

TARAI FOODS LIMITED



Tarai

**20TH
ANNUAL REPORT
2009 - 2010**

Tarai Foods Limited

TARAI FOODS LIMITED

Board of Directors

Mr. Gurprit Singh Sandhu
Mrs. Kiran Sandhu
Mr. N.K. Bharti
Mr. Vijay Jolly

(Managing Director)
(Director)
(Director)
(Director)

**Audit Committee, Investors
Grievances Committee & Remuneration
& Recruitment Committee**

Mr. N.K. Bharti
Mrs Kiran Sandhu
Mr. Vijay Jolly

Auditors

M/s Jolly & Oberoi
13, Hanuman Road,
Connaught Place
New Delhi-110001

Bankers

Axis Bank Ltd.
B-6, Lajpat Nagar-II,
New Delhi-110024

Regd. Office

13, Hanuman Road,
Connaught Place
New Delhi-110001

**Head Office :
(Plant)**

Village Fazilpur Meharola
Tehsil Kiccha
Rudrapur
Distt. Udham Singh Nagar,
Uttarakhand

Share Transfer Agent

Beetal Financial & Computer Services (P) Ltd.
99, Madangir, Beetal House
Behind Local Shopping Centre
Near Dada Harsukhdas Mandir
New Delhi-110062
Tel.: 29961281/2

ISIN No.

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Tarai Foods Limited

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the members of Tarai Foods Limited will be held on Thursday, the 30th day of September, 2010 at Elcina House, 422, Okhla Industrial Estate, Phase-III, New Delhi-110 020 at 9.30 a.m. to transact the following businesses :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Narendra Kumar Bharti, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. RATTAN ANIL & Co. Chartered Accountants as Statutory Auditor of the Company in place of M/s. Jolly & Oberoi, 13, Hanuman Road, Connaught Place, New Delhi, Chartered Accountants, who have expressed their unwillingness to act as the statutory auditor of the Company and to authorise the Board of Directors to fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"Resolved that M/s. RATTAN ANIL & Co., Chartered Accountants, A-90, Gali No.-6, 1st Floor, Madhu Vihar Market, Patparganj Bus Depot., New Delhi be and are hereby appointed as Statutory Auditor of the Company in place of M/s. Jolly & Oberoi, 13, Hanuman Road, Connaught Place, New Delhi, Chartered Accountants, who have expressed their unwillingness to continue as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company".

By order of the Board
For Tarai Food Limited

Sd/-
G. S. Sandhu
Managing Director

Place: Rudrapur
Date : 13/08/2010

Tarai Foods Limited

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 29/09/2010 to 30/09/2010 (both days inclusive).
3. Members seeking further information about the accounts are requested to write at least 10 days before the date of meeting so that it may be convenient to get the information ready at the meeting.
4. Members/Proxies should bring the attendance slips duly filled in for attending the meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. Members are requested to bring their copies of Annual Report to the meeting. No copies will be made available at the meeting venue.
6. Additional information as per Clause 49 of the listing Agreement :

Brief profile of Mr. N. K. Bharti, Director, recommended for reappointment :

Mr. N. K. Bharti, aged 62 years has vast experience in farming and marketing of agricultural machineries, tractors and combines. He shares excellent relations with the farmers, local businessman, traders and aadtis of Rudrapur area.

By order of the Board
For Tarai Foods Limited

Place: Rudrapur
Date : 13/08/2010.

sd/
G. S. Sandhu
Managing Director

Tarai Foods Limited

DIRECTORS' REPORT

Dear Members,

Your Directors present the 20th Annual Report together with the Audited Financial Accounts for the year ended 31st March, 2010.

Financial Results		(Rupees in lacs)
Particulars	For the period ended 31-03-2010	For the period ended 31-03-2009
Gross Revenue	330	263
Operating Profit before Interest, Finance charges and Depreciation	18	48
Less: Interest & Finance Charges	0.35	808
Profit/(Loss) before Depreciation	18	(760)
Less : Depreciation	55	55
Net Profit (Loss) for the year	(37)	(815)
Less: Prior Year adjustments	-	-
Net Profit/(Loss) for the year	(37)	(815)
Less: Provision for Taxation	-	0.19
Net Profit/(Loss) after Taxation	(37)	(816)

MANAGEMENT DISCUSSION & ANALYSIS REPORT, REVIEW OF OPERATIONS DURING THE YEAR & FUTURE PLANS :

Although the future of the food processing industry is very bright but it is facing problems of poor infrastructural facilities at the moment viz. inadequate cold storage and refrigerated vehicles, erratic supply of electricity etc. There is high cost of transportation through refrigerated vehicles and demand for limited frozen vegetables and fruits have also made the products commercially unviable

Despite these conditions, in the year under review, the company could successfully increase its sale in U.P. and Delhi. The net turnover increased from Rs. 54.73 lacs to Rs. 112.35 lacs. However, the operating profit has reduced because of the increased power and fuel cost and major repairs of the plant and machineries. Currently, the focus of the company is to increase the turnover in the Institutional market.

The company has entered into negotiated settlement with the secured lenders. During the year under review, it could make a payment of around Rs. 143 Lacs to them. It defaulted in the further payments to them as per the schedule but is trying its best to honor the commitments. The settlements have not yet been revoked by the lenders.

Your company has been served with a notice dtd. 30.06.10 u/s 20 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 and BIFR Regulations, 1987 for Proposed winding up of the company. The promoter directors and the company is trying its best to come up with the funds and honor the commitments of settlement with the lenders.

DIVIDEND

Due to the losses incurred by your company, no dividend is recommended on the equity shares of the company.

AUDITORS

M/s. Jolly & Oberoi, 13, Hanuman Road, Connaught Place, New Delhi, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and they have expressed their unwillingness to continue as the statutory auditor of the Company and M/s. RATTAN ANIL & CO., A-90, Gali No.-6, 1st Floor, Madhu Vihar Market, Patpar Ganj Bus Depot., New Delhi offer themselves for appointment as the statutory auditor of the Company to hold office from the conclusion of this Annual General Meeting till the next Annual General Meeting of the Company. The Company has received a Certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with the provisions of Section 224 (1-B) of the Companies Act, 1956.

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The remarks of the Auditors in their report read with notes attached to the accounts are self explanatory and therefore do not call for any further comments.

COMMENTS ON AUDITORS' REMARKS / QUALIFICATIONS :

Point 3 (1) read with note 5 on schedule 20:

The Company has written to the Banker to the issue to transfer the unclaimed application money to the Investor Education and Protection Fund as per the procedure.

Point 3 (2) read with note 13 on schedule 20:

The company has been repairing the plant on regular basis depending on the liquidity position as well as as per the need of the hour. Since the main season of the company is from December to march, extensive repairs are made to the plant and the plant and machineries every year before that. The company has also filed a case with the High Court on Insurance company to settle the Insurance Claim.

Point 3 (3) read with note 10 on Schedule 20:

The company has already entered into settlement with the secured lenders and hence interest amounting to Rs. 6.09 crores has not been provided for till the date of settlement as according to the terms of settlements, these interest are not payable to them and also these settlements have not yet been revoked.

Point No. 9 (a) in Auditors' Report :

The company is passing through a severe liquidity crunch. However, the efforts are being made to regularize the payment towards the provident Fund deposits with the PF Authorities. The company has already made some payment to the PF Authorities after the Balance Sheet date. Similarly the company has also approached Sales Tax Authorities and is trying to settle the demand of Rs. 3.25 lacs still outstanding.

Point No. 4 read with note 11 on Sechedule 20:

The company has entered into negotiated settlement with the lenders and has already made a payment of around Rs. 2 crores to them. On fully settling the dues to the secured lenders as per the settlement, the company will be able to come out of negative networth and also revive its operations fully.

DIRECTORS

Pursuant to Section 256 of the Companies Act 1956, Mr. Narendra Kumar Bharti, Director of the Company retire by rotation and being eligible, offer himself for re-appointment.

FIXED DEPOSITS

The Company has not accepted any fixed deposits in terms of Section 58A of the Companies Act, 1956.

EMPLOYEES

There are no employees whose particulars have to be submitted in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

STOCK EXCHANGE LISTING

The shares of your Company are presently listed at The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.

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

The details of conservation of energy, technology absorption & foreign exchange earning & outgo of the Company are given as per Annexure 1 to this report :

CORPORATE GOVERNANCE

A Comprehensive report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

Your Company has obtained a certificate from the Statutory Auditor regarding the compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SEC. 217(2AA)

Your Directors hereby state that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. Such accounting policies had been selected and applied consistently and judgments and estimates are reasonable and prudent so as to give a true and fair view of the profit or loss of the Company at the end of the financial year and of the

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profit or loss of the company for that period;

3. Proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts had been prepared on a going concern basis.

APPRECIATION

We wish to convey our sincere thanks to the Shareholders and various agencies of the Central Government, State Governments, Financial Institutions, Company's Banker and Business Associates for their continued cooperation extended to the Company. We also wish to record our deep appreciation of the contribution made by the employees at all levels.

For and on behalf of the Board of Directors

Place: Rudrapur
Date: 13/08/2010

sd/-
G. S. Sandhu
Managing Director

Conservation of Energy :

FORM A

ANNEXURE - 1

A. Power and Fuel Consumption :

		Year ended 31st March, 2010	Year ended 31st March, 2009
1.	Electricity		
(a)	Purchased		
	Units	2112760	1744270
	Total Amount	77,27,883	5901408
	Rate / Unit	3.66	3.38
(b)	Own Generation		
	Through diesel generator		
	Units generated	525000	354000
	Units per ltr. of Diesel Oil	3	3
	Cost/units	11.44	11.53
2.	Coal (specific quantity and where used)	NIL	NIL
3.	Furnace Oil	NIL	NIL
4.	Others/internal generations (please give details)	NIL	NIL

B. Consumption per unit of Production :

	Year ended 31st March, 2010	Year ended 31st March, 2009
Electricity (Units) per Kg.	1.34	1.13

Technology Absorption

Efforts made in Technology absorption as per Form B :

In the absence of working capital facility from Banks, the company does not have adequate funds to engage itself in Research and Development in the technology.

Technology absorption, adaptation and innovation

The company has not imported any technology in the last few years and hence matters pertaining to the technology absorption,

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adaptation and innovation are not applicable to the company.

The imported technology currently used is quite old, around 15-18 years old for which the company has retained key technical staff who have been trained by earlier technical collaborator and have adapted the technology well.

Foreign Exchange Earnings & Outgo

During the year under review, the Company has neither earned any foreign exchange nor used any foreign exchange.

REPORT ON CORPORATE GOVERNANCE

1. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Your Company strives to imbibe fairness, transparency, accountability and responsibility through the adoption of the practice of Corporate Governance. The Company has taken adequate steps to ensure that the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges are complied with.

The Company has the following committees viz. Audit Committee, Remuneration and Recruitment Committee and Investors'/ Shareholders' Grievances Committee to ensure the effective implementation of Clause 49 of the Listing agreement.

2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

The Board of Directors of the Company consists of 4 directors whose category, attendance in Board meetings and in last AGM is as follows:

Sl. No.	Name of Directors	PD/ND*	ED/NED/ID*	Attendance in last AGM	Attendance in Board Meetings		Other Board	
					Held	Attended	Directorship	Committee Chairmanship
1.	Mr. Gurprit Singh Sandhu	PD Managing Director	ED	Absent	6	6	Director in Tarai Farmlands Pvt. Ltd. Tarai Agro Inds. Ltd. Suraiya Exports Pvt. Ltd	NIL
2.	Mrs Kiran Sandhu	PD	NED	Present	6	4	Director in Tarai Farmlands Pvt. Ltd. Tarai Agro-Inds. Limited Suraiya Exports Pvt. Ltd.	NIL
3.	Mr. Vijay Jolly	NPD	NED/ID	Present	6	6	NIL	NIL
4.	Mr. N. K. Bharti	NPD	NED/ID	Present	6	6	NIL	NIL

* PD - Promoter Director ; NPD - Non Promoter Director ; ED - Executive Director ; NED - Non-Executive Director; ID - Independent Director :

b) Details of Board Meetings held during the year :

During the year under review, 6 (Six) Board meetings were held and the dates of the board meetings and attendance

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at the board meetings were as follows :

Date of Board Meeting	Board Strength	No. of Directors Present
30/04/2009	4	4
30/06/2009	4	3
31/07/2009	4	3
24/08/2009	4	4
31/10/2009	4	4
27/01/2010	4	4

3. AUDIT COMMITTEE:

During the financial year 2009-10, the Members of the Audit Committee met 5 (Five) times. The dates of the meetings were 15/04/2009, 29/06/2009, 29/07/2009, 28/10/2009, 26/01/2010.

a) Composition of Committee and attendance of members :

SI. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	Mr. N. K. Bharti*	Chairman	NED/ID	5	5
2.	Mrs. Kiran Sandhu	Member	NED	5	2
3.	Mr. Vijay Jolly	Member	NED/ID	5	5

* Mr. N. K. Bharti having the requisite qualification as required under Clause 49 (II) of the Listing Agreement is the Chairman of the Audit Committee.

b) Terms of reference :

- To review the performance of Statutory Auditors and recommend their appointment and remuneration to the Board, considering their independence and effectiveness ;
- To review of internal controls, delegation of authority limits;
- To act as an interface between the management and the statutory and internal auditors overseeing the internal audit functions.
- To oversee the Company's financial statements, including annual and quarterly financial results, and financial accounting practices & policies.
- To review all internal systems, review the Company's financial and risk management policies, audit and control procedures of the company including but not limited to appointment of statutory/internal auditors from time to time and also to review the annual accounts, quarterly unaudited financial results and limited review report before they are put up to Board for its approval".

4. REMUNERATION & RECRUITMENT COMMITTEE:

During the financial year 2009-10, the Members of the Remuneration and Recruitment Committee met 3 (Three) times. The dates of the meetings were 29/06/2009, 28/10/2009 and 26/01/2010.

a) Composition of Committee and attendance of members :

SI. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	Mr. N. K. Bharti	Chairman	NED/ID	3	3
2.	Mrs. Kiran Sandhu	Member	NED	3	2
3.	Mr. Vijay Jolly	Member	NED/ID	3	3

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b) Terms of reference :

- To oversee the method, criteria and quantum of compensation for Executive and Non-Executive Directors;
- To review the recruitment of key management employees and their compensation;
- Formulation of initiatives leading to greater transparency and improved corporate governance.

c) Remuneration Policy:

No remuneration is paid to the Directors by the Company & there is no remuneration policy of the Company.

5. INVESTORS'/SHAREHOLDERS' GRIEVANCES COMMITTEE

During the financial year 2009-10, the Members of the Investors'/ Shareholders' Grievance Committee met 3 times. The dates of the meetings were 29/06/2009, 28/10/2009 and 26/01/2010.

a) Composition of Committee and attendance of members :

SI. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	Mr. N. K. Bharti	Chairman	NED/ID	3	3
2.	Mrs. Kiran Sandhu	Member	NED	3	2
3.	Mr. Vijay Jolly	Member	NED/ID	3	3

b) -Mr. G. S. Sandhu, Managing Director, is the Compliance Officer of the Company.

c) - No. of Investors' Complaints received by the Company : NIL

- No. of Complaints not solved / pending : NIL

6. GENERAL MEETINGS:

Location and time, where last three AGMs were held :

Particulars	FY 2006-07	FY 2007-08	FY 2008-09
Date & Time	September 29, 2007. 9.30 A.M.	September 30, 2008 9.30 A.M.	September 29, 2009 9.00 A.M.
Venue	Elcina House, 422, Okhla Industrial Estate, New Delhi-110020	Amar Inn, k-102, Lajpat Nagar-II, New Delhi-110024	Elcina House, 422, Okhla Industrial Estate, New Delhi-110020

• Whether any special resolutions passed in the previous 3 AGMs :

In the Annual General Meeting held on 29th September, 2007, 30th September, 2008 and 29th September, 2009 no special resolution was passed.

• Whether any special resolution passed in last year through postal ballot, details of Voting pattern :

No

• Person who conducted the postal ballot exercise :

N.A.

• Whether special resolutions are proposed to be conducted through postal ballot :

N.A.

• Procedure for postal ballot :

N.A.

7. DISCLOSURES :

• Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relative that may have potential conflict with the interests of the Company at large :

The Company does not have any Materially significant related party transactions, which may have potential conflict with its interest at large.

• Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock

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Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years :

N.A.

- Whistler Blower policy and affirmation that no personnel has been denied access to the audit committee :
N.A.

- Details of compliance of mandatory requirements and adoption of the nonmandatory requirements :

The Company has complied with the mandatory requirements of the Listing Agreement. The Company has adopted the non-mandatory requirements of the Remuneration Committee.

8. MEANS OF COMMUNICATION :

The Quarterly Unaudited Financial Results are generally published by the Company in Veer Arjun & The Pioneer. The Company does not maintain any web-site. During the year under review, the Company has neither released any official news release nor has made any presentation to the Institutional Investors or to the Analysts.

9. SHAREHOLDERS' INFORMATION :

a) Annual General Meeting :

Date and Time : 30/09/2010 at 9.30 A.M.

Venue : Elcina House, 422, Okhla Industrial Estate, Phase-III, New Delhi-110020

- b) Financial Year : The financial year of the Company is from April to March.

c) Book Closure :

The Register of Members and Share Transfer Books of the Company will remain closed from 29/09/2010 to 30/09/2010 (both days inclusive).

d) Dividend payment date

N. A.

e) Stock Exchange Listing :

The shares of your Company are listed at The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. The company has paid the up-to-date listing fee to the Mumbai Stock Exchange.

f) Stock Code :

The Stock Exchange, Mumbai - 519285

g) Market price Data High / Low during each month in last financial year :

At BSE (Bombay Stock Exchange)

Month	Monthly High	Monthly Low
April, 2009	2.50	2.50
May, 2009	3.04	2.50
June, 2009	3.73	2.80
July, 2009	3.95	3.09
August, 2009	3.99	2.83
September, 2009	3.30	2.72
October, 2009	3.00	2.48
November, 2009	3.50	2.16
December, 2009	4.28	2.13
January, 2010	3.86	3.03
February, 2010	4.00	3.33
March, 2010	3.85	2.42

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- h) **Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.**
Since the shares of the Company are thinly traded, the comparison of the performance of the shares of the Company with indices such as BSE Sensex is not made.
- i) **Registrar and Transfer Agents :**
Beetal Financial & Computer Services Pvt. Limited,
99, 3rd Floor, Madangir, Behind Local Shopping Centre, New Delhi-110062
- j) **Share Transfer Agent :**
All the share Transfer system of the company is being controlled by Beetal Financial & Computer Services Pvt. Ltd. Subject to the approval of the company.

k) (i) Distribution of Shareholding as on 31.03.2010

SHARE HOLDING OF NOMINAL VALUE OF Rs.	NUMBER OF SHAREHOLDERS	% To TOTAL	NO OF SHARE	% TO TOTAL
UP TO 5000	15,268	92.84	22,04,808	12.4368
5001 TO 10000	626	3.81	5,39,100	3.0409
10001 TO 20000	256	1.56	3,99,680	2.2545
20001 TO 30000	90	0.55	2,33,071	1.3147
30001 TO 40000	32	0.19	1,13,114	0.6380
40001 TO 50000	57	0.35	2,75,585	1.5545
50001 TO 100000	59	0.36	4,33,326	2.4443
100001 & ABOVE	58	0.35	1,35,29,436	76.3162
TOTAL	16,446	100.00	1,77,28,120	100.0000

(ii) Shareholding Pattern as on 31.03.2010

SI.NO.	CATEGORY	NO. OF SHARES	% OF HOLDING
A	Promoter's Holding	82,61,162	46.60
B	Indian Financial Institutions, Banks & Mutual Funds	99,521	0.56
C.	Foreign Institutional Investors / NRIs / OCBs	2,65,129	1.50
D.	Others	91,02,308	51.34
	Grand Total	1,77,28,120	100.00

l) Dematerialization of Shares & Liquidity :

As on 31st March, 2010, 1,12,28,169 shares, representing 63.34% of total equity capital is held in demat form with the NSDL & CDSL.

- m) **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity :**
N.A.
- n) **Plant Location :**
Village: Fazilpur-Mehrola,
Tehsil: Kichha, Rudrapur, Dist.: Udham Singh Nagar, Uttarakhand.
- o) **Address for Correspondence :**
13, Hanuman Road, Connaught Place, New Delhi-110001

AUDITORS' CERTIFICATE :
To the members of Tarai Foods Limited

We have examined the compliance of conditions of corporate governance by Tarai Foods Limited for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchange.

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

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

We state that no investor grievances is pending for a period exceeding one month against the company as per the record maintained by the Company which are presented to the investors' Grievances Committee.

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

for Jolly and Oberoi
Chartered Accountants

Place : Rudrapur
Date : 13th August, 2010

Sd/-
K.S. Oberoi
Partner
M. No.: 85893
Firm No.: 001723N

AUDITORS' REPORT

TO THE MEMBERS OF TARAI FOODS LIMITED.

1. We report that we have audited the Balance Sheet of TARAI FOODS LIMITED as at 31st March, 2010 and the relative Profit and Loss Account for the period ended on that date and the Cash Flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account and the Cash Flow statement together with the significant accounting policies and notes thereon and attached thereto give in the prescribed manner, the information required by the Companies Act, 1956 and also give, subject to note 3.1 to 3.3 below, respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2010 in case of Balance Sheet and of the Loss for the period ended on that date in case of the Profit & Loss Account and of the cash flows for the period ended on that date in case of the Cash Flow Statement.
 1. Note 5 on Schedule 20 regarding details of amount refundable towards share application money.
 2. Note 13 on Schedule 20 regarding damage to the cold store building.
 3. Note 10 on Schedule 20 regarding interest not provided for.
4. Considering continued losses, and negative net worth of the company, the concept of going concern may be in doubt, its ability to continue as going concern depends upon the settlement of outstanding dues of secured/ unsecured creditors and restructuring of operations by considering appropriate business strategies and financial viabilities. In spite of these uncertainties, accounts have been prepared on going concern basis and we are unable to ascertain its impact on the financial statements of the company. (Note 11 on schedule 20).
5. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report Amendment) order, 2004 (The Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (The Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order.
6. Further to our comments in the Annexure referred to in Paragraph 3 & 4 above, we report that :
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit ;
 - b) In our opinion, proper books of account have been kept as required by law so far as appears from our examination of those books ;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts ;
 - d) In our opinion the Balance Sheet and Profit and Loss account and Cash Flow statement dealt with by this report comply with the Mandatory Accounting Standards referred to in sub-session 3C of session 211 of the Companies Act, 1956 ;
 - e) In our opinion, and based on the information and explanations given to us, none of the directors of the Company is disqualified as on March 31, 2010 from being appointed as a directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For JOLLY & OBEROI
Chartered Accountant

Place : Rudrapur
Date : 28th May, 2010

Sd/
K.S. Oberoi
Partner
Membership No.: 85893
Firm No.: 001723N

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our Report of given date of Tarai Foods Limited for the period ended 31st March, 2010)

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the Management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the company has not disposed of substantial part of fixed assets during the year.
2. a) As explained to us, inventories have been physically verified by the Management at regular intervals during the year.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company has maintained proper records of inventories. There were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained u/s 301 of the Act. Consequently, paragraphs iii (b), iii(c) and iii (d) of the said order are not applicable.
- b) The company has taken interest free unsecured loans from the Managing Director and a company covered in the register maintained u/s 301 of the Act.

Sr. No.	Name of the Party	Loan taken during the year	Maximum Balance during the year	Outstanding as on 31st March, 2010	Terms of the Loan
1.	Mr. G. S. Sandhu	Rs. 5 Lacs	Rs. 25.50 Lacs	Rs. 25.50 Lacs	Unsecured, interest free and repayable on demand
2.	Tarai Farmlands Pvt. Ltd.	Rs. 30 Lacs	Rs. 30 Lacs	Rs. 30 Lacs	----- do -----

- c) In our opinion and according to the information and explanations given to us, the loans as detailed above are interest free and the other terms and conditions are not prima facie prejudicial to the interest of the Company.
- d) In respect of loans taken by the company the loan is interest free and the principal amount is repayable on demand.
- e) In respect of loans taken by the company, these are repayable on demand which is not demanded as on the date of signing of this report and thus is not overdue.
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 for the purchase of inventory, fixed assets and also for the sale of goods and Services. During the course of our audit, we have not observed any Continuing failure to correct major weaknesses in internal control System.
5. a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, there are no such transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- or more in respect of any party.
6. The company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the company is commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956.
9. In respect of statutory dues :
 - a) *According to the records of the Company, in the year under review undisputed statutory dues including Income tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities except for provident fund of Rs. 12.88 lacs, and Sales Tax of Rs. 3.25 Lacs, which are due for more than six months after they have become payable. According to the Information and explanations given to us, except for provident fund and Sales Tax, no undisputed amounts

Tarai Foods Limited

payable in respect of the aforesaid dues in the year under review were outstanding as at 31st March, 2010 for a period of more than six months from the date of becoming payable.

- b) As at 31st March, 2010 according to the records of the Company, the following are the particulars of disputed dues on account of sales tax, Income Tax and excise duty matters that have not been deposited :

Name of the statute	Amount Rs. in lacs	Forum where dispute is pending
Sales tax	0.32	Appellate Authority—upto Commissioner's level
Excise Duty	0.59	Appellate Authority Upto Commissioner's level
Income Tax	129.84	Appellate Authority -Appellate Tribunal

10. The company has accumulated losses and has not incurred cash Loss during the current financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has defaulted in repayment of dues to financial institutions and the bank. The Company has been defaulting to the institutions for a period of more than ten years to the tune of Rs. 465 lacs towards principal amount and in respect of working capital loans from bank, to the tune of Rs. 190 lacs as principal amount for last Nine years. As per the books of accounts maintained by the Company, The default of unpaid interest to the secured lenders is approx. Rs. 4498 as on 31.03.2010, Subject to reconciliation of accounts.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. The company is not dealing in or trading in securities, debentures and other investments.
15. The company has not given guarantees for loans taken by others from banks or financial institutions.
16. The company has not raised any new term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the financial statements of the company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
18. During the year, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies act, 1956.
19. The company has not issued any debentures and hence question of creation of securities or charge in respect of debentures issued does not arise.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

For JOLLY & OBEROI
Chartered Accountant

Place : Rudrapur
Date : 28th May, 2010

Sd/
K.S. Oberoi
Partner
Membership No.: 85893
Firm No.: 001723N

Tarai Foods Limited

BALANCE SHEET AS AT MARCH 31st 2010

	Schedule	AS AT 31st March 10	AS AT 31st March 09
SOURCE OF FUNDS			
SHAREHOLDERS' FUNDS			
		Rs.	Rs.
Share Capital	1	143,381,200	143,381,200
Reserves & Surplus	2	36,959,311	36,959,311
		<u>180,340,511</u>	<u>180,340,511</u>
LOAN FUNDS			
Secured	3	497,995,112	512,295,112
Unsecured	4	5,550,000	2,050,000
		<u>503,545,112</u>	<u>514,345,112</u>
		<u>683,885,623</u>	<u>694,685,623</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	139,689,100	139,324,742
Less : Depreciation Reserve		83,124,451	77,577,850
NET BLOCK		<u>56,564,649</u>	<u>61,746,892</u>
Capital Work in Progress		1,269,337	1,269,337
		<u>57,833,986</u>	<u>63,016,229</u>
INVESTMENT			
CURRENT ASSETS, LOANS & ADVANCES			
Inventory	6	2,449,949	3,964,664
Sundry Debtors	7	5,564,581	10,536,565
Cash & Bank Balances	8	3,660,480	2,526,701
Loans & Advances	9	3,725,940	4,519,168
		<u>15,400,951</u>	<u>21,547,098</u>
Less : Current Liabilities & Provisions	10	14,451,574	11,292,860
		<u>9,49,376</u>	<u>10,254,238</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
PROFIT & LOSS ACCOUNT			
		<u>625,102,260</u>	<u>621,415,155</u>
		<u>625,102,260</u>	<u>621,415,155</u>
		<u>683,885,623</u>	<u>694,685,623</u>
SIGNIFICANT ACCOUNTING POLICIES			
NOTES TO ACCOUNTS			
	19		
	20		

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

Sd/-

K.S. Oberoi

Partner

M. No.: 85893

For and on behalf of Jolly & Oberoi

Chartered Accountant

Firm No.: 001723N

Place : Rudrapur

Date : 28-05-10

sd/-

G.S. SANDHU
Managing Director
DIN No. : 00053527

sd/-

KIRAN SANDHU
Director
DIN No. : 00053879

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31st 2010

	Schedule	For the year ended 31st March 10	For the year ended 31st March 09
		Rs.	Rs.
INCOME			
Sale (including processing charges)	11	26,507,834	21,124,884
Other Income	12	6,459,167	5,225,913
Increase/(Decrease) in Inventory	13	(1,514,714)	449,547
		<u>31,452,287</u>	<u>26,800,344</u>
EXPENDITURE			
Material Purchased	14	4,328,625	3,583,953
Fuel, Power & Water		14,981,007	11,172,323
Personnel Expenses	15	3,773,952	2,614,766
Marketing Expenses	16	881,811	697,901
Administrative Expenses	17	5,592,467	3,936,347
		<u>29,557,862</u>	<u>22,005,290</u>
(LOSS) / PROFIT BEFORE FINANCIAL CHARGES & DEPRECIATION		1,894,425	4,795,054
Financial Charges	18	34,929	80,788,883
Depreciation		5,546,601	5,538,430
PROFIT / (LOSS) BEFORE TAX		(3,687,105)	(81,532,259)
Extra Ordinary Items		-	-
PROFIT / (LOSS) BEFORE TAX		(3,687,105)	(81,532,259)
Provision for Taxation		-	19,472
PROFIT / (LOSS) AFTER TAX		(3,687,105)	(81,551,731)
Loss Brought forward from previous year		621,415,155	539,863,424
LOSS TRANSFERED TO BALANCE SHEET		<u>(625,102,260)</u>	<u>(621,415,155)</u>
Earning Per Share Before Extra Ordinary Item			
Basic and Diluted EPS		(0.26)	(5.69)
Earning Per Share after Extra Ordinary Items			
Basic and Diluted EPS		(0.26)	(5.69)
Significant Accounting Policies	19		
Notes to Accounts	20		

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

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

Sd/-

K.S. Oberoi

Partner

M. No.: 85893

For and on behalf of Jolly & Oberoi

Chartered Accountant

Firm No.: 001723N

Place : Rudrapur

Date : 28-05-10

sd/-

G.S. SANDHU
Managing Director
DIN No. : 00053527

sd/-

KIRAN SANDHU
Director
DIN No. : 00053879

Tarai Foods Limited

SCHEDULE 1. SHARE CAPITAL

	31st March 2010	31st March 2009
	Rs.	Rs.
32,000,000 Equity Share of Rs. 10/- each	320,000,000	320,000,000
150,000 Cumulative Convertible Preference Share Of Rs. 100/- each	15,000,000	15,000,000
	<u>335,000,000</u>	<u>335,000,000</u>
ISSUED, SUBSCRIBED, CALLED UP AND PAID UP		
13,728,120 Equity Shares of Rs. 10 each - fully paid up (previous year 13728120 Equity Shares)	137,281,200	137,281,200
40,00,000 Equity share of Rs. 10/- each Rs. 10/- called up issued on preferential basis (Previous Year 40 lacs equity shares)	40,000,000	40,000,000
	<u>177,281,200</u>	<u>177,281,200</u>
LESS : Calls in arrears	33,900,000	33,900,000
	<u>143,381,200</u>	<u>143,381,200</u>

SCHEDULE 2 : RESERVES & SURPLUS

	31st March 2010	31st March 2009
	Rs.	Rs.
Share Premium Account	36,959,311	36,959,311
	<u>36,959,311</u>	<u>36,959,311</u>

SCHEDULE 3 : SECURED LOAN

	31st March 2010	31st March 2009
	Rs.	Rs.
From Financial Institutions*		
- Rupee Term Loan	46,500,000	46,500,000
- Interest Accrued & Due	399,884,829	399,884,829
A	<u>446,384,829</u>	<u>446,384,829</u>
From Banks**		
-Cash Credit (Irregular account recalled)	19,000,000	19,000,000
-Interest Acrued and Due	49,910,283	49,910,283
B	<u>68,910,283</u>	<u>68,910,283</u>
Less : Repayments under negotiated settlement C	17,300,000	3,000,000

* Term Loans from financial institutions are secured by mortgage of Company's Immovable properties, both present and future and hypothecation by way of first charge on the Company's movable assets (except book debts) including movable machinery, Machinery spares, tools and accessories, present and future, subject to prior charges in favour of Company's Bankers on the stock of raw material, semi finished goods, finished goods, consumable stores and such other movable as may be specifically permitted to secure its working capital requirements and guaranteed by the promoters of the Company as per the terms of the agreement.

** Recalled Working Capital facilities availed from Bank are secured by way of pari-passu charge on the whole of the Company's present and future stocks of raw material spares, stock - in - process and finished goods stored at the Company's godown or elsewhere in India and the Company's present and future book debt and other receivables. There is an additional security by way of second charge on fixed assets of the Company in case of working capital facilities availed from State Bank of Travancore. The loan from State Bank of Travancore is further secured by way of personal guarantee of a director of the Company.

A+B-C

497,995,112

512,295,112

Tarai Foods Limited

SCHEDULE 4. UNSECURED LOAN

	31st March 2010	31st March 2009
	Rs.	Rs.
Short Term		
- From Bank	-	-
- <u>From Others</u>		
- From Directors	2,550,000	2,050,000
- From Others*	3,000,000	-
(*Pertains to interest free loan from Tarai Farmlands Private Limited)	<u>5,550,000</u>	<u>2,050,000</u>

SCHEDULE 6: INVENTORY

Refer Note 5 on Schedule 19	31st March 2010	31st March 2009
	Rs.	Rs.
Finished Goods	1,170,830	2,699,307
Raw Material and Stock in process	52,400	81,795
Oil and Lubricants	214,835	455,954
Stores & Spares and Packing Material	1,011,884	727,608
	<u>2,449,949</u>	<u>3,964,664</u>

SCHEDULE 7: SUNDRY DEBTORS

Refer Note 2,4 & 6 on Schedule 20 (Unsecured)	31st March 2010	31st March 2009
	Rs.	Rs.
Debts outstanding for a period over six months		
- considered good	791,618	283,890
- considered doubtful	1,142,773	2,032,978
Others		
- considered good	4,772,963	9,347,070
- considered doubtful	-	15,400
Less : Provision for doubtful debts	<u>1,142,773</u>	<u>1,142,773</u>
	<u>5,564,581</u>	<u>10,536,565</u>

SCHEDULE 5 : FIXED ASSETS

(Refer Note 2 to Schedule 19)		GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	As at 01-Apr-09	Additions during the year	Sale/ Adjustment	As at 31-Mar-10	As at 01-Apr-09	For the Year	On Sale/ Adjustment	As at 31-Mar-10	As at 31-Mar-09
Land	11,083,208	-	-	11,083,208	-	-	-	11,083,208	11,083,208
Approach Road	918,569	-	-	918,569	239,545	14,973	-	664,051	679,024
Building	34,362,362	-	-	34,362,362	13,417,800	1,147,703	-	19,796,859	20,944,562
Plant & Machinery	90,700,496	364,358	-	91,064,854	61,747,785	4,299,714	-	25,017,355	28,952,711
Furniture & Fixtures	1,583,047	-	-	1,583,047	1,497,026	84,211	-	1,810	86,021
Vehicle	677,060	-	-	677,060	675,695	-	-	1,365	1,365
Total	139,324,742	364,358	-	139,689,100	77,577,850	5,546,601	-	56,564,649	61,746,892
Previous Period	139,283,867	40,875	-	139,324,742	72,039,421	5,538,430	-	1,269,337	1,269,337
CAPITAL WIP	1,269,337	-	-	1,269,337				57,833,986	63,016,229

Tarai Foods Limited

	31st March 2010	31st March 2009
SCHEDULE 8 : CASH & BANK BALANCES		
Cash in Hand	Rs. 1,092,732	Rs. 656,875
Balance with Scheduled Banks		
- In Current Accounts	2,192,202	1,644,280
- Fixed Deposit with Bank	150,000	-
- Share Application Money Refundable	225,546	225,546
(Refer note 5 on Schedule 20)	<u>3,660,480</u>	<u>2,526,701</u>
SCHEDULE 9 : LOANS & ADVANCES		
(Refer Note-2,4&5 on Schedule 20) (Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
- considered good	1,109,901	1,279,819
- considered doubtful	670,500	670,500
Tax Deducted at Source	2,336,934	2,889,314
Refund Due from Sales Tax authorities	90,583	90,583
Custom Duty & Excise Duty	100	100
VAT ON INPUT	188,422	259,352
Less provision for doubtful Advances	670,500	670,500
Advances include amount due from Directors/Officers of the company Rs. Nil (Previous Year Rs. Nil)		
Maximum Amount Due during the year Rs. 26,606/- (Previous Year Rs. 31,670/-)	<u>3,725,940</u>	<u>4,519,168</u>
SCHEDULE 10: CURRENT LIABILITIES		
(Refer note 5 & 7 on Schedule 20)		
Sundry Creditors - Dues to Others	12,244,032	9,542,215
Dues to Micro, Small & Medium Enterprises		
Advances from Customers	60,948	400,979
Other Liabilities	1,466,630	1,124,120
Share Application Money Refundable	225,546	225,546
Provisions for Gratuity and Leave encashment	454,418	-
(Refer note 12 on Schedule 20)	<u>14,451,574</u>	<u>11,292,860</u>
SCHEDULE 11: SALES		
(Refer note 4 on Schedule 29)		
Sale of vegetables & Fruits (frozen, fresh & canned) (net of sales tax)	11,235,374	5,473,213
Processing of vegetables (Gross of Tax Deducted at Source Rs. 3,05,449/- Previous Year Rs. 3,54,667/-)	15,272,460	15,651,671
	<u>26,507,834</u>	<u>21,124,884</u>
SCHEDULE 12 : OTHER INCOME		
Storage charges (Gross of tax deducted at source Rs. 69,448/-, Previous Year Rs. 1,11,746/-)	6,165,901	4,931,416
Miscellaneous Income (Gross)	69,652	-
Interest Income :		
- On investments		
- On Other (Gross of Tax Deducted at source Rs. Nil, Previous Year Rs. 51,198/-)	223,614	294,497
	<u>6,459,167</u>	<u>5,225,913</u>

Tarai Foods Limited

	31st March 2010	31st March 2009
SCHEDULE 13 : INCREASE/(DECREASE) IN INVENTORY		
	Rs.	Rs.
Opening Stock	3,964,664	3,515,117
Stock w/off	-	-
Adjusted Stock	3,964,664	3,515,117
Closing Stock	2,449,949	3,964,664
Increase/(Decrease) in inventory	<u>(1,514,714)</u>	<u>449,547</u>
SCHEDULE 14 : MATERIALS PURCHASED		
Raw Materials and Packing, Stores & Spares	4,328,625	3,583,953
	<u>4,328,625</u>	<u>3,583,953</u>
SCHEDULE 15 : PERSONNEL EXPENSES		
Salary & Wages	2,375,878	1,833,328
House Rent and other Allowances	305,208	234,466
Employer Contribution to Provident Fund	233,854	196,964
Leave Encashment	76,637	867
Medical Expenses	51,630	72,215
Staff Welfare	183,933	149,169
Staff Uniform	14,031	9,175
Ex-gratia/Bonus	143,130	118,582
Gratuity	3,89,651	-
	<u>3,773,952</u>	<u>2,614,766</u>
SCHEDULE 16 : MARKETING EXPENSES		
Loading & Unloading Charges	256,949	253,578
Market Development Expenses	49,133	0
Freight Outward	441,175	339,557
Cold Store Hire charges	134,554	104,766
	<u>881,881</u>	<u>697,901</u>
SCHEDULE 17. ADMINISTRATIVE EXPENSES		
Traveling & Conveyance Expenses	208,842	199,221
Rent	132,720	118,500
General/Board meeting Expenses	3,860	6,900
Miscellaneous Expenses	175,719	30831
Legal & Professional Charges	1,185,734	804,266
License & Filing Charges	84,382	31,820
Insurance	18,327	-
Repair & Maintenance - Office	53,337	104,045
Repair & Maintenance - Building	32,977	127,307
Repair & Maintenance - Plant & Machinery	3,188,189	1,852,375
Repair & Maintenance-Cold Store	89,372	255,111
Listing Fee & Expenses	70,031	101,043
Share Registrar Charges	52,944	57,914
Printing & Stationery	129,176	96,017
Telephone Charges	45,552	54,428
Postage Charges	98,068	93,060
Sales Tax	741	3,509
Debtors w/off	4,094	-
Advances W/off	18,402	-
	<u>5,592,467</u>	<u>3,936,347</u>
SCHEDULE 18. FINANCIAL CHARGES		
(Refer note 10 on Schedule 20)		
Interest		
- Term Loan	-	70,569,799
- Others	276	10,202,939
Bank Charges	34,653	16,145
	<u>34,929</u>	<u>80,788,883</u>

SCHEDULE 19 : STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES.

1. General :

(a) The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accounting principles of Going Concern and the Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

(b) The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

2. Fixed Assets :

Fixed Assets are stated at cost of acquisition and subsequent improvement hereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. In accordance with AS 28, where there is any indication of impairment of the Company's assets related to cash generating unit, carrying amount of such assets are reviewed at Balance Sheet date.

3. Depreciation:

Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

4. Revenue Recognition and Sales :

Revenue on sale of goods is recognised on despatch of goods to the parties. Sales are net of sales tax.

5. Inventories :

Inventories are valued at the lower of cost and net realizable value. In case of stores and spares and packing material, 'Specific Identification' method and for other inventories, FIFO method is used. In case of Finished Goods, cost includes an appropriate portion on allocable overheads.

6. Employee Benefits :

a). Provident Fund :

Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account as incurred.

b). Gratuity :

Gratuity is defined retirement plan. The company provides for the provision and no actuarial valuation is done by them.

c). Leave encashment / Entitlement :

The employees are entitled to accumulate leaves as per the rules of the Company. Liability for the leave encashment is provided for on the basis of the eligible leaves at the close of the year.

7. Taxation :

Income Tax expenses comprise current tax (i.e. amount of tax for the year determined in accordance with the Income Tax Laws). Deferred Tax on assets are recognized and carried forward only if there is a virtual / reasonable certainty of realization of such assets in near future and are reviewed for their appropriateness of respective carrying value at Balance Sheet date.

8. Provisions, Contingent Liabilities and Contingent assets :

Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities are disclosed in the notes to accounts and are determined based on the management perception that these liabilities are not likely to materialize. Contingent assets are not recognized or disclosed in the financial statements.

SCHEDULE 20 : NOTES TO ACCOUNTS.

1. Contingent Liabilities not provided for :

- a) in respect of demands against the company not admitted as debts regarding excise duty on unbranded french fries Rs.0.59 lacs (previous Rs. 0.59 lacs) - Matters under appeal hence interest on such demand not provided for.

Tarai Foods Limited

- b) in respect of demands against the company not admitted as debts regarding sales tax approx. Rs.0.39 lacs (previous period Rs.0.39 lacs)
- c) In respect of demands against the company not admitted as debts regarding Income Tax approx. Rs. 129.84 lacs (Previous Year Rs. 129.84 Lacs)
2. Accounts of certain debtors, loans and advances and creditors' balances are subject to confirmation. But the management is of the opinion that there would not be any material impact on the financial statements.
3. In the absence of any possibility of taxable profits in the near future, the company has not provided for Deferred Tax Asset as per AS- 22. The company is not recognizing deferred tax assets in respect of huge unabsorbed depreciation and carried forward losses and other deferred tax assets as there is no certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
4. The company has raised invoice claims on Lamb Weston Inc. amounting to Rs.12.17 lacs during earlier years towards renting of cold storage, testing charges, custom duty and freight charges which are outstanding as at March 31, 2010. These amounts are recoverable in foreign currency and are doubtful of recovery. Accordingly, provision for these amounts has been made in these accounts in earlier years.
5. The company has written to the Bankers to transfer the moneys lying in the Unclaimed Application Money Refundable Account to Investor Education And Protection Fund. Currently, The amount has been disclosed as share application money refundable under cash and bank balances and share application money refundable under current liabilities.
6. Disclosure pursuant to Accounting Standard - 29 :
- | | Rs. in lacs | |
|--|-------------|--------------------|
| | Debtors | Loans and Advances |
| Provisions for doubtful debts | | |
| Opening balance as on 01.04.09 | 11.43 | 6.71 |
| Provided / Utilised / Reversed during the year | NIL | NIL |
| Closing balance as on 31.03.2010 | 11.43 | 6.71 |
7. The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006. There are no micro and small enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010. The above information pertaining to micro and small enterprises has been determined to the extent such parties have been relied upon by the auditors.
8. In respect of Accounting Standard 17 on "Segment Reporting". The company is a single segment Company dealing in fresh, frozen and canned foods in accordance with the criteria for identification of reportable segment specified in the said standard.
9. Earnings per share
- | Particulars | 2009-10
(Rs. In lacs) | 2008-09
(Rs. In Lacs) |
|--|--------------------------|--------------------------|
| Numerator | | |
| Net Loss as disclosed in profit and Loss Account | (36.87) | (815.32) |
| Net Loss attributable to the Equity Shareholders | (36.87) | (815.32) |
| Denominator | | |
| Weighted average Equity Share Nos. | 14338117 | 14338117 |
| Basic and Diluted EPS
(Face value of Rs. 10/- each) | | |
| Before Exceptional Items | (0.26) | (5.69) |
| After Exceptional Items | (0.26) | (5.69) |
10. Interest of around Rs. 6.09 Crores has not been provided for in the books of accounts as the company has entered into negotiated settlement with the Financial Institutions and Banks during the year under review.
11. The net worth of the company is negative as at the Balance Sheet date. However accounts of the company have been prepared on going concern basis since the company is taking necessary steps for its revival. In case the company is unable to continue as going concern in future, the resultant adjustments, if any are presently not ascertainable.

Tarai Foods Limited

12. Liabilities recognized in the Balance Sheet as on 31st March, 2010 with respect to gratuity is Rs. 3.90 Lacs (Previous year NIL) and with respect to leave encashment/entitlements Rs. 0.65 Lacs (Previous year NIL). While calculating gratuity, assumption has been made that discount rate and the salary escalation rate are 8% and 5% respectively.
13. The cold store building had suffered damages due to earthquake in March, 1999. The building requires major repairs in insulation and RCC works has to be repaired and substantial insulation will have to be re-done. The company had filed insurance claim with the National Insurance Co. which remains unsettled till date.
14. The Company suffered loss on account of deterioration of stocks arising out of break down in Generating set and earthquake damages to the cold store building. Company had filed insurance claim with National Insurance Co. for deterioration of stocks, machinery break down, for generator set and cold store building which are all pending till date.
15. The company has filed a case in Delhi High Court which is pending for adjudication for losses on account of damages to the cold store, deterioration of stocks, machinery break down and consequential losses on account of losses and damages suffered due to inaction of the Insurance Authorities. The case has been admitted and the evidences are being taken up.
16. The company has been served with a statutory notice under section 13 (2) of Securitization and Reconstruction of the Financial assets and Enforcement of Securities Interest Act, 2002, by IDBI Bank Ltd. in earlier years.

17. I. Payment to Auditors

	Year ended 31/3/2010 Rs.	Year ended 31/3/2009 Rs.
Audit fee	30,000	30,000
Tax Audit Fee	6,000	6,000
Total	36,000	36,000

II Expenditure in Foreign Currency

(on payment basis)

Nil

Nil

III Value in imports calculated on CIF basis

Nil

Nil

IV. Earning in foreign currency

Nil

Nil

V. Consumption of raw material and stores

	Year ended 31/3/10		(Rs. in Lacs)	Year Ended 31/3/2009	
	Quantity (in MT)	Value (Rs.)	Quantity (in MT)	Value (Rs.)	
i) Peas	316	21.47	174	16.04	
ii) Sweet Corn	49	2.47	150	6.73	
iii) Others	-	16.79	-	13.80	
Total		40.73		36.57	

VI Value of Raw Materials, stores and spares consumed.

	Year ended 31/3/2010		Year ended 31/3/2009	
	%	(Rs. in lacs)	%	(Rs. in lacs)
i) Imported	-	-	-	-
ii) Indigeneous	100	40.73	100	36.57
Total	100	40.73	100	36.57

Tarai Foods Limited

VII	Licenced/installed capacities (Tonnes per annum)	LICENSED		INSTALLED**	
		Year Ending 31/3/2010	Year ending 31/3/2009	Year Ending 31/3/2010	Year ending 31/3/2009
	Processing of Frozen French Fries, Vegetables And fruits	10000	10000	7200	7200
**	Installed capacity certified by the Management and not verified by the Auditors, being a technical matter.				

VIII	Production/Purchase (MT per annum)	Year ended 31/3/2010	Year ended 31/3/2009
	Frozen Sweet Corn	20	65
	Frozen Peas	95	73
	Processing of green peas	1797	1658

IX	Finished goods	Year ended 31/3/10		Year ended 31/3/09	
		Qty. (in MT)	Value (Rs. in Lacs)	Qty. (in MT)	Value (Rs. in Lacs)
	Opening stock				
	- Frozen Sweet Corn	66	9.91	60	10.86
	- Frozen Peas	63	13.28	67	12.75
	- Others	-	3.80	-	0.79
	Closing Stock				
	- Frozen Sweet Corn	2	0.39	66	9.91
	- Frozen Peas	22	6.56	63	13.28
	- Others	-	4.76	-	3.80
	Turnover				
	- Frozen Sweet Corn	56	22.80	51	20.01
	- Frozen Peas	122	53.38	68	21.68
	- Others	-	188.89	-	167.29
	(including processing)				
	Written off/sorting losses/destruction				
	- Frozen Sweet Corn	28	-	8	-
	- Frozen Peas	14	-	9	-

18. Previous year figures have been re-grouped/reclassified, wherever necessary to conform to current year presentation.

Tarai Foods Limited

Information pursuant, to Part IV of Schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details State Code 55
 CIN No. L15142DL1990PLC039291
 Balance Sheet Date March 31, 2010

II. Capital Raised during the year (Amount)

Public Issue	Rs. Nil	Right Issue	Rs. Nil
Bonus Issue	Rs. Nil	Private Placement	Rs. Nil

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

Total Liabilities	Rupees	Total Assets	Rupees
Source of Funds			
Paid-up Capital	1,43,381	Reserves & Surplus	36,959
Secured Loans	4,97,995	Unsecured Loans	5,550
Application of Funds			
Net Fixed Assets	56,565	Investments	-
Capital work-in-progress (including Capital Advances)	1,269		
Net Current Assets	949	Misc. Expenditure	-
Accumulated Losses	6,25,102		

IV. Performance of Company

Turnover	32,967	Total expenditure	36,654
Profit Before Tax	(3687)	Profit After Tax	(3687)
Earning per share	(0.26)	Dividend Rate (%)	Nil

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

Items Code No.	07-10	07-10	07-09
Product Description	Frozen Sweet Corn	Frozen Peas	Fresh Mushroom

Tarai Foods Limited

CASH FLOW STATEMENT

(Prepared pursuant to Clause 32 of the Listing Agreement for the year ended March 31, 2010)

	For the Period 31st March, 2010	For the Period 31st March, 2009
A Cash Flow from Operating Activities :		
Net Loss Before Tax & Extraordinary Items	(3,687,105)	(81,532,259)
Adjustments for		
Depreciation	5,546,601	5,538,430
Interest Expense	-	80,772,738
Miscellaneous Expenditure written off	-	-
Debtors written off	4,094	-
Advances Written off	18,042	-
Creditors written back	(5,329)	-
Operating Profit / (Loss) before Working Capital Changes	1,876,663	4,778,909
Adjustment for		
Trade & other Receivables	4,967,890	(6,810,447)
Loans and Advances	774,827	(707,270)
Inventories	1,514,714	(449,547)
Trade Payables	3,164,043	(2,511,415)
Cash Generated from operations	12,298,137	(676,942)
Interest Paid	-	(42,962)
Taxes Paid	-	(19,472)
Net Cash from Operating Activities (A)	12,298,137	(739,376)
B) Cash Flow From Investing Activities.		
Purchase of Fixed Assets	(364,358)	(40,875)
Addition in Capital W-I-P	-	-
Cash Flow before Extraordinary Items	(364,358)	(40,875)
Adjustments for Extraordinary Items	-	-
Net Cash used in Investing Activities (B)	(364,358)	(40,875)
C) Cash Flow from Financing Activities :		
Proceeds from Issue of Share Capital & Share Premium	-	-
Increase in Cash Credits from Banks	-	-
Increase in Unsecured Loan	3,500,000	-
Repayment to Financial Institutions	(14,300,000)	(3,000,000)
Cash Flow before Extraordinary Items	(10,800,000)	(3,000,000)
Adjustments for Extraordinary Items	-	-
Net Cash used in Financing Activities (C)	(10,800,000)	(3,000,000)
Net Increase in Cash & Cash Equivalents (A+B+C)	1,133,779	(3,780,251)
Cash & Cash Equivalents as at the beginning of the period	2,526,701	6,306,952
(Note Below)		
Cash & Cash Equivalents as at the Close of the period	3,660,480	2,526,701
(Note Below)		
Cash & Cash Equivalents including		
- Cash in hand	1,092,732	656,875
- Balances with Scheduled Banks	2,192,202	1,644,280
- Fixed Deposit with Bank	150,000	-
Share application money refundable	225,546	225,546
Total	3,660,480	2,526,701

Note : Previous period figures have been regrouped/reclassified, wherever necessary to conform to current year presentation.

For and on behalf of the Board.

Sd/-

G. S. Sandhu
Managing Director
TARAI FOODS LIMITED

AUDITORS CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Tarai Foods Limited for the year ended 31st March 2010, reported upon by us on May 28th, 2010. According to the informations and explanations given the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreements with the Stock Exchanges and the reallocations required for the purpose are as made by the company.

Sd/-
K. S. Oberoi
Partner
M. No. 85893
For and on behalf of
Jolly & Oberoi
Chartered Accountants
Firm No.: 001723N

Place : Rudrapur
Date : 28-05-2010

Tarai Foods Limited

Tarai Foods Limited

Regd. Office : 13, Hanuman Road, Connaught Place, New Delhi-110001

ATTENDANCE SLIP

Please fill attendance slip and hand it over at the entrance of the meeting hall. Joint shareholders may obtain additional Slip on request.

Master Folio No. _____ No. of Shares held _____

Name of Shareholder _____

Address _____

I hereby record my presence at the 20th Annual General Meeting of the Company held on Thursday, 30th day of September 2010, at 9.30 A.M. at Elcina House, 422, Okhla Industrial Estate, New Delhi-110020

(Signature of the Shareholder or Proxy*)

* Strike out whichever is not applicable.

IMPORTANT

Shareholders may please note that No Coupons / Gifts will be distributed at or before the Meeting.

----- **TEAR HERE** -----

Tarai Foods Limited

Regd. Office : 13, Hanuman Road, Connaught Place, New Delhi-110001

PROXY FORM

Master Folio No.

I/We of being a
member / members of Tarai Foods Limited hereby appoint

..... of
or failing him / her of

as my/our proxy to vote for me / us and on my / our behalf at the 20th Annual General Meeting held on Thursday, 30th day of September 2010, at 9.30 A.M. at Elcina House, 422, Okhla Industrial Estate, New Delhi - 110020

Signed day of 2010

Affix
1 Rupee Revenue
Stamp

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

BOOK - POST

If undelivered please return to :

TARAI FOODS LIMITED

Regd. Office :

13, Hanuman Road, Connaught Place,
New Delhi-110001