foreign Currency Transactions involving export sales are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on estimated rate on the date of dispatch of goods. The difference between the rates recorded and the rates on the date of actual realization is transferred to difference in exchange fluctuation account. At the year end, the balances are converted at the year end rate and difference if any between the book balance and converted amount are transferred to the exchange fluctuation account.

11. Intangible Assets

In accordance with AS-26 - expenses incurred on development/defining the manufacturing process of any product to meet the required standards is recognized as Intangible Asset and is amortized over a period of 10 years. The amount amortized during the year is Rs.59.67 Lakhs (Previous Year Rs.59.67 Lakhs).

12. Managerial Remuneration:

Managerial remuneration of Rs.81.13 Lakhs (Previous Year Rs.69.74 Lacs), in the absence of profits under section 198 and 349 of the Companies Act 1956, is based on legal opinion that limits prescribed in Schedule XIII are on consolidated entitlements.

B) NOTES TO ACCOUNTS

1. Contingent liabilities:

Claims not acknowledged as debts Rs.766.56 Lacs net of tax u/s 115 JB Rs.613.98 Lacs. (Previous year Rs.755.93 Lacs net of tax Rs.627.46 lacs).

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) Rs.58.87 Lacs (Previous year Rs. 1.51 Lacs)

3. Equity shares capital include 30,10,225 Equity Shares (Previous year 30,10,225) allotted by way of Bonus Shares by capitalisation of General Reserve/Share Premium Account.

4 (i) Cash Credit, Term Loan and other term loans sanctioned by State Bank of Patiala/Canara Bank are secured by first and exclusive charge on all present and future current assets and fixed assets including Plant & Machinery/immovable properties situated at Bahadurgarh & Moradabad together with all Buildings and structures thereon, equitable mortgage of land & building at Gurgaon in the name of Ispace Developers Pvt Ltd and exclusive charge on company's Brand 'milkfood'. The State Bank of Patiala has also extended supply line of credit to the extent of Rs.8 Crores against which company has created a charge on its immovable assets.

(ii) Vehicles Loans are secured against hypothecation of vehicles.

(iii) Term Loans payable within one year are Rs.1169.15 Lacs (Previous Year 859.00 Lacs).

5. Schedule 3 Unsecured Loans include deposits of Rs.5.38 Lacs (Previous year - Rs.3.13 Lacs) matured but not claimed. Deposits for Rs.3.68 Lacs have since been renewed/repaid.

6a. Schedule 9 - Loans and advances includes amount due from Directors of the Company as at 31st March, 2011 Rs.0.22 Lacs (Previous Year Rs.0.24 lacs). Maximum amount due at any time during the year Rs.3.68 lacs (Previous year Rs.4.07 lacs).

6b. Schedule - 10 Current Liabilities includes Rs.0.06 lacs due to directors of the Company (Previous Year Rs.0.11 lacs). Maximum amount due during the year Rs.0.11 lacs.

7. No provision for gratuity liability as on 31st March, 2011 amounting to Rs.220.57 Lacs (Previous year Rs. 184.72 Lacs) calculated in accordance with actuarial valuation as per AS-15 (Revised), of which Rs.35.85 Lacs relates to current year (Previous year Rs.NIL Lacs) has been made in these accounts.

8. Schedule 9 - Loans and advances include Rs.498 Lacs recognized in current year (For Previous Year Rs.320 Lacs) pending registration and sale of carbon credits, is based on UNFCCC validator's report.

9. There is no amount due to any party under Micro, Small and Medium Enterprises Development Act, 2007.

10. Land at Moradabad of Rs.85.09 Lacs (previous year Rs.85.09 Lacs) purchased through an Associate Company, for which steps have been taken to register the same in the name of the company. The company is in full control and possession of the land and the same is used for the business purposes.

11. Assets at Gurgaon:

(a) Plant and Machinery and furniture and fixtures held for disposal have been depreciated at the rates prescribed under Schedule XIV of the Companies Act. The aggregate written down value of such assets is Rs.21.09 Lacs (Previous year Rs.26.44 Lacs).

(b) A sum of Rs.4.00 Lacs has been charged to Profit and Loss Account on account of reduction in estimated realizable value in respect of general stores of Rs.36.79 Lacs (previous year Rs.40.79 Lacs).

12. The Company had invested Rs.425 lacs in the preference share capital of M/s Grand Regency Hospitality Private Ltd. The investee company has stopped the business as the lease of the premises occupied by it could not be renewed. The investee company is finalizing new lease and other options to carry on the business. Considering the estimated fair value of the brand of the investee company and other net realizable value of the assets, the company is of the view that no provision is required in this year as the diminution in the value of investment due to suspension of business by the investee company is temporary in nature.

13. (i) Stocks on consignment of Rs.2 Crores is pending confirmation at the year end.

(ii) Miscellaneous receipts includes Rs.66.08 Lakhs representing differential amount on account of revision of rates of export sales.

14. In conformity with Accounting Standard AS-28 issued by the ICAI, the total carrying amount of assets including intangible assets is Rs. 3787 Lacs. In pursuance of projections made for the financial year 2010-11. Company has registered sale of casein (including Whey Powder of Rs. 1223 Lacs) against projected sales of Rs.3948 Lacs. At present, export of Casein is banned. However, Management is hopeful that the ban will be lifted in the near future. Considering the entire current and likely economic scenario (Global & domestic) Company has revised projections and has estimated the present value at Rs.4241.00 Lacs. Projections of 10 years includes sale of Whey Powder in domestic market. While making the projections, Management has duly considered the factors in the past and consciously has made the projection on most conservative basis. Therefore in the opinion of Management there is no impairment of assets within the meaning of AS-28.
15. Loans & Advances include Rs.8.75 Lacs recoverable on account of Sales Tax of earlier years which are outstanding from earlier years:
16. **Deferred Tax**

As per Accounting Standard (AS-22), "Accounting for Taxes on Income" issued by the ICAI, Deferred Tax Liability (Net) for the year has been accounted for at Rs.51.37 Lacs as expense (Previous Year Rs.121.42 Lacs as income) in the Profit & Loss Account.

Deferred Tax Liability (Net) as at 31st March 2011 is net of deferred tax asset in respect of unabsorbed depreciation and business loss of Rs.2799.38 Lacs (Previous Year Rs.1978.28 Lacs). Deferred Tax Asset has been recognized in cases where the company has been allowed relief in first appeal in respect of addition/disallowances made in assessment proceedings of Income Tax.

The details regarding components of deferred tax are given below:

Particulars	(Rs. '000)		
	Opening as on 01/04/2010	Charge/(Credit) during the year	Closing as on 31/03/2011
Deferred Tax Liability			
-Depreciation	92283	10667	102950
Deferred Tax Asset			
Unabsorbed Depreciation loss	(80972)	(5530)	(86502)
Total	11311	5137	16448

17. During the year M/S Ispace Developers Pvt. Ltd. has ceased to be the subsidiary of the company. M/S MFL Trading Private Limited has become the wholly owned subsidiary of the company.
18. **Related Party Disclosures**

In accordance with the requirements of Accounting Standard 18 on the Related Party Disclosures, the transactions and Related Parties with whom transactions have taken place during the year are as follows:

(A) Related parties and transactions with them as identified by the management are given below:

List of related parties with whom transactions have taken place.

- (a) Enterprises over which Major shareholders, Key Management Personnel and their relatives have significant influence -
- Jagatjit Industries Ltd. (Associate Concern)
 - Ispace Developers Pvt. Ltd. (Wholly owned subsidiary)
- (b) Key Management Personnel (Directors) and their relatives
- (a) Mr. Umesh Saxena (Managing Director)
 - (b) Ms. Asha Gadi
 - (c) Mr. Suresh Alipuria
 - (d) Mr. Amarjeet Kapoor
 - (e) Mr. K.K. Kohli
 - (f) Mr. Nitin Saxena (son of Mr. Umesh N. Saxena)
 - (g) Mr. Udit Saxena (son of Mr. Umesh N. Saxena)

(B) Details of Transactions carried out with related party in the ordinary course of business:

(Rs. in '000)

	For the Year Ended 31st March, 2011			For the Year Ended 31st March, 2010		
	With Persons Mentioned in Clause 20 (A) (a)	With Persons Mentioned in Clause 20 (A) (b)	Total	With Persons Mentioned in Clause 20 (A) (a)	With Persons Mentioned in Clause 20 (A) (b)	Total
Electricity expenses Paid	814	—	814	854	—	854
Telephone Expenses Paid	50	—	50	119	—	119
Rent paid	397	—	397	397	—	397
Interest received	—	—	—	—	—	—
Interest Paid	—	790	790	—	698	698
Amount received for Services Rendered	9449	—	9449	6291	—	6291
Reimbursement of Expenses	671	—	671	15423	—	15423
Sitting Fees	—	6	6	—	10	10
Managerial Remuneration	—	8113	8113	—	6974	6974
Variable Processing Charges	—	—	—	16038	—	16038
Investments	100	—	100	—	—	—
Sale of Assets	706	—	706	965	—	965
Purchases	7195	—	7195	4499	—	4499
Sales	42258	—	42258	33682	—	33682
Advances Given	—	—	—	—	—	—
Advances/Deposits Received	—	5,000	5,000	—	5,000	5,000
Outstanding payables, net of receivable	5407	4985	10392	11767	4986	16753

Notes:

The above information has been compiled on the basis of disclosures received from all directors of the Company.

The above payments do not include expenses incurred / reimbursed to key management personnel in the course of business.

19. Earnings Per Share (EPS) - The numerators and denominators used to calculate
Basic/Diluted Earnings Per Share:

	Year ended March 31st, 2011	Year ended March 31st, 2010
Profit attributable to the Equity Shareholders (Rs.'000) (A)	(51669)	36905
Basic/Diluted Average Number of Equity Shares outstanding During the year (B)	4886440	4886440
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) (A)/(B)	(10.57)	(7.55)

20. Amount paid/payable to Auditors:

	2010-2011 Rs. '000	2009-2010 Rs. '000
Audit Fees	1248	1213
Income Tax	138	119
Out of Pocket Expenses	186	152
Total	1572	1484

21. Managerial remuneration:

	2010-2011 Rs. '000	2009-2010 Rs. '000
Salary	4980	4980
Contribution to Provident Funds	576	576
Perquisites	2557	1408
Sitting Fees	6	10
Total	8119	6974

22. Capacities, production, sales, opening and closing stocks

(a) Particulars of goods manufactured:

Class of product	Unit	2010-2011			2009-2010				
		Licensed Capacity *A	Installed Capacity *B	Actual Production	Licensed Capacity *A	Installed Capacity *B	Actual Production		
1. Milk Products*C	Tonne }	*Not applicable }	*D	8015	Not applicable }	*D	9791		
2. Ghee	Tonne }			6940			7890		
3. Casein	Tonnes }			6000			366	6000	199
4. Whey Powder	Tonnes }						404*E		284*E

*A As per Notification No.477 (E) dated 25-07-91 issued under the Industries (Development and Regulation) Act, 1951.

*B Installed capacity, being a technical matter, is as certified by Management on which Auditors have relied upon.

*C This comprises Weaning Food, Milk Powder, Infant Milkfood, Condensed Milk and Cheese.

*D The products are manufactured in integrated plant; hence, installed capacity cannot be given.

*E Captive consumption is not included.

(b) Stocks and sales of goods manufactured:

Class of product	Unit	2010-2011			2009-2010		
		Opening Stocks	Sales	Closing Stocks	Opening Stocks	Sales	Closing Stocks
Milk Products	Tonne	2005	8808	1212	2262	10048	2005
	Rs.'000	260924	1173179	172326	244063	1217180	260924
Ghee	Tonne	821	7131	630	261	7330	821
	Rs.'000	196848	1710011	158021	49365	1759011	196848
Casein	Tonne	3	369	0	10	206	3
	Rs.'000	1172	126192	0	2085	67769	1172
Whey Powder	Tonne	124	8	4221	15	175	124
	Rs.'000	5928	1890	43291	588	7747	5928
Others	Rs.'000		57062			34160	

(c) Raw material consumed:

	Unit	2010-2011			2009-2010		
		%	Quantity	Value Rs.'000	%	Quantity	Value Rs.'000
Indigenous							
Milk and Separata	Tonne	87.66	117417	2163154	88.15	142670	2457575
Others		12.34		304616	11.85		330392
Net		100.00		2467770	100.00		2787967

(d) Consumption of stores and spare parts:

	2010-2011		2009-2010	
	Value Rs.'000	%	Value Rs.'000	%
Indigenous	14605	100	11266	100
Imported	—	—	—	—
	14605	100	11266	100

23. Value of imports calculated on CIF basis:

	2010-2011 Rs.'000	2009-2010 Rs.'000
Capital goods Raw materials	—	—
Total	—	—

24. Expenditure in foreign currency:

	2010-2011 Rs.'000	2009-2010 Rs.'000
Books, Periodicals, Subscription, Travelling & Commission	1497	871
Total	1497	871

25. Earnings in Foreign currency:

	2010-2011 Rs.'000	2009-2010 Rs.'000
Export of goods on FOB basis	245179	165765
	245179	165765

26. Previous Years figures have been recast /regrouped where ever necessary in order to conform to the current years' presentation.



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Information pursuant to direction U/S 212 (8) of the companies act, 1956

	2010-2011 Rs.'000	2009-2010 Rs.'000
Capital	100	160,100
Reserves		
Loans (including Rs.34212 from Holding Co.)	Nil	107,212
Current Liabilities and provision	2.50	
Total Assets (including preliminary and Preoperative expenses of Rs.NIL (Previous Year Rs.47882)	102.50	267,312
Total liabilities	102.50	267,312
Investment (Other than in subsidiaries)	Nil	Nil
Turnover	Nil	Nil
Profit Before Taxation	(10.64)	Nil
Provision for Taxation	Nil	Nil
Profit After Taxation	(10.64)	Nil
Proposed Dividend	Nil	Nil

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1. Name of the Subsidiary Company : MFL Trading Private Limited
2. Financial Year of the Subsidiary : 9.09.2010 to 31.03.2011
3. Issued, Subscribed and paid-up Capital of the Subsidiary as on 31st March, 2011. : 10,000 Equity Shares of Rs.10/- each
4. Extent of Interest of Milkfood Limited in Subsidiary as on 31st March, 2011. : 10,000 Equity Shares of Rs.10/- each (100%)
5. Net aggregate amount of Profits/(Losses) of the Subsidiary so far as it concerns the Members of Milkfood Limited and is not dealt with in the Accounts of Milkfood Limited for the Financial Year and Previous Financial Years. : For the Current Financial Year : (Rs.10640/-)
(For the Previous Financial Year Not Applicable)
6. Net aggregate amount of Profits/(Losses) of the Subsidiary so far as it concerns the Members of Milkfood Limited and is dealt with in the Account of Milkfood Limited for The Financial year or Previous Financial Years. : Nil
7. As the end of the Financial year of the Subsidiary ended 31st March, 2011 coincides with the end of the Financial Year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.

For and on behalf of the board

Date : 26th August, 2011
Place : New Delhi

(Suresh Alipuria)
Director

(K.K. Kohli)
Director

(Kamlesh Gupta)
Company Secretary

Auditors' Report

The Board of Directors
Milkfood Limited,
5th Floor, Bhandari House, 91, Nehru Place,
New Delhi-110 019

We have examined the attached Consolidated Balance Sheet of Milkfood Limited and its subsidiary as at 31st March, 2011, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the year then ended.

The Financial statement are the responsibility of Milkfood Limited's management. Our responsibility is to express an opinion on these financial statements based on our Audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the identified financial reporting framework and are free from material mist-statements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also include assessing the accounting principles used in significant estimates made by management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis of our opinion.

We did not audit the financial statement of the subsidiary company included in the consolidated Financial Statements which constitute total assets of Rs.91860.00 and net assets of Rs.91860.00 as at 31st March, 2011, total revenue of Rs. NIL net loss of Rs.10640.00 and net cash outflow amounting to Rs.10640.00 for the year then ended. These financial statements and other financial information have been furnished to us and our opinion on the consolidated financial statement to the extent they have been derived from such Financial Statement is based solely on the report of such Auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Milkfood Limited and its subsidiary included in the Consolidated Financial Statements.

Based on our audit and to the best of our information and according to explanation given to us read with notes on accounts, we are of the opinion that:

- (a) The Consolidated Balance Sheet gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of Milkfood Limited and its subsidiary as at 31st March, 2011.
- (b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Milkfood Limited, and its subsidiary for the year ended on that date; and
- (c) In case of Consolidated Cash Flow Statement, on the consolidated cash flow of the company and its subsidiary for the year then ended.

For Madan & Associates,
Chartered Accountants
Reg. No.: 000185 N

M.K. Madan
(Proprietor)
FCA 82214

Place: New Delhi
Dated: 26th August, 2011

Consolidated Balance Sheet

as at 31st March, 2011

	Schedule	2010-2011 Rs.'000	2009-2010 Rs.'000
SOURCES OF FUNDS			
Shareholders Fund			
Share Capital	1	48,853	48,853
Reserves and Surplus	2	263,222	208,191
LOAN FUNDS			
Secured Loans	3	486,254	465,899
Unsecured Loans		481,756	444,210
Deferred Tax Liability (Net) (Note 16)	18 B	16,448	11,311
TOTAL		1,296,533	1,178,464
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	1,201,900	1,221,809
Less: Depreciation		391,807	360,184
Net Block		810,093	861,625
Capital Work-in-progress		12,374	30,753
		822,467	892,378
INVESTMENTS			
5	42,540	42,540	
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	432,401	515,150
Sundry Debtors	7	72,694	93,941
Cash and Bank Balances	8	17,493	48,782
Loans and Advances	9	227,340	107,803
		749,928	765,676
Less: Current Liabilities & Provisions	10	318,402	570,012
		318,402	570,012
Net Current Assets		431,526	195,664
Preoperative/ Preliminary Expenses pending allocation		-	47,882
TOTAL		1,296,533	1,178,464

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

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

18

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

M.K. Madan

Proprietor

Membership No. 82214

For Madan & Associated

Chartered Accountants

Place : New Delhi

Date : 26th August, 2011

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Consolidated Profit and Loss Account

for the year ended 31st March, 2011

	Schedule	2010-2011 Rs.'000	2009-2010 Rs.'000
INCOME			
Sales		3,068,334	3,085,867
Other Income	11	21,659	13,517
Total		<u>3,089,993</u>	<u>3,099,384</u>
EXPENDITURE			
Raw materials consumed		2,467,770	2,787,967
Packing material consumed		77,128	81,757
Manufacturing	12	156,591	139,972
Personnel	13	92,318	82,487
Administration	14	38,398	38,172
Selling and Distribution	15	44,639	47,222
Finance charges	16	122,548	95,466
Depreciation		47,322	48,856
		<u>3,046,715</u>	<u>3,321,899</u>
(Increase)/ Decrease in work-in-progress and finished goods	17	89,677	(173,627)
Total		<u>3,136,392</u>	<u>3,148,272</u>
Profit before Tax		(46,399)	(48,888)
Less : Provision for Tax			
a) Income Tax		-	-
b) Deferred Tax (Asset)Laibility (Nofe 16)	18 B	5,138	(12,142)
c)Wealth Tax		145	159
Profit / Loss after Tax		(51,681)	(36,905)
Balance transferred to General Reserve		<u>(51,681)</u>	<u>(36,905)</u>
Basic/Diluted Earnings Per Share of Nominal Value of Rs. 10 each (Rs.) (Note 19)	18 B	(10.58)	(7.55)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	18		

This is the Profit and Loss Account referred to
in our report of even date

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

M.K. Madan

Proprietor

Membership No. 82214

For Madan & Associated

Chartered Accountants

Place : New Delhi

Date : 26th August, 2011

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Consolidated Cash Flow Statement

for the year ended 31st March, 2011

Particulars	31.03.2011 Rs.'000	31.03.2010 Rs.'000
A. Cash flow from operating activities:		
Net (loss)/profit before tax	(46,399)	(48,888)
Adjustments for:		
Depreciation	47,322	48,856
Interest Expense	122,548	95,466
Income from Investment - Dividends	-	-
(Profit)/Loss on Fixed Assets sold	(588)	521
Provision for Wealth Tax/Income Tax	(145)	(159)
Foreign Exchange Fluctuation	(1,402)	(315)
Adjustment of account of transfer of fixed assets from CWIP etc	47,882	-
Miscellaneous Balances Written Back and Miscellaneous Income	(3,875)	(5,869)
Insurance Claim Received	(6,403)	-
Operating profit before working capital changes	158,941	89,612
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	21,247	(75,587)
- (Increase)/Decrease in Other Receivables	(119,537)	(48,872)
- (Increase)/Decrease in Inventories	82,749	(167,166)
- (Increase)/Decrease in Trade and Other Payables	(251,596)	116,407
Cash generated from operations	(108,196)	(85,606)
Insurance claim received	6,403	-
- Taxes Refunded (Net of TDS)	-	-
Net cash from operating activities	(101,793)	(85,606)
B. Cash flow from investing activities:		
Adjustments for changes in :		
Additions during the year	(50,966)	(17,633)
Capital Work in Progress	18,379	(1,556)
Fixed assets taken back	-	-
Proceeds from Sale of fixed assets	42,460	2,360
Sale of Investments (Net of Purchase)	-	1
Dividend Received	-	-
Advances to Subsidiary	-	(747)
Net cash used in investing activities	9,873	(17,575)
C. Cash flow from financing activities:		
Proceeds from Fixed deposits (Net)	(10,214)	37,989
Proceeds from Short Term Loan	-	-
Proceeds from Demand Loan	-	-
Proceeds from Cash Credits (Net)	102,487	(67,041)
Proceeds from Vehicle Loan	(12,707)	1,997
Proceeds from Supplier Credit	-	-
Proceeds from Term Loan	58,791	255,808
Proceeds from Inter Corporate & Other Deposits	(80,455)	-
Interest Paid	(122,548)	(95,466)
Dividend Paid	-	-
Foreign Exchange Fluctuation	1,402	315
Miscellaneous Balances Written Back and Miscellaneous Income	3,875	5,869
Net cash used in financing activities	(59,369)	139,471
Net Increase/(Decrease) in Cash & Cash Equivalents	(31,289)	36,291
Cash and cash equivalents as at 31.03.2010	48,782	12,491
Cash and cash equivalents as at 31.03.2011	17,493	48,782
Cash and cash equivalents comprise		
Cash, Cheques & Drafts (in hand) and Remittances in transit	1,358	1,209
Balance with Scheduled Banks	16,135	47,573
Total	17,493	48,782

Notes :

- The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outflows.
- Cash and cash equivalents includes Rs.5440 thousand (Previous Year - Rs 4535 thousand) which are not available for use by the Company.
- Credit Facilities Available and not drawn are Term Loan of Rs.Nil and Cash Credit Limits of Rs.7701 thousand
- Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

This is the Cash flow Statement referred to in our report of even date

Significant Accounting Policies and Notes to Account (Schedule 18) forms an integral part of the Cash Flow Statement

M.K. Madan
Proprietor
Membership No. 82214

For Madan & Associated
Chartered Accountants
Place : New Delhi
Date : 26th August, 2011

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Asha Gadi
Amarjeet Kapoor
Suresh Alipuria
K.K. Kohli
Directors

Schedules

Schedules Forming part of the Consolidated Balance Sheet

1. SHARE CAPITAL [Schedule 18B(3)]		2010-2011	2009-2010
		Rs.'000	Rs.'000
Authorised			
75,10,000	Equity Shares of Rs 10 each (Previous year 2,25,00,000)	75,100	225,000
50,000	Redeemable Cumulative Preference Shares of Rs 100 each	5,000	5,000
Nil	Non Cumulative 8% pref. share of Rs. 10 each (Previous year 3,50,00,000)	-	350,000
		80,100	580,000
Issued			
48,87,890	Equity Shares of Rs 10 each	48,879	48,879
Subscribed and Paid up			
48,86,440	Equity Shares of Rs 10 each	48,865	48,865
	Less: Calls in arrears	19	19
		48,846	48,846
Amount paid on 1450 Forfeited Shares		7	7
		48,853	48,853
2. RESERVES AND SURPLUS			
Capital Redemption Reserve			
As per last Balance Sheet		1	1
Share Premium Account			
		66,988	66,988
General Reserve			
As per last Balance Sheet		141,202	178,107
Less : Transferred from Profit & Loss Account		(51,681)	(36,905)
Adjustment prior period losses of milk food		106,712	141,202
		263,222	208,191
3. LOAN FUNDS [SCHEDULE 18B(4,5)]			
SECURED			
From Bank			
(i)	Cash Credit	242,299	139,812
Term Loan			
(i)	From Bank	226,374	295,799
Vehicle Loan			
(i)	From Bank	-	692
(ii)	From Others	17,581	29,596
		486,254	465,899
UNSECURED			
Fixed Deposits		94,873	105,087
Inter Corporate Deposit		61,000	68,455
Loan from promoters		-	73,000
Term Loan			
	From Others	325,883	197,668
		481,756	444,210



4. FIXED ASSETS [SCHEDULE 18A(2,3,11) 18B(10,11)]

(Rs.'000)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	01.04.2010	Additions	Deductions	31.03.2011	01.04.2010	For the year	On Deductions	Up to 31.03.2011	31.03.2011	31.03.2010
Freehold Land	71,613	-	40,226	31,387	-	-	-	-	31,387	71,613
Buildings	195,097	906	25,211	170,792	48,714	5,554	11,734	42,534	128,258	146,383
Plant & Machinery	905,139	42,343	3,012	944,470	286,711	37,827	3,043	321,495	622,975	618,428
Furniture, Fixtures and Equipments	11,676	178	(1,149)	13,003	9,068	181	(1,091)	10,340	2,663	2,608
Vehicles	38,284	7585	3,621	42,248	15,691	3,760	2,013	17,438	24,810	22,593
Total	1,221,809	51,012	70,921	1,201,900	360,184	47,322	15,699	391,807	810,093	861,625
Previous year	1,146,144	17,633	7,599	1,156,178	303,891	48,856	4,719	348,028		
Capital work in progress (including capital advance Rs. 1030 thousand (previous year Rs.1030 thousand))									12,374	30,753
Grand Total								822,467	892,378	

5. INVESTMENTS [SCHEDULE 18 A (4) 18B (12)]

2010-2011
Rs.'000

2009-2010
Rs.'000

OTHER INVESTMENTS (Long Term)

IN EQUITY SHARES,(NON TRADE, UNQUOTED)

IN PREFERENCE SHARES,(NON TRADE,UNQUOTED)

Grand Regency & Hospitalities Pvt. Ltd.

2% Redeemable, Non Cumulative

425,000 shares of Rs 100 each fully paid

National Saving Certificate (Pledged with Govt Authorities)

42,500

42,500

40

40

42,540

42,540

Aggregate Value of Unquoted Investments

42,540

42,540

6. INVENTORIES [Schedule 18A(5) 18B (13(1))]

Stores and Spare Parts

27,917

22,894

Raw and Packing Material

11,284

9,378

Finished Goods

373,639

464,873

Work-in-Progress

19,561

18,005

432,401

515,150

7. SUNDRY DEBTORS

Debts outstanding for a period exceeding 6 months

- Unsecured

1,144

698

Other debts

- Secured

1,528

1,563

- Unsecured

70,022

91,680

72,694

93,941

8. CASH AND BANK BALANCES	2010-2011	2009-2010
	Rs.'000	Rs.'000
Cash in hand	1,358	1,209
Balances with Scheduled Banks		
On Current accounts	2,180	37,710
On Deposit accounts	13,955	9,863
Notes		
Includes Rs. 5440 thousand as Margin Money for Bank Guarantee (Previous year Rs. 4535 thousand)		
	<u>17,493</u>	<u>48,782</u>
9. LOANS AND ADVANCES [Schedule 18B(15)]		
Unsecured, considered good -		
Advances recoverable in cash or kind or for value to be received	214,498	95,806
Security Deposits	9,444	9,111
Interest accrued on deposits	861	1,014
Advance Tax (Net of Provision)	2,537	1,872
	<u>227,340</u>	<u>107,803</u>
10. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors - Total Outstanding dues of Creditors other than Small Scale Industrial Undertakings	183,042	336,679
Advances/Deposits from Customers	90,001	167,025
Other liabilities	37,097	61,066
Interest accrued but not due	8,117	5,083
Wealth Tax	145	159
	<u>318,402</u>	<u>570,012</u>
11. OTHER INCOME [SCHEDULE 18 B (13(2))]		
Insurance Claim received	6,403	-
Exchange Fluctuation and Export entitlement	11,064	7,722
Miscellaneous (includes profit on sale of assets Rs. 588 thousand, Previous year nil)	4,192	5,795
	<u>21,659</u>	<u>13,517</u>
12. MANUFACTURING		
Consumption of stores and spare parts (Excluding Rs.3613 thousand charged to other revenue heads of accounts, Previous year Rs. 5814 thousand)	14,605	11,266
Power and Fuel	133,002	91,775
Conversion Charges	-	29,431
Repairs - Building	296	98
- Machinery	6,594	5,406
ISI & Agmark Charges and ISO Charges	2,094	1,996
	<u>156,591</u>	<u>139,972</u>



13. PERSONNEL

	2010-2011 Rs.'000	2009-2010 Rs.'000
Salaries, wages, bonus, gratuity and hired services	84,260	74,401
Contribution to Provident Fund	4,192	4,559
Staff welfare	3,866	3,527
	<u>92,318</u>	<u>82,487</u>

14. ADMINISTRATION

Rent	892	1,322
Rates and taxes	1,309	638
Insurance	6,097	5,233
Directors' fees	6	11
Miscellaneous expenses (includes prior period expenses Rs. 515 thousand Previous year Rs. 278 thousand)	30,094	30,968
	<u>38,398</u>	<u>38,172</u>

15. SELLING & DISTRIBUTION EXPENSES

Freight & Forwarding Expenses	29,449	34,981
Commission	7,440	5,588
Other Expenses	7,750	6,653
	<u>44,639</u>	<u>47,222</u>

16. FINANCE CHARGES

Interest Paid		
On Fixed Loans	48,161	50,377
Others	75,398	45,958
	<u>123,559</u>	<u>96,335</u>
Interest Received (Tax deducted at source Rs. 101 thousand Previous Year Rs. 124 thousand)		
Interest on Bank deposits	(1,011)	(869)
	<u>(1,011)</u>	<u>(869)</u>
	<u>122,548</u>	<u>95,466</u>

17. (INCREASE)/DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS

Opening Stocks		
Work-in-progress	18,005	12,550
Finished Goods	464,873	296,701
	<u>482,878</u>	<u>309,251</u>
Closing Stocks		
Work-in-progress	19,561	18,005
Finished Goods	373,640	464,873
	<u>393,201</u>	<u>482,878</u>
(Increase)/Decrease	<u>89,677</u>	<u>(173,627)</u>

18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts

The accounts have been prepared in accordance with historical cost convention, applicable accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 following accrual method of accounting except for gratuity and leave encashment which are being accounted for on payment basis.

2. Fixed Assets

Fixed assets are stated at cost. All direct expenses incurred for bringing the assets to their present location are debited to the respective assets. In regard to new projects expenditure incurred till the date of commencement of commercial productions are charged to the respective assets i.e. Building, Plant & Machinery proportionately. Replacement of various part of fixed assets are also capitalized considering the benefit of enduring nature.

3. Depreciation on Fixed Assets

On Fixed Assets : On written down value as per prescribed rates in Schedule XIV of Companies Act 1956.

On Stores Items Capitalized: Estimated useful life of the asset.

On Assets Held for Disposal: Only in case the net realizable value of Assets is lower than the carrying amount.

During the year Company has not charged depreciation in respect of Plant and Machinery and furniture and fixtures of Patiala Unit prior to financial year 2005-06 as these Assets had reached its residual value in earlier years as prescribed under Companies Act, 1956.

4. Investments

Long Term Investments are stated at cost, less provision if any for diminution in the value of such investments, other than temporary.

5. Inventories

Inventories are valued on lower of weighted average cost or net realizable value. Valuation of intermediary products (Whey Powder) is estimated on the basis of net realizable value of the final product.

6. Retirement Benefits (Revised)

Company follows AS-15 (revised) as detailed below:-

- (1) Short-term benefits are recognized as expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
- (2) Leave encashments are not carried forward on year to year basis and facility is granted to employees only in the year of determination of service. Therefore no provision of leave encashment is made on year to year basis.
- (3) Company provides bonus to eligible employees as per Bonus Act 1965 and accordingly liability is provided on actual cost at the end of the year.
- (4) The Company has an obligation towards gratuity a defined benefit retirement plan covering all employees including the Directors in the wholtime employment of company. The plan provides for a lumpsum payment to employees at retirement/determination of service on the basis of 15 days terminal salary for each completed year of service subject to maximum amount of Rs.10.00 lakh.
- (5) Provident Fund:

The eligible employees of the company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both employees and the company make monthly contributions at a specified percentage of the covered employee's salary. The contributions as specified under the law are paid to the respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension Scheme.

7. Revenue Recognition

- (i) Sales are recognized at the point of despatch to customers and are net of sales return. Export sales are recognized on the basis of date of bill of lading.
- (ii) Export entitlements i.e. duty free scrips are accounted for on the basis of export of goods on FOB value determined for custom purpose.
- (iii) In respect of entitlements under clear development mechanism (CDM) of Kyoto Protocol, Income is accounted on the basis of estimated valuation made by the Consultant appointed by the Company for the final registration with UNFCCC. Initial expenditure incurred for Registration etc., are charged over a period during which benefit is likely to accrue. During the year a sum of Rs.4.21 Lacs have been charged to Profit & Loss Account.

8. Deferred Tax

The tax expense consists of current tax and deferred tax. Provision for the current tax is based on tax liability computed in accordance with relevant provisions of the Income Tax Act. Provisions for deferred tax are made for all timing differences arising between taxable incomes and accounting income at Income Tax rates that have been enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets are recognised and carried forward only if there is convincing evidence that they will be realised in future against future taxable income. The carrying amounts of Deferred Tax Asset are reviewed for the appropriateness of their respective carrying values at each balance sheet date (also refer Note 16 of Schedule 18 B).

9. Borrowing Costs

Interest and other cost that are directly attributable to the acquisition, construction or production of a qualifying asset (including trial run) and for product development (under AS-26) within the meaning of Accounting Standard-16 are capitalized as part of the cost of that asset till the assets are ready for intended use or for producing on commercial scale/sale. Other borrowing costs are recognized as an expense in the period in which they are incurred. However, no borrowing cost has been capitalized during the year.

10. Foreign Currency Transactions

Foreign Currency Transactions involving export sales are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on estimated rate on the date of dispatch of goods. The difference between the rates recorded and the rates on the date of actual realization is transferred to difference in exchange fluctuation account. At the year end, the balances are converted at the year end rate and difference if any between the book balance and converted amount are transferred to the exchange fluctuation account.

11. Intangible Assets

In accordance with AS-26 – expenses incurred on development/defining the manufacturing process of any product to meet the required standards is recognized as Intangible Asset and is amortized over a period of 10 years. The amount amortized during the year is Rs.59.67 Lakhs (Previous Year Rs.59.67 Lakhs).

12. Managerial Remuneration:

Managerial remuneration of Rs.81.13 Lakhs (Previous Year Rs.69.74 Lacs), in the absence of profits under section 198 and 349 of the Companies Act 1956, is based on legal opinion that limits prescribed in Schedule XIII are on consolidated entitlements.

B) NOTES TO ACCOUNTS

1. Contingent liabilities:

1. Claims not acknowledged as debts Rs.766.56 Lacs net of tax u/s 115 JB Rs.613.98 Lacs. (Previous year Rs.755.93 Lacs net of tax Rs.627.46 lacs).
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) Rs.58.87 Lacs (Previous year Rs. 1.51 Lacs)
3. Equity shares capital include 30,10,225 Equity Shares (Previous year 30,10,225) allotted by way of Bonus Shares by capitalisation of General Reserve/Share Premium Account.
4. (i) Cash Credit, Term Loan and other term loans sanctioned by State Bank of Patiala/ Canara Bank are secured by first and exclusive charge on all present and future current assets and fixed assets including Plant & Machinery/immovable properties situated at Bahadurgarh & Moradabad together with all Buildings and structures thereon, equitable mortgage of land & building at Gurgaon in the name of Ispace Developers Pvt Ltd and exclusive charge on company's Brand 'milkfood'. The State Bank of Patiala has also extended supply line of credit to the extent of Rs.8 Crores against which company has created a charge on its immovable assets.
 - (ii) Vehicles Loans are secured against hypothecation of vehicles.
 - (iii) Term Loans payable within one year are Rs.1169.15 Lacs (Previous Year 859.00 Lacs).
5. Schedule 3 Unsecured Loans include deposits of Rs.5.38 Lacs (Previous year - Rs.3.13 Lacs) matured but not claimed. Deposits for Rs.3.68 Lacs have since been renewed/repaid.
- 6a. Schedule 9 - Loans and advances includes amount due from Directors of the Company as at 31st March, 2011 Rs.0.22 Lacs (Previous Year Rs.0.24 lacs). Maximum amount due at any time during the year Rs.3.68 lacs (Previous year Rs.4.07 lacs).
- 6b. Schedule - 10 Current Liabilities includes Rs.0.06 lacs due to directors of the Company (Previous Year Rs.0.11 lacs). Maximum amount due during the year Rs.0.11 lacs.

7. No provision for gratuity liability as on 31st March, 2011 amounting to Rs.220.57 Lacs (Previous year Rs.184.72 Lacs) calculated in accordance with actuarial valuation as per AS-15 (Revised), of which Rs.35.85 Lacs relates to current year (Previous year Rs.NIL Lacs) has been made in these accounts.
8. Schedule 9 - Loans and advances include Rs.498 Lacs recognized in current year (For Previous Year Rs.320 Lacs) pending registration and sale of carbon credits, is based on UNFCCC validator's report.
9. There is no amount due to any party under Micro, Small and Medium Enterprises Development Act, 2007.
10. Land at Moradabad of Rs.85.09 Lacs (previous year Rs.85.09 Lacs) purchased through an Associate Company, for which steps have been taken to register the same in the name of the company. The company is in full control and possession of the land and the same is used for the business purposes.
11. Assets at Gurgaon:
 - (a) Plant and Machinery and furniture and fixtures held for disposal have been depreciated at the rates prescribed under Schedule XIV of the Companies Act. The aggregate written down value of such assets is Rs.21.09 Lacs (Previous year Rs.26.44 Lacs).
 - (b) A sum of Rs.4.00 Lacs has been charged to Profit and Loss Account on account of reduction in estimated realizable value in respect of general stores of Rs.36.79 Lacs (previous year Rs.40.79 Lacs).
12. The Company had invested Rs.425 lacs in the preference share capital of M/s Grand Regency Hospitality Private Ltd. The investee company has stopped the business as the lease of the premises occupied by it could not be renewed. The investee company is finalizing new lease and other options to carry on the business. Considering the estimated fair value of the brand of the investee company and other net realizable value of the assets, the company is of the view that no provision is required in this year as the diminution in the value of investment due to suspension of business by the investee company is temporary in nature.
13.
 - (i) Stocks on consignment of Rs.2 Crores is pending confirmation at the year end.
 - (ii) Miscellaneous receipts includes Rs.66.08 Lakhs representing differential amount on account of revision of rates of export sales.
14. In conformity with Accounting Standard AS-28 issued by the ICAI, the total carrying amount of assets including intangible assets is Rs.3787 lacs. In pursuance of projections made for the financial year 2010-11. Company has registered sale of casein (including Whey Powder of Rs.1223 Lacs) against projected sales of Rs.3948 Lacs. At present, export of Casein is banned. However, Management is hopeful that the ban will be lifted in the near future. Considering the entire current and likely economic scenario (Global & domestic) Company has revised projections and has estimated the present value at Rs.4241.00 Lacs. Projections of 10 years includes sale of Whey Powder in domestic market. While making the projections, Management has duly considered the factors in the past and consciously has made the projection on most conservative basis. Therefore in the opinion of Management there is no impairment of assets within the meaning of AS-28.
15. Loans & Advances include Rs.8.75 Lacs recoverable on account of Sales Tax of earlier years which are outstanding from earlier years:
16. Deferred Tax

As per Accounting Standard (AS-22), "Accounting for Taxes on Income" issued by the ICAI, Deferred Tax Liability (Net) for the year has been accounted for at Rs.51.37 Lacs as expense (Previous Year Rs.121.42 Lacs as income) in the Profit & Loss Account.

Deferred Tax Liability (Net) as at 31st March 2011 is net of deferred tax asset in respect of unabsorbed depreciation and business loss of Rs.2799.38 Lacs (Previous Year Rs.1978.28 Lacs). Deferred Tax Asset has been recognized in cases where the company has been allowed relief in first appeal in respect of addition/disallowances made in assessment proceedings of Income Tax.

The details regarding components of deferred tax are given below:

Particulars	(Rs. '000)		
	Opening as on 01/04/2010	Charge/(Credit) during the year	Closing as on 31/03/2011
Deferred Tax Liability			
-Depreciation	92283	10667	102950
Deferred Tax Asset			
Unabsorbed Depreciation /loss	(80972)	(5530)	(86502)
Total	11311	5137	16448



17. During the year M/S Ispace Developers Pvt. Ltd. has ceased to be the subsidiary of the company. M/S MFL Trading Private Limited has become the wholly owned subsidiary of the company.

18. Related Party Disclosures

In accordance with the requirements of Accounting Standard 18 on the Related Party Disclosures, the transactions and Related Parties with whom transactions have taken place during the year are as follows:

(A) Related parties and transactions with them as identified by the management are given below:

List of related parties with whom transactions have taken place.

(a) Enterprises over which Major shareholders, Key Management Personnel and their relatives have significant influence -

- Jagatjit Industries Ltd. (Associate Concern)
- MFL Trading Private Limited (Wholly Owned Subsidiary)

(b) Key Management Personnel (Directors) and their relatives

- (a) Mr. Umesh Saxena (Managing Director)
- (b) Ms. Asha Gadi
- (c) Mr. Suresh Alipuria
- (d) Mr. Amarjeet Kapoor
- (e) Mr. K.K. Kohli
- (f) Mr. Nitin Saxena (son of Mr. Umesh N. Saxena)
- (g) Mr. Udit Saxena (son of Mr. Umesh N. Saxena)

(B) Details of Transactions carried out with related party in the ordinary course of business :

(Rs. in '000)

	For the Year Ended 31st March, 2011			For the Year Ended 31st March, 2010		
	With Persons Mentioned in Clause 20 (A) (a)	With Persons Mentioned in Clause 20 (A) (b)	Total	With Persons Mentioned in Clause 22 (A) (a)	With Persons Mentioned in Clause 22 (A) (b)	Total
Electricity expenses Paid	814	—	814	854	—	854
Telephone Expenses Paid	50	—	50	119	—	119
Rent paid	397	—	397	397	—	397
Interest received	—	—	—	—	—	—
Interest Paid	—	790	790	—	698	698
Amount received for Services Rendered Reimbursement of Expenses	9449	—	9449	6291	—	6291
Sitting Fees	671	—	671	15423	—	15423
Managerial Remuneration	—	6	6	—	10	10
Variable Processing Charges	—	8113	8113	—	6974	6974
Investments	—	16038	—	16038	—	16038
Sale of Assets	100	—	100	—	—	—
Purchases	706	—	706	965	—	965
Sales	7195	—	7195	4499	—	4499
Advances Given	42258	—	42258	33682	—	33682
Advance/Deposits Received	—	—	—	—	—	—
Outstanding payables, net of receivable	—	5000	5000	—	5000	5000
	5407	4985	10392	11767	4986	16753

Notes:

The above information has been compiled on the basis of disclosures received from all directors of the Company.

The above payments do not include expenses incurred / reimbursed to key management personnel in the course of business.

19. Earnings Per Share (EPS) - The numerators and denominators used to calculate Basic/Diluted Earnings Per Share:

	Year ended March 31st, 2011	Year ended March 31st, 2010
Profit attributable to the Equity Shareholders (Rs.'000) (A)	(51669)	36905
Basic/Diluted Average Number of Equity Shares outstanding During the year (B)	4886440	4886440
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) (A)/(B)	(10.57)	(7.55)

20. Amount paid/payable to Auditors:

	2010-2011 Rs. '000	2009-2010 Rs. '000
Audit Fees	1248	1213
Income Tax	138	119
Out of Pocket Expenses	186	152
Total	<u>1572</u>	<u>1484</u>

21. Managerial remuneration:

	2010-2011 Rs. '000	2009-2010 Rs. '000
Salary	4980	4980
Contribution to Provident Funds	576	576
Perquisites	2557	1408
Sitting Fees	6	10
Total	<u>8119</u>	<u>6974</u>

22. Previous Years figures have been recast/regrouped where ever necessary in order to confirm to the current year's presentation.



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
 Balance Sheet Date

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

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

Total Liabilities	<input type="text" value="12,96,543"/>	Total Assets	<input type="text" value="12,96,543"/>
Sources of Funds		Reserves & Surplus	<input type="text" value="2,63,232"/>
Paid-up Capital	<input type="text" value="48,853"/>	Unsecured Loans	<input type="text" value="4,81,756"/>
Secured Loans	<input type="text" value="4,86,254"/>		
		Deferred Tax Liabilities	<input type="text" value="16,448"/>
Application of Funds		Net Fixed Assets	<input type="text" value="8,22,467"/>
Net Current Assets	<input type="text" value="4,31,436"/>	Investments	<input type="text" value="42,640"/>
Accumulated Losses	<input type="text" value="NIL"/>	Misc. Expenditure	<input type="text" value="NIL"/>

IV. Performance of Company (Amount in Rs. Thousands)

Turnover including other income	<input type="text" value="30,89,993"/>	Total Expenditure	<input type="text" value="31,36,380"/>
+/- Profit/Loss before Tax	<input type="text" value="46,387"/>	+/- Profit/Loss after Tax	<input type="text" value="51,669"/>
+/- Earning per share in Rs.	<input type="text" value="10.57"/>	Dividend rate %	<input type="text" value="NIL"/>

V. Generic names of three principal products of Company

Item Code (ITC No.)	<input type="text" value="04059020"/>	Product Description	<input type="text" value="Ghee"/>
Item Code (ITC No.)	<input type="text" value="04021010"/>	Product Description	<input type="text" value="Skimmed Milk Powder"/>
Item Code (ITC No.)	<input type="text" value="04022910"/>	Product Description	<input type="text" value="Whole Milk Powder"/>
Item Code (ITC No.)	<input type="text" value="35011000"/>	Product Description	<input type="text" value="Casein"/>
Item Code (ITC No.)	<input type="text" value="04041020"/>	Product Description	<input type="text" value="Whey Powder"/>

milkfood