



KMG MILK FOOD LIMITED
[FORMERLY RAHUL DAIRY & ALLIED PRODUCTS LTD.]

19TH ANNUAL REPORT
2010 - 2011

REGISTERED OFFICE & WORKS:

9th KM Stone, Pipli to Ambala,
G.T. Road, Vill. Masana,
Distt. Kurukshetra,
Haryana - 132 118.

HEAD OFFICE:

375, First Floor, Main Road
Gazipur, Delhi - 110 096

KMG MILK FOOD LIMITED
[FORMERLY RAHUL DAIRY & ALLIED PRODUCTS LTD.]

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sh. Basudev Garg	Chairman & Whole time Director
Sh. Rahul Garg	Additional Director
Sh. M. S. Venkateswaran	Independent Director
Sh. R. Sundra Raj	Independent Director
Sh. B B Raina	Independent Director

REGISTERED OFFICE & WORKS

9th KM Stone,
Pipli to Ambala,
G.T. Road, Vill. Masana
Distt. Kurukshetra,
Haryana - 132 118

HEAD OFFICE

375, First Floor, Main Road,
Gazipur, Delhi - 110 096

AUDITORS

M/s Rajan K Gupta & Co.,
Chartered Accountants
19, Chawla Complex,
A-215, Shakarpur, Delhi-110 092.

REGISTRAR & TRANSFER AGENT

M/s Skyline Financial Services Pvt. Ltd.
D-153 A, 1st Floor, Okhla Industrial Area,
Phase-I, New Delhi- 110020

BANKERS

Canara Bank, Shankar Nagar, Delhi.
Canara Bank, Kurukshetra, Haryana.
Syndicate Bank, Kurukshetra (Haryana)

ADVISORS

M/s RSJ Capital Ventures Private Limited
2/11 B, Basement, Jangpura Block- A,
New Delhi- 110014

LISTED AT

Bombay Stock Exchange Limited
Delhi Stock Exchange Limited
Ludhiana Stock Exchange Limited
Jaipur Stock Exchange Limited
Ahmedabad Stock Exchange Limited

**COMPANY SECRETARY &
COMPLIANCE OFFICER**

Mr. Aditya Kumar Dwivedi

EMAIL ID & WEBSITE

Investor Grievances - compliances.kmg@gmail.com
Website : www.kmggroup.com

19TH ANNUAL GENERAL MEETING

Date: 30th September, 2011
Day: Friday
Time: 1.00 PM

Place: 9th KM Stone, Pipli to Ambala,
G.T. Road, Vill. Masana
Distt. Kurukshetra, Haryana - 132 118

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the members of the Company will be held on Friday, the 30th September, 2011 at 13.00 hrs. at the Registered Office of the Company at 9th K.M. Stone, Pipli to Ambala, G.T. Road, Vill. Masana, Distt. Kurukshetra, Haryana - 132 118 to transact the following business:

ORDINARY BUSINESS:-

1. To receive, consider and adopt the accounts, balance sheet of the Company and the reports of the Directors and auditors thereon for the year ended 31st March 2011.
2. To re-appoint Mr. B. B. Raina as Director, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the 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 and to authorize the Board to fix their remuneration.

The outgoing Statutory Auditor M/s Rajan K Gupta & Co., Chartered Accountants is eligible and offer themselves for re-appointment.

SPECIAL BUSINESS:-

4. To elect a director in place of Mr. Rahul Garg, who was appointed as an Additional Director by the Board pursuant to section 260 of the Companies Act, 1956 w.e.f. 07.05.2011 and whose term of office expires at this Annual General Meeting and being eligible offers himself for election.

To consider and if thought fit, to pass with or without modification(s) the following resolutions as Ordinary Resolutions:

"RESOLVED THAT the appointment of Mr. Rahul Garg, as an Additional Director of the Company, made pursuant to the provisions of section 260 of the Companies Act, 1956 in the Board Meeting held on 23.05.2011 be and is hereby confirmed and ratified by the Company"

"RESOLVED FURTHER THAT Mr. Rahul Garg, being eligible for appointment as Director and in respect of whom the Company has received a notice in writing proposing his candidature under section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Aditya Kumar Dwivedi, Company Secretary of the Company be and is hereby authorized to sign/file the eform -32 for change in designation of Sh Mr. Rahul Garg, with the Registrar of Companies, Delhi and Haryana."

Registered Office:
9th KM Stone,
Pipli to Ambala,
G.T. Road, Vill. Masana
Distt. Kurukshetra
Haryana - 132 118
Dated: 13.08.2011

By Order of the Board of Directors
FOR, KMG MILK FOOD LIMITED

Sd/-
(Aditya Kumar Dwivedi)
COMPANY SECRETARY

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN TERMS OF THE ENCLOSED FORM DULY EXECUTED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. Copies of the relevant Directors' Report, Auditors' Report, Profit & Loss Account and Balance Sheet of the Company are enclosed.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 23.09.2011 to 30.09.2011 (both days inclusive).
4. Explanatory Statement pursuant to section 173 of the Companies Act, 1956 is annexed.
5. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to and inclusive of the date of the Annual General Meeting.
6. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of Notice/ documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative of the Government in full measure, members are requested to register their e-mail with M/s Skyline Financial Services Private Limited. Your Company intends to send Annual Report by electronics mode from next year.
7. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Registrars and Transfer Agents the details as required in Form 2B.
8. Members are requested to:
 - a) notify to the Company change in their addresses immediately.
 - b) quote their Folio Number in all correspondence with the Company and
 - c) bring their copy of the Annual Report and the Attendance Slip duly filled in for the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 TO NOTICE DATED 13.08.2011

Item No 1

Mr. Rahul Garg, an entrepreneur, was appointed as an Additional Director by the Board of Directors in its meeting held on 23.05.2011. In accordance with section 260 of the Companies Act, 1956 and Article 80 of the Articles of Association of the Company Mr. Rahul Garg holds office as a Additional Director only up to the date of the forthcoming Annual General Meeting. Notice under section 257 of the Companies Act, 1956 intending to propose himself as Director has been received.

None of the Directors except Mr. Rahul Garg himself is interested and concerned at Item no. 3 of the notice.

Registered Office:
 7th KM Stone,
 Pipli to Ambala,
 G.T. Road, Vill. Masana
 Distt. Kurukshetra
 Haryana - 132 118
 Dated: 13.08.2011

By Order of the Board of Directors
 FOR, KMG MILK FOOD LIMITED

(Aditya Kumar Dwivedi)
 COMPANY SECRETARY

**Details of Directors seeking Re-appointment at the Annual General Meeting
(In Pursuance of clause 49 of the Listing Agreement)**

Name of the Director	Mr. Bharat Bhushan Raina	Mr. Rahul Garg
Date of Birth	12.09.1948	28.07.1976
Age	63 Years	35 Years
Date of Appointment	30.06.2008	07.05.2011
Qualification	B. Tech (Dairy Technology)	BBA from University of Houston, Texas (USA)
Expertise in Specific functional areas	30 Years of experience in Milk Procurement on cooperative lines and running of dairy plant & maintaining of dairy plant project & implementation of same.	15 Years of experience in manufacturing & trading in metal industries.
Directorship held in Other Companies as on date	NIL	KMG Technologies Pvt. Ltd., KMG Macro Investments Private Limited.
Committee Positions in other Public Companies*	NIL	NIL
No of Shares held	NIL	NIL

*Committee positions of only Audit and Shareholders' / Investors' Grievance Committee included.

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2. Copies of the relevant Directors' Report, Auditors' Report, Profit & Loss Account and Balance Sheet of the Company are enclosed.
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6. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of Notice/ documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative of the Government in full measure, members are requested to register their e-mail with M/s Skyline Financial Services Private Limited. Your Company intends to send Annual Report by electronics mode from next year.
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None of the Directors except Mr. Rahul Garg himself is interested and concerned at Item no. 3 of the notice.

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 Dated: 13.08.2011

By Order of the Board of Directors
 FOR, KMG MILK FOOD LIMITED

Sd/-
 (Aditya Kumar Dwivedi)
 COMPANY SECRETARY

08. DIRECTORS' RESPONSIBILITY STATEMENT :

As required under section 217(2AA) of the Companies Act, 1956 regarding the Directors' Responsibility Statement it is hereby stated:

- that in the preparation of the annual accounts for the year ended 31.03.2011, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- that the Directors have selected and applied such accounting policies consistently.
- that the Directors have 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 profit or loss of the company for that period.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- that the Directors have prepared the annual accounts on a going concern basis.

09. CORPORATE GOVERNANCE :

As per schedule of implementation of Corporate Governance Code mentioned in Clause 49 of the Listing Agreement, the Company has implemented the mandatory requirements of the code.

10. AUDITORS :

The Auditors, M/s. Rajan K Gupta & Co, Chartered Accountants, having registration No 005945C, hold office until the conclusion of the forthcoming Annual General Meeting and offer themselves for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board recommends the appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, the Statutory Auditors of the Company for the Financial Year 2011-12.

11. AUDITORS' REPORT :

There is no qualification or adverse remarks on the stand-alone financials of the Company.

12. LISTING :

The securities of the Company are listed at Delhi Stock Exchange, Ludhiana Stock Exchange, Jaipur Stock Exchange, Ahmedabad Stock Exchange and Bombay Stock Exchange but the trading of the Company had been suspended from all five Stock Exchanges. The Company has applied for revocation of suspension of the trading of the Company.

13. CLAUSE 5A OF THE LISTING AGREEMENT :

In view of newly inserted clause 5A to the Listing Agreement vide circular no. CIR/CFD/DIL/10/2010 dated 16th December, 2010 issued by the Securities and Exchange Board of India (SEBI) introducing uniform procedure for dealing with the unclaimed shares, the Company will be sending reminder letters to shareholders whose share certificates are still lying with the Company as undelivered/ unclaimed. Members who are yet to claim share certificates in physical mode are requested to claim their share certificates from the R&T Agent of the company viz. M/s Skyline Financial Services Private Limited. We would also like to inform that in case the company is not able to receive any response to the reminder letters the shares lying with the Company as undelivered/ unexchanged shall be transferred to "Unclaimed Suspense Account" and thereafter dematerialised to a specific Demat Account to be opened by the Company for this specific purpose, as stipulated in the above circular of SEBI.

KMG MILK FOOD LIMITED
DIRECTORS' REPORT

The Directors hereby present their 19th Annual Report on the business and operations of the company and financial results for the year ended 31st March 2011.

01. FINANCIAL HIGHLIGHTS:

(Rs. In lacs)

<i>Particulars</i>	<i>For the Year Ended 31.03.2011</i>	<i>For the Year Ended 31.03.2010</i>
Total Income	81.24	100.17
Total Expenditure	110.38	85.61
Profit & Loss before Interest & Depreciation	(29.14)	14.55
Deferred Tax Assets	(22.56)	(10.95)
Profit & Loss After Tax+/-)	(6.57)	25.50

02. PERFORMANCE :

With continuous efforts of the management of the Company during the period under report the Company achieved a turnover of Rs. 81.24 lacs including job work / processing against Rs. 100.17 lacs in previous year.

03. DIVIDEND :

As the Company is not having profits, your Directors do not recommend any dividend for the period under report.

04. MANAGEMENT DISCUSSION AND ANALYSIS :

The Management Discussion and Analysis, forming part of this report, as required under Clause 49(IV) (F) of the Listing Agreement with the stock exchanges is attached separately to this Annual Report.

05. DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr. B. B. Raina, director of the Company, retires by rotation and being eligible offers himself for reappointment.

Your directors solicit your approval for the reappointment of the director.

Brief resume of Directors proposed to be re-appointed, nature of their experience in their specific functional areas, name of the companies in which they hold directorship and membership / chairmanship of the Board Committees, shareholding and relationship between Directors inter-se as stipulated under Clause 49 of the Listing agreement with the stock exchanges forms part of the Notice.

06. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

In compliance with the provisions of section 217(1)(e) of the Companies Act, 1956, the statement giving the required information is annexed hereto.

07. PARTICULARS OF EMPLOYEES :

During the year under report, none of the employee of the Company was in receipt of remuneration equal to/ exceeding the limit prescribed under section 217 (2A) of the Companies Act, 1956.

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the period ended 31st March 2011.

I. CONSERVATION OF ENERGY:

	Year Ended 31-03-2011	Year Ended 31-03-2010
A. POWER AND FUEL CONSUMPTION		
Electricity		
(a). Purchase		
Units	Nil	Nil
Total Amount (in Rs.)	Nil	Nil
Rate / Unit	Nil	Nil
(b). Own Generation:		
(i). Through Diesel Generator		
Units	Nil	Nil
Unit per Ltr. of Diesel	Nil	Nil
Cost / Unit (Rs.)	Nil	Nil
(ii). Coal		
Quantity (MT)	Nil	Nil
Total Cost	Nil	Nil
Average Rate / MT (Rs)	Nil	Nil
(iii). Husk		
Quantity (MT)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate / MT (Rs)	Nil	Nil
B. TOTAL QUANTITY OF MILK PROCESSED*	Nil	Nil
(i). Electricity (Cost per Kg of Milk Processed)	Nil	Nil
(ii). Husk/ Coal / Fire Wood (Cost per Kg. of Milk Processed)	Nil	Nil

II. TECHNOLOGY ABSORPTION

a. Research and Development

The company has set up a well-equipped Research & Development facility for developing new products and continuous improvement of existing products.

b. Technology Absorption, Adaptation & Innovation

The company has successfully used imported substitutes for spares resulting in valuable foreign exchange saving.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has not earned any foreign exchange during the year under report and the expenditure incurred was also NIL.

* As the plant produces three different products at the same time viz. Desi Ghee, SMP and Dairy Whitener, it is not possible to give the consumption per unit of production. Hence, consumption per unit of processing has been given.

14. GREEN INITIATIVE IN THE CORPORATE GOVERNANCE :

In view of the 'Green Initiative in Corporate Governance' introduced by the Ministry of Corporate Affairs vide its circular no. 17/2011 dated 21st April 2011, all members who are holding shares of the Company in physical mode, are requested to register their e-mail IDs with the Company, so as to enable the company to send all notices/ reports/ documents/ intimations and other correspondences etc. through e-mails, in the electronic mode instead of receiving physical copies of the same.

15. PUBLIC DEPOSIT :

During the year under review, your company has not invited any deposits from the Public U/s 58 A of the Companies Act, 1956.

16. PERSONNEL :

Labour Management relations were cordial during the period under report. Your Directors wish to place on record their appreciation of the valuable contribution made by all the employees to the business and operations of the company during the period under report.

17. INVESTOR GRIEVANCES :

The Company and investors relation has been cordial during the period under report and there are no complaints pending for redressal.

18. ACKNOWLEDGEMENT :

The Board gratefully acknowledges the support and cooperation extended by the Government Authorities, Financial Institutions, Banks, Distributors and Suppliers and looks forward for their continued support/ cooperation.

For and on behalf of the Board of Directors

Place Haryana
Date: 13/08/2011

Sd/-
(BASUDEV GARG)
Chairman & Whole time Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

This Management Discussion and Analysis Report form a part of the Annual Report of the Company. It Indicates the Company's movement in the external environment Vis-a-vis its own strengths and resources. Management Discussion and Analysis detailing the Company's objectives and expectations is a "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in Government regulations, tax regimes, and economic developments within India and overseas.

INDUSTRY STRUCTURE AND DEVELOPMENT

The dairy industry plays an important role in the socio-economic development of India. The dairy industry in India is instrumental in providing cheap nutritional food to the vast population of India and also generates huge employment opportunities for people in rural places.

The main aim of National Dairy Development Board (NDDB) is to accelerate the pace of dairy development in the country and attract new investments. India is a wonderland country for investors looking for investment opportunities in the dairy industry. The dairy industry holds great potential for investment in India and promises high returns to the investors.

There are different sectors within the dairy industry that promise great business investment opportunities as the Indian cattle yield less milk as compared to their foreign counterparts. The Indian cattle breeders are looking for ways to improve milk yield through improved breeding practices. Thus, there is a huge potential available for foreign investors to invest in dairy sector for breeding of high-quality buffaloes as well as cows. There is also great scope for investment in milk based value added food products through biotech interventions particularly the introduction of dairy biologics, enzymes, pro-biotics, coloring and flavoring materials for food processing. Producing bio-preservative ingredients based on dairy fermentation, such as pediococin, aciophilin, bulgarican, and Nisin contained in dairy powder, present a great promise as investment opportunity. Thus, the dairy industry in India has huge investment opportunities in a variety of sectors. The investors are all set to gain profitable returns on their investment.

QUALITY & FOOD SAFETY POLICY

The Company's Quality Policy is:

"Company is committed to manufacture and supply nutritional and safe products to satisfy customer requirements by a motivated team using eco-friendly measures with continual improvement in quality and food safety"

The Company has consistently shown quality improvement with regard to various processes, keeping strict control on deviations. Customer complaints are resolved using laid down systems of quality assurance. Several initiatives are being taken to further improve customer satisfaction in consonance with the Company's quality policy.

OPPORTUNITIES & THREATS

Strengths and Opportunities:

- > Great potential for export of milk products.
- > Established and expanding domestic market for dairy products.
- > Increasing demand for fluid milk as well as value added Products.
- > By product Utilization for import substitution.
- > Huge Employment generation & opportunities for Self employment.
- > Liberalized Government policies in dairy sector.
- > Availability of large resources of unconventional feeds and fodders for Dairy owners.
- > Availability of diverse germ plasm of dairy cattle and buffaloes that have unique features like heat tolerance, disease resistance, draft ability and ability to survive, breed and produce under stress conditions.

Weaknesses and Threats:

- > Entry of Multi National Companies manufacturing dairy products in Domestic market.
- > Increasing chemical contaminants as well as residual antibiotics in milk.
- > Poor microbiological quality of milk.
- > Incentive on export of quality feed ingredients particularly cakes.
- > Deficiency of molasses, a rich source of energy and binding agent in feed industry and constituent of urea molasses mineral lick.

KMC Milk Food Ltd.

- Excessive grazing pressure on marginal and small community lands resulting in complete degradation of land.
- Extinction of the indigenous breeds of cattle due to indiscriminate use of crossbreeding programmed to enhance milk production.

The liberalization of the Dairy Industry is likely to be exploited by multi-nationals. They will be interested in manufacturing milk products which yield high profits. It will create milk shortage in the country adversely affecting the consumer.

The analysis also shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths & opportunities are fundamental and weaknesses & threats are transitory.

SEGMENT WISE/ PRODUCT WISE REPORTING

The Company is primarily engaged in the business of manufacture, purchase and sales of a wide range of Dairy products like ghee, skimmed milk powder, whole milk powder, dairy whitener, lactose and milk. The income from these activities and export of dairy products is not materially significant in financial terms. Accordingly segment information has not been disclosed.

RISK AND CONCERNS

The major risk and concerns attributed to the performance of the company are:

- a. Although the export sales are less in comparison to domestic sales, fluctuation in foreign exchange rates and international prices of dairy products may influence the performance of the company.
- b. Increase in input costs, change in tax structure, change in interest rates, changes in Government policies/ laws of land, development and stability of Indian economy against the negative external and internal forces may also impact the overall performance of the company.
- c. Profitability may be affected on account of competition from existing and prospective manufacturers of the company's products.
- d. Dairy business is primarily influenced by monsoon. Unfavorable monsoon may affect the milk availability and Company may not get milk upto installed capacity and demand.

ADEQUACY OF INTERNAL CONTROL SYSTEMS

The Company has in place the proper and adequate systems of internal controls. Such internal controls are according to the nature of its business and size of its operations, in order to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly and adequately.

The performance of the Company is regularly reviewed by the Audit Committee and/or the Board of Directors to ensure that it is in consonance with the overall corporate policy and in line with pre-set objectives. The Audit Committee of the Board is headed by a non-executive independent Director and all audit findings are reported on a quarterly basis to it.

HUMAN RESOURCE DEVELOPMENT

Being a manufacturing Company, workers form an important link in the chain of growth. The Company maintained a cordial relationship with its personnel during the year under review. The workers are motivated with better service conditions, which is at par with the best in the industry. During the year under review, the Company had under taken extensive steps for optimizing the use of its manpower through, productivity improvement, and role enrichment. There is a continuous focus on enhancing productivity in all facets of our operations.

INDUSTRIAL RELATIONS

The industrial relations in the Company with the workers at all levels are very cordial and are expected to remain cordial in future as well. The Management acknowledges the contribution of all employees in increasing its turnover manifolds.

DISCLAIMER STATEMENT

Statements in this report describing the current industry structure, outlook, opportunities etc. reflect the assessment and perception of the Company, which are based on certain assumptions, and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate. The Company's actual results, performance, or achievements could thus differ materially from those projected in any such forward-looking statements.

CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

A brief statement on Company's philosophy on code of governance:

Good Corporate Governance refers to a system that entails transparency, fairness, accountability and integrity. The Company is committed to transparency in all its dealings and places uncompromising emphasis on integrity and regulatory compliance.

The basic philosophy of corporate governance in the Company is to achieve business excellence and enhance shareholder value, keeping in view the needs and interests of its stakeholders.

BOARD OF DIRECTORS

The Board of Directors is an optimum combination of professionalism experiencing executive, non executive, and Independent Director formed by the shareholders, provides and evaluates the strategic directions of the Company; formulates and reviews management policies, serves and protects the overall interests of shareholders to ensure long-term value creation for stakeholders. Presently, the Board of Directors comprises of only five members viz. Mr. Basudav Garg, Mr. Rahul Garg, Mr. M. S. Venkateswaran, Mr. B.B Raina and Mr. Sundra Raj.

Composition:

As on 31st March 2011, the total number of Directors of the Company was six comprising of two Executive and four Non-Executive Independent Directors.

Name	Category
Mr. Basudav Garg	Chairman & Whole Time Director
Mr. Pawan Goel	Executive Director
Mr. M. S. Venkateswaran	Independent Director
Mr. S. V. Joshi	Independent Director
Mr. Sundra Raj	Independent Director
Mr. B.B Raina	Independent Director

Note:

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors.

- Mr. Pawan Goel executive director of the Company due to personal reason was resigned from the post of directorship on 23.05.2011.
- Mr. S.V. Joshi independent director of the Company due to personal reason was resigned from the post of directorship on 07.05.2011.

BOARD MEETING

During the financial year ended March 31, 2011, 8 meetings of the Board of Directors were held as against the minimum requirement of 4 times. None of the two Board Meetings have a gap of more than 120 days between them. The dates of meetings and the number of directors present therein are mentioned below:

Sr. No.	Date	Sr. No.	Date
1.	28.04.2010	6.	12.11.2010
2.	15.05.2010	7.	27.01.2011
3.	28.07.2010	8.	19.02.2011
4.	19.08.2010		
5.	29.10.2010		

S. No.	Name of Director	No. of Meeting attending during 2010-11		No. of Directorship in other Public Companies		No. of Membership Committee held	
		Board	Last AGM	Listed	Others	Chairman	Member
1.	Mr. Basudav Garg	8	Yes	Nil	1	Nil	Nil
2.	Mr. Pawan Goel	4	Yes	Nil	1	Nil	Nil
3.	Mr. M. S. Venkateswaran	8	Yes	Nil	Nil	Nil	Nil
4.	Mr. S. V. Joshi	4	Yes	Nil	Nil	Nil	Nil
5.	Mr. Sundra Raj	8	Yes	Nil	Nil	Nil	Nil
6.	Mr. B.B Raina	8	Yes	Nil	Nil	Nil	Nil

Note:

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors.

The directorship/ committee membership is based on the disclosures received from the directors.

- Mr. Rahul Garg has been appointed as an additional director w.e.f 07.05.2011.

RESUME OF DIRECTORS PROPOSED TO BE REAPPOINTED

The brief resume of Directors retiring by rotation and seeking re-appointment is appended herein above in the notice for calling Annual General Meeting

COMMITTEES OF THE BOARD

The Board has constituted the following standing Committees:

1. Audit Committee
2. Shareholders'/Investors' Grievance Committee

AUDIT COMMITTEE

The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

- i) Terms of reference

1. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of statutory and internal Auditors (whenever required), fixation of audit fee and also approval for payment for any other services.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with Management the quarterly / half yearly and the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Any Change in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance of legal requirement concerning financial statements.
 - Any related party transactions.
5. Reviewing with the management, statutory and internal Auditors, the adequacy and compliance of internal control system.
6. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
7. Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit.
8. Discussion on internal Auditors significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory Auditors about the scope of audit as well as have post audit discussion to ascertain any area of concern.
11. Reviewing the Company's financial and risk management policies.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Further the Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

ii) **Composition:**

The Committee invites concerned officials from Accounts Department and Internal Audit Department as and when required. Auditors of the Company were also invited whenever the financials of the Company are considered by the Committee

The Audit Committee comprises of 2 Independent Directors and 1 Executive Director:

1. Mr. M. S. Venkateswaran (Independent Director)
2. Mr. S. V. Joshi - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Mr. M. S. Venkateswaran is heading the Committee. During the year under review audit committee had met five times. No two meetings have a gap of more than 120 days in between them. During the year, five Committee Meetings were held on 25.04.2010, 05.07.2010, 23.07.2010, 27.10.2010, 23.01.2011.

The attendance record of the members of the Audit Committee for the FY 2010-11 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. M. S. Venkateswaran	5	5
Mr. S. V. Joshi	5	5
Mr. Basudav Garg	5	5

INVESTORS GRIEVANCE COMMITTEE

i) **Terms of reference**

1. To consider and review the queries/complaints received from Share/ Debenture Holders
2. To take steps to redress queries/ complaints and ensure speedy satisfaction to shareholders/ investors.
3. With a view to expediting the process of share transfer etc., on fast track basis, the Board has delegated the powers of approving transfer etc. to Non Executive Director, Mr. M. S. Venkateswaran of the Company.
4. To work under the control & supervision of the Board of Directors

ii) **Composition:**

The Investors Grievance Committee comprises of Two Non Executive Independent Directors and one Executive Director:

1. M. S. Venkateswaran - (Independent Director)
2. Mr. S. V. Joshi - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Meeting and attendance:

The Constitution of the Committee and the attendance of each member of the Committee are given below:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
M. S. Venkateswaran	5	4
Mr. S. V. Joshi	5	5
Mr. Basudav Garg	5	5

Role and Powers of Shareholders'/Investors' Grievance Committee:

The Investors' Grievance Committee shall have the following role, functions and responsibilities:

To look into and supervise the redressal of shareholders'/Investors' Complaints.

To oversee the performance of the Registrars and Share Transfer Agents and recommend measures for overall improvement of the quality of investor services.

To consider and approve transfer of shares, transmission of shares, dematerialization of shares, transposition of shares, issuance of duplicate share, deletion of names, splitting and consolidation of shares, etc.

During the year under review, no complaints were received from the shareholders.

REMUNERATION-CUM-COMPENSATION COMMITTEE

None of the Director are being paid any remuneration, thus the company has not formed this committee.

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

Nature of Meeting	Date and Time	Venue	Special Resolution passed
Annual General Meeting	30 th December 2008 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30 th September 2009 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	27 th September 2010 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None

POSTAL BALLOT

No resolution was passed by Postal ballot during the financial year 2010-11.

DISCLOSURES

- Related party transactions are defined as transactions of the Company of material nature, with promoters, directors or with their relatives etc. The transactions with related parties are disclosed in Notes to the Accounts in Financial of the Company. However, these transactions are not likely to have any conflicts with the Company's interest. The Audit Committee has reviewed these transactions.
- In the preparation of the financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- There were no penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

MEANS OF COMMUNICATION

The Company communicates with the shareholders at large through its Annual report and publication of financial results.

The Board of Directors of the Company approves and takes on record the Un-audited financial results within one month of the close of the quarter and the results are announced to all the stock exchanges where the shares of the company are listed. Further the highlights of the quarterly results in the prescribed Performa are published in the newspapers.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

- (a) Date and Time: 30th September 2011 at 1.00 P.M.
Venue: 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

b) Financial Year of the Company

The Company follows financial year of April 01st to March 31st

Tentative Schedule for Financial Year 2011-12

- 1st Quarter ending June 30, 2011: End of July 2011
- 2nd Quarter ending September 30, 2011 : End of October 2011

- 3rd Quarter ending December 31, 2011 : End of January 2012
- Annual Result for the year ended March 31, 2012: End of June 2012
- c) Date of Book Closure/Record Date : 23rd September to 30th September 2011
(Both Days inclusive)
- d) Registered Office : 9th Kilometer Stone Pipli To Ambala,
Village Masana, Kurukshetra, Haryana
- e) Dividend Payment Date : Not Applicable as the Board has not
Proposed any dividend
- f) Listing of Equity Shares on
Stock Exchanges : Delhi Stock Exchange Limited,
Bombay Stock Exchange Limited,
Ludhiana Stock Exchange Limited
Jaipur Stock Exchange Limited,
Ahmedabad Stock Exchange Limited
- g) Stock Code
Delhi Stock Exchange : 7161
Bombay Stock Exchange Code : 519415
Ludhiana Stock Exchange : RDRY
Jaipur Stock Exchange Limited : 364
Ahmedabad Stock Exchange Limited : 50106
- h) Registrar & Share Transfer Agents : M/s Skyline Financial Services Pvt. Ltd
(Appointed w.e.f. 01.08.2011)
- i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
October, 10	N.A.	N.A.	N.A.
November, 10	N.A.	N.A.	N.A.
December, 10	N.A.	N.A.	N.A.
January, 11	N.A.	N.A.	N.A.
February, 11	N.A.	N.A.	N.A.
March, 11	N.A.	N.A.	N.A.

j) Liquidity

Shares of KMG Milk Food Limited are listed on the Delhi Stock Exchange, Bombay Stock Exchange, Jaipur Stock Exchange, Ludhiana Stock Exchange and Ahmedabad Stock Exchange. The trading has been suspended at all Stock Exchanges. So there is no liquidity in the scrips of the Company but recently Company fulfilled all compliance required to revoke the suspension of the

trading at Bombay Stock Exchange, hence trading of the shares of the Company is starting in very short period, however still there is no liquidity in the scrips of the Company.

k) Dematerialization of Shares

Company's shares are in physical mode.

l) Outstanding GDRs/ADRs/Warrants or any other convertible instruments

Company does not have any GDRs/ADRs/Warrants or any other Convertible Instruments.

m) Investor Correspondence

n) For transfer of shares, payment of dividend on shares and any other queries relating to the shares is handled by the Company's Registrar & Share Transfer Agent at the following address:

M/s Skyline Financial Services Private Limited
D-153 A, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi- 110020.

Mr. Aditya Kumar Dwivedi, Compliance officer and Company Secretary as per Clause 47 of the Listing Agreement with Stock Exchanges and Investor's complaint may also be addressed to him at following address:

Address: N-223, LG Floor, Geater Kailash- I, New Delhi- 110098.

o) Shareholding Pattern

The shareholding pattern as on 31st March 2011:

Category	No. of shares held	Percentage of Shareholding
A. Shareholding of Promoter and Promoter Group		
(1) Indian	30,38,385	57.28
(2) Foreign	--	--
Total	<u>30,38,385</u>	<u>57.28</u>
B. Public Shareholding		
(1) Institutions	--	--
(a) Mutual Funds/UTI	--	--
(b) Financial Institutions/Banks	--	--
(c) Foreign Institutional Investors	--	--
(d) Any Other	--	--
Sub Total	--	--
(2) Non Institutions		
(a) Bodies Corporate	3,33,300	6.28
(b) Individuals	19,32,915	36.44
(c) Any Other (NRI)	--	--
Sub Total	<u>22,66,215</u>	<u>42.72</u>
Total (A+B)	<u>53,04,600</u>	<u>100.00</u>
Grand Total	<u>53,04,600</u>	<u>100.00</u>

P) Distribution of Shareholding as on 31.03.2011

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1039	75.40	259400	4.89
2.	501-1,000	153	11.10	143415	2.70
3.	1,001-2,000	93	6.75	147700	2.78
4.	2,001-3,000	23	1.67	62200	1.17
5.	3,001-4,000	04	0.29	14500	0.27
6.	4,001-5,000	11	0.80	53400	1.01
7.	5,001-10,000	16	1.16	135800	2.56
8.	10,001 & Above	39	2.83	4488185	84.61

For KMG Milk Food Limited

Sd/-
Basudev Garg
Chairman and Whole Time Director

Place: Haryana
Date: 13.08.2010

KMG Milk Food Ltd.

Certificate by Chief Executive Officer/Director on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

The Board of Directors

KMG Milk Food Limited

We hereby certify that for the Financial Year 2010-11:

1. We have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief :-
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2010-11 which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
4. We further certify that :-
 - a. there have been no significant changes in internal control during this year.
 - b. there have been no significant changes in accounting policies during this year.
 - c. there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place: Haryana
Dated: 13th August 2011

Sd/-
Basudav Garg
Chairman & Whole Time Director

Declaration by the Managing Director under Clause 49 of the Listing Agreement

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has laid down a Code of Conduct for its Board of Directors and Senior Management.

I, Basudev Garg, Chairman & Whole Time Director of the Company confirm the compliance of this code by myself and other members of the Board of Directors and Senior Management personnel as affirmed by them individually, for the year ended 31st March, 2011.

Place: Haryana
Dated: 13th August 2011

Sd/-
Basudav Garg
Chairman & Whole Time Director

CERTIFICATE

To

The Members of KMG Milk Food Limited

We have examined the compliance of conditions of corporate governance by KMG Milk Food Limited for the year ended on 31.03.2011 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to 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 mention Listing Agreement.

We state that no grievance(s) is pending against the company as per the records maintained by 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.

Place: Delhi

Date: 13th August, 2011

For Rajan K Gupta & Co.
Chartered Accountants

Sd/-
(Rajan Gupta)
Partner
M.NO 74696
FRN 005945C

AUDITOR'S REPORT
THE MEMBER OF KGM MILK FOOD LTD.

- (A) We have audited the attached Balance Sheet of M/s KMG MILK FOOD.LTD. As at 31st March 2011 and together with the Profit & loss Account of the company for the year ended on that date both of which we have signed under reference to this report. These financial statement are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (B) We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the 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, presentation. We believe that our audit provides a reasonable basis for our opinion
- (C) As require 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 and on the basis of such checks as we consider appropriate and according to the information and explanations given to us, a statement on the matters specified in Paragraphs (4 &5) of the said order is amlexed as Annexure-A.
- (D) Further to our comments in the order referred to above we report that: -
1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit;
 2. In our opinion, proper books of accounts as required by law have been kept by the company so for as appears from our examination of the books;
 3. The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
 4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the applicable accounting standards referred to in Section 211 (3C) of the Companics Act, 1956.
 5. As per the representation made to us by all Directors of the company none of the Directors is disqualified from being appointed as Directors Vis 274(1) (g) of the companies Act, 1956.
 6. In our opinion and to the best of our infoflation and according to the explanations given to us the said accounts together with notes thereon and statement on significant Accounting Policies give the information required by the companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principle generally accepted in India:-
 - (a) In the case of Balance Sheet of the State of Affairs of the company as on 31st March, 2011, and
 - (b) In the case of the Profit & Loss Account of the loss for the year ended on that date.

For RAJAN K. GUPTA & CO.
Chartered Accountants

Sd/
(Rajan Gupta)
Partner
M.NO 74696
FRN 005945C

Place: Delhi
Dated: 13.08.2011

KMG Milk Food Ltd.

Nature of the Statute	Nature of Dues	Amount in Lacs	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax	Tax Demand	2.53	—	DETC, KAITHAL
Stock Exchanges Demand	Fees	6.26	Since 1995	SEBI

11. The company has accumulated losses of Rs 5,02,85,383/- (Previous Year Rs 4,96,27,921/-) at the end of the financial year under review. The company has incurred cash losses amounting to Rs — Nil — (Previous Year -nil) during the financial year covered by our audit and the immediately preceding financial year.
12. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
13. Based on our examination of documents and records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion, the company is not a chit fund or a *nidhi*/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Company (Auditor's report) Order, 2003 are not applicable to the company.
16. The company has not given any guarantee for loans taken by others from banks or financial institutions.
17. In our opinion, the term loans have been applied for the purpose for which they were raised.
18. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
19. Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
20. During the period covered by our audit report, the company has not issued debentures. The question of creation of any security in respect of these debentures, does not arise.
21. The company has not raised any money by public issued during the financial year under review.
22. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Rajan K. Gupta & Co.
Chartered Accountants

Place: Delhi
Date: 13.08.2011

Sd/-
(Rajan Gupta)
Partner
M.NO 74696

ANNEXURE TO THE AUDIT REPORT OF KMG MILK FOOD LTD.

Referred to in paragraph 3 of our report of even date,

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programmed of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery and consequently the going concern has not been affected.
2. (a) since there are no stock of inventory, hence physically verification of the stock not required.
3. (a) The company had taken secured loan from banking companies and therefore the provisions regarding taking of loan by the company from other companies covered in the register maintained under section 301 of the Companies Act, 1956 is applicable to the company.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest.
- (d) There is no overdue amount of loans taken from or granted to companies, firms or other parties 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 purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in internal controls.
5. (a) Based on the Audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
6. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements have been entered in the register maintained under section 301 of the Companies Act, 1956.
7. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit under the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
8. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
9. The provision regarding maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 does not apply to the company under review.
10. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us, and the records of the company examined by us, the particulars of dues of Income Tax, Sales Tax & SEBI as at 31st March 2011 which has not been deposited on account of dispute are mentioned hereunder'.

KMG MILK FOOD LIMITED

VIL. MAS ANA 9 Km STONE PIPLI-AMBALA G.T. ROAD, KURUKSHETRA-136 118

BALANCE SHEET
AS AT 31 ST MARCH, 2011

(Amount in Rs.)

PARTICULARS	SCHEDULE NO	AMOUNT 31.03.2011	AMOUNT 31.03.2010
A. SOURCES OF FUNDS			
1 SHARE HOLDERS' FUNDS			
SHARE CAPITAL	I	52945000.00	52945000.00
2 LOAN FUNDS			
UNSECURED LOANS	II	29200000.00	35438000.00
3 DEFERRED TAX LIABILITIES	III	5195920.00	7452510.86
	TOTAL 'A'	<u>87340920.00</u>	<u>95835510.86</u>
B. APPLICATION OF FUNDS			
1 FIXED ASSETS	IV	115687613.56	114133995.56
GROSS BLOCK		82892357.56	77546794.65
LESS: DEPRECIATION		<u>32795256.00</u>	<u>36587200.91</u>
NET BLOCK			
2 INVESTMENTS	V	33000.00	33000.00
3 CURRENT ASSETS, LOANS & ADVANCES			
A. CURRENT ASSETS	VI	1004688.49	2415416.49
B. LOANS & ADVANCES		4941920.76	8576640.76
LESS: CURRENT LIABILITIES & PROVISIONS		5946609.25	10992057.25
NET CURRENT ASSET		<u>1719328.25</u>	<u>1404668.25</u>
4 PROFIT & LOSS ACCOUNTS		4227281.00	9587389.00
	TOTAL 'B'	<u>50285383.00</u>	<u>49627920.95</u>
		<u>87340920.00</u>	<u>95835510.86</u>

NOTES TO THE ACCOUNTS

XIII

The schedule referred to above form an integral part of Balance Sheet. This is the Balance Sheet referred to in our report of even date.

For RAJAN K. GUPTA & CO.
Chartered Accountants

Sd/-
Rajan Gupta
(Partner)
M.No 074696
FRN 005945C

For KMG MILK FOOD LIMITED

Sd/-
Basudev Garg
Director

Sd/-
B B Raina
Director

Place: Delhi
Dated: 13.08.2011

Sd/-
Aditya Kumar Dwivedi
Company Secretary

KMG MILK FOOD LIMITED

VIL. MAS ANA 9 Km STONE PIPLI-AMBALA G.T. ROAD, KURUKSHETRA-136 118

PROFIT & LOSS ACCOUNT FOR YEAR ENDED ON 31ST MARCH -2011

PARTICULARS	SCHEDULE NO	(Amount in Rs.)	
		FOR THE YEAR 31.03.2011	FOR THE YEAR 31.03.2010
A. INCOME			
SALES			
OTHER INCOME	IX	8124884.00	10017079.00
TOTAL 'A'		8124884.00	10017079.00
B. EXPENDITURE			
PERSONNEL EXPENSES	X	1431196.00	1345956.00
OFFICE & ADMINISTRATIVE EXPENSES	XI	4259619.00	1719126.00
FINANCIAL EXPENSES	XII	2559.00	1255.00
DEPRECIATION	IV	5345562.91	5495042.00
TOTAL 'B'		11038936.91	8561379.00
PROFIT /(LOSS) FOR THE YEAR		(2914052.91)	1455700.00
DEFERRED TAX ASSETS		(22,56,590.86)	(1095206.00)
PROFIT AFTER TAX		(657462.05)	2550906.00
BALANCE BROUGHT FORWARD		(49600894.95)	(52151800.95)
BALANCE CARRIED OVER TO BALANCE SHEET		(50258357.00)	(49627920.95)
NOTES TO THE ACCOUNTS	XIII		

The schedule referred to above form
An integral part of Profit & Loss Account
A/C. This is the Profit & Loss Account
Referred to in our report of even date.

For RAJAN K. GUPTA & CO.
Chartered Accountants

Sd/□
Rajan Gupta
(Partner)
M.No 074696
FRN 005945C

For KMG MILK FOOD LIMITED

Sd/□ Basudev Garg
Director

Sd/□ B B Raina
Director

Place: Delhi
Dated: 13.08.2011

Sd/-
Aditya Kumar Dwivedi
Company Secretary

KMG MILK FOOD LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
C. SUNDRY DEBTORS (UNSCURED CONSIDERED GOOD) EXCEEDING SIX MONTHS OTHERS	9,84,097.00	9,84,097.00
	-	4,89,000.00
TOTAL (A+B+C)	9,84,097.00	14,73,097.00
TOTAL 'C'	10,04,688.49	24,15,416.49
SCHEDULE- VII		
LOANS & ADVANCES		
(RECOVERABLE IN CASH OR IN KIND OR FOR THE - VALUE TO BE RECEIVED)		
ADVANCE RECOVERABLE	12,50,872.76	11,73,872.76
ADVANCE PAID TO SUPPLIERS	6,93,337.00	35,43,337.00
HSEB SECURITY & GOVT. DEPOSIT	4,76,700.00	4,76,700.00
TDS RECOVERABLE (CONT.)	25,21,011.00	33,82,731.00
	-	-
	49,41,920.76	85,76,640.76
SCHEDULE- VIII		
CURRENT LIABILITIES & PROVISIONS		
(A) Current Liabilities		
Advance from Customers	14,31,313.00	11,50,904.00
Other Liabilities	2,88,015.25	2,53,764.25
	17,19,328.25	14,04,668.25
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT		
SCHEDULE- IX		
OTHER INCOME		
From Lease of Factory including Fixed Assets	80,00,000.00	1,00,16,667.00
OTHER INCOME (UNCLAIMED)	1,24,884.00	412.00
	81,24,884.00	1,00,17,079.00
SCHEDULE- X		
PERSONNEL EXPENSES		
SALARY & WAGES	13,81,932.00	13,19,635.00
PROVIDENT FUND	44,407.00	17,700.00
STAFF WELFARE	4,857.00	8,621.00
	14,31,196.00	13,45,956.00

KMG MILK FOOD LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

	AS AT 31.03.2011	AS AT 31.03.2010
SCHEDULE- XI		
OFFICE & ADMINISTRATIVE EXPENSES		
Payment to Auditors		
- Audit Fees	22,060.00	22,060.00
- Certification fees	22,060.00	-
ADVERTISEMENT & PUBLICITY CHARGES	-	3,360.00
CONVEYANCE CHARGES	14,294.00	1,108.00
ADDITIONAL SALE TAX DEMAND	27,827.00	1,15,915.00
DONATION & CHARITY	2,100.00	23,300.00
FEES & TAXES	11,030.00	4,000.00
OFFICE EXPENSES	-	13,811.00
INSURANCE CHARGES	4,712.00	5,641.00
LEGAL & PROFESSIONAL CHARGES	6,19,026.00	3,41,810.00
FESTIVAL EXPENSES	1,36,657.00	1,72,075.00
COMPUTER REPAIR & MAINTENANCE	-	1,270.00
OFFICE MAINTENANCE	34,883.00	29,826.00
Meeting Expenses	12,500.00	-
Sundry Balance written off	28,49,953.00	-
REPAIRS & MAINTANANCE		
- Building	1,56,690.00	
- Others	20,120.00	1,190.00
- Plant & Machinery	-	6,81,344.00
- Vehicle	2,40,991.00	1,77,108.00
POSTAGE & COURIER CHARGES	8,823.00	15,210.00
PRINTING & STATIONERY	11,950.00	20,700.00
TELEPHONE EXPENSES	30,536.00	24,862.00
TRAVELLING EXPENSES		
DIRECTORS	25,279.00	38,670.00
OTHERS	8,128.00	25,866.00
	<u>42,59,619.00</u>	<u>17,19,126.00</u>
SCHEDULE- XII		
FINANCIAL EXPENSES		
INTEREST ON LOANS	-	1,192.00
BANK & OTHER CHARGES	2,559.00	63.00
	<u>2,559.00</u>	<u>1,255.00</u>

KMG MILK FOOD LTD

ANNEXURES TO SCHEDULES FORMING PART BALANCE SHEET & PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011

SUNDRY DEBTORS AS ON 31ST MARCH 2011

PARTICULARS	31.03.2011	31.03.2010
B.M. TRADERS		
BAPNA TRADING CO KAKROLI	1,73,750.00	1,73,750.00
RIGHT CHOICE	88,756.00	88,756.00
RIGHT CHOICE JODHPUR	7,15,000.00	7,15,000.00
	6,591.00	6,591.00
MAHAAN FOOD LTD	9,84,097.00	9,84,097.00
	-	4,89,000.00
	9,84,097.00	14,73,097.00

ADVANCE RECOVERABLE AS ON 31ST MARCH 2011

PARTICULARS	31.03.2011	31.03.2010
IMPREST SANDEEP GUPTA	9700.00	9700.00
IMPREST S K GOEL	40379.00	40379.00
IMPREST R L GUPTA	518293.76	518293.76
BRIJ FAMILY TRUST	569000.00	569000.00
T C TALWAR	-	23000.00
BALWANT SINGH WALLIA	13500.00	13500.00
Galaxy Toyota	100000.00	-
	1250872.76	1173872.76

ADVANCE TO SUPPLIERS AS ON 31ST MARCH 2011

PARTICULARS	31.03.2011	31.03.2010
M/S OM BHANDER	-	15,00,000.00
M/S STERLING AGRO INDS. LTD.	-	12,00,000.00
FAIR DEAL AGENCY	34,075.00	34,075.00
GOLD LINE MILK FOOD (P) LTD.	6,59,262.00	6,59,262.00
M/S MOHAN INDUSTRIES	-	1,50,000.00
	6,93,337.00	35,43,337.00

ANNEXURES TO SCHEDULES FORMING PART BALANCE SHEET & PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31TH MARCH 2011

SCHEDULE-V
FIXED ASSETS

S.	PARTICULARS	RATE AS AT	OP. BALANCE 01.04.2010	ADDITION		DELETION 31.03.2010	COST AS AT YEAR	DEPRECIATION			WDV	
				31.03.2011	31.03.2010			UPTO 31.03.2011	FOR THE 31.03.2010	TOTAL	AS AT 31.03.2011	AS AT 31.03.2010
1	Land		8,26,400.00			1,89,063.00	6,37,337.00				6,37,337.00	8,26,400.00
2	Site Development		18,71,960.00				18,71,960.00				18,71,960.00	18,71,960.00
3	Factory Building	3.34	2,42,86,779.97				2,42,86,779.97	1,24,23,711.30	8,11,178.67	1,32,34,889.97	1,10,51,890.00	18,63,068.67
4	Plant & Machinery	5.26	8,22,55,343.69	17,28,281.00			8,39,83,624.69	6,12,95,917.08	43,67,204.81	6,56,63,121.89	1,63,20,503.00	2,09,59,426.61
5	Furniture & Fixture	6.33	3,29,658.00				3,29,658.00	2,99,488.23	20,867.77	3,20,356.00	9,302.00	30,168.77
6	Work Shop Equipments	5.26	2,29,905.90				2,29,905.90	1,88,882.61	12,139.29	2,01,021.90	26,884.00	41,023.29
7	Motor Car	9.50	22,98,460.00				22,98,460.00	21,39,852.32	43,684.68	21,83,537.00	1,14,923.00	1,58,607.68
8	Motor Car (Indicai)	9.50	3,42,773.00				3,42,773.00	1,30,252.44	32,363.56	1,62,816.00	1,79,957.00	2,12,520.56
10	Tube Well	5.26	1,83,778.00				1,83,778.00	1,44,594.18	9,703.82	1,54,298.00	29,480.00	39,183.82
12	Roads	3.34	8,51,948.00				8,51,948.00	4,27,828.98	28,455.02	4,56,284.00	3,95,684.00	4,24,119.02
13	Computer	16.21	3,50,980.00				3,50,980.00	3,30,146.00	5,230.00	3,35,376.00	30,004.00	20,834.00
14	Lab Instruments	4.75	3,06,009.00		14,400.00		3,06,009.00	1,66,121.51	14,535.49	1,80,657.00	1,25,352.00	1,39,887.49
			11,41,33,995.56	17,42,681.00		1,89,063.00	11,56,87,613.56	7,75,46,794.65	53,45,562.91	8,28,92,357.56	3,27,95,256.00	3,65,87,200.91
	Previous Year		11,41,33,996.00				11,41,33,995.56	7,20,51,753.00	54,95,042.00	7,75,46,795.00	3,65,87,200.91	

EXPENSES PAYABLE AS ON 31.03.2011

PARTICULARS	31.03.2011	31.03.2010
Payment to Auditors	44,120.00	22,060.00
VAT Payable	-	14,697.00
EPF	3,200.00	2,400.00
Establishment Expenses Payable	1,14,450.00	99,741.00
Telephone	1,796.00	1,951.00
Shri Manoj kumar Jain	6,750.00	6,750.00
Shri Ganesh maharaj ji	253.25	253.25
M/S Bhardaj Management	2,500.00	2,500.00
We Power Enginerrrs(Delhi)	60,180.00	60,180.00
Rajan K. Gupta & co	-	2,647.00
Brijwasi Keshav Milk Product	-	37,440.00
Skyline Finacial Services Pvt Ltd	24,266.00	-
Advocate Rajat Bhalla	6,500.00	3,145.00
Advocate- Anshuman Sood	7,500.00	-
Advocate-Arun K Beriwal	11,000.00	-
Advocate- Narender Kalra	5,500.00	-
	<u>2,88,015.25</u>	<u>2,53,764.25</u>

ADVANCE FROM CUSTOMERS AS ON 31ST MARCH, 2011

PARTICULARS	31.03.2011	31.03.2010
BAFF ENGINEERING PVT. LTD.	1,50,904.00	1,50,904.00
PARLE PRODUCTS PVT. LTD. (BHUI)	-	10,00,000.00
MAHAAN FOOD LTD	12,80,409.00	-
	<u>14,31,313.00</u>	<u>11,50,904.00</u>

KMG MILK FOOD LIMITED
LIST OF UNSECURED LOANS AS ON 31 ST MARCH 2011

S NO	PARTICULARS	AS ON 01.04.2010	ADDITION DURING THE	INTEREST	REPAYME- NT DURING PERIOD THE	AS ON 31.03.2011 PERIOD
	From Shareholders					
1	Shri Sushil Goel	17,50,000.00				17,50,000.00
2	Smt. Bhawana Goel	22,50,000.00				22,50,000.00
	Total	40,00,000.00				40,00,000.00
	FROM COMPANIES'					
4	KMG LEASING & ADVANCE LTD	1,39,50,000.00	-	-	-	1,39,50,000.00
5	KMG INTERNATIONAL LTD	79,88,000.00	-	-	42,38,000.00	37,50,000.00
6	KMG NON FERROUS METALS (P) LTD	15,00,000.00	-	-	-	15,00,000.00
7	KMG MACRO INVESTMENT PVT LTD	80,00,000.00	-	-	20,00,000.00	60,00,000.00
	TOTAL	3,14,38,000.00			62,38,000.00	2,52,00,000.00
	Gross Total	3,54,38,000.00			62,38,000.00	2,92,00,000.00

KMG MILK FOOD LIMITED

CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2011

CASH FLOW FROM OPERATING ACTIVITIES

(Amount Rs in '000')

	AS AT 31.03.2011	AS AT 31.03.2010
NET PROFIT/(LOSS)	(657.46)	2523.89
ADJUSTMENTS FOR	5345.56	5495.04
1 DEPRECIATION	2.56	1.26
2 INTEREST	(2256.59)	(1095.21)
3 Increase(Decrease) in DIFFERED TAX LIABILITIES	2434.07	6924.98
ADD: (INCREASE) DECREASE IN DEBTORS	489.00	(489.00)
INCREASE (DECREASE) IN CREDITORS & OTHER PAYABLES	314.66	(179.54)
(INCREASE) DECREASE IN ADVANCE RECOVERABLE	3634.72	(630.86)
CASH GENERATED FROM OPERATIONS	6872.45	5625.58
INTEREST PAID	(2.56)	(1.26)
NET CASH FROM OPERATING ACTIVITIES	6869.89	5624.32
CASH FLOW FROM FINANCIAL ACTIVITIES	-	-
ADD: INCREASE/(DECREASE) IN SECURED LOANS	(6238.00)	(5000.00)
INCREASE/(DECREASE) IN UNSECURED LOANS	631.89	624.32
CASH FLOW FROM INVESTING ACTIVITIES	-	-
ADD: LAND AQUARE BY STATE AUTHORITY	189.06	-
	820.95	624.32
LESS: PURCHASE OF FIXED ASSETS	1742.68	-
INVESTMENT MADE	-	-
	(921.73)	624.32
OPENING BALANCE OF CASH & CASH EQUIVALENTS	942.32	318.00
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	20.59	942.32
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(921.73)	624.32

FOR KMG MILK FOOD LTD

Place: Delhi

Dated: 13.08.2011

Sd/-

ADITYA KUMAR DWIVEDI
(COMPANY SECRETARY)

Sd/-

(BASUDEV GARG)
CHAIRMAN & WHOLE TIME DIRECTOR

AUDITORS REPORT

We have verified the above cash flow statement of Mis KMG MILK FOOD LIMITED derived from the financial statements for the period ended 31.03.2011. The statement has been prepared by the company in accordance with requirements of listing agreement and is based on and in agreement with corresponding corresponding profit and loss account and Balance Sheet of the Company covered by our separate report of even date 1 to the members of the company.

For Rajan K. Gupta & Co
Chartered Accountants

Sd/-

(Rajan Gupta)
Partner M.No 074696
FRN 005945C

Place: Delhi

Dated: 13.08.2011

SCHEDULE-XIII: NOTES TO THE ACCOUNTS
SIGNIFICANT ACCOUNTING STANDARDS AND NOTES ON ACCOUNTS

1. **BASIS OF PREPARATION: -**

The financial statements are prepared under historical cost convention in accordance with accounting standards issued by ICAI and provision of Companies Act. The different accounting policies related to treatment of retirement benefits, valuation of fixed assets, according to the Balance Sheet, are being followed. The company generally follows mercantile system of accounting on accrual basis.

2. **FIXED ASSETS: -**

(A) Fixed assets are stated at cost after reducing accumulated depreciation until the date of balance sheet. No fixed asset has been revalued in the financial statement.

(B) Depreciation on fixed assets charged on a proportionate basis for all assets purchased and sold during the year is provided using Straight Line Method based on useful lives of assets as estimated. Depreciation is charged at the rates specified in Schedule XIV of companies Act, 1956.

3. **VALUATION OF INVENTORIES:-**

The Stocks of raw materials, stores and spares and finished goods have been valued at cost or market price whichever is lower. The cost of finished goods and process stocks is determined considering material, labor and related overheads and that of raw materials and stores and spares at purchases cost or market price whichever is lower.

4. **REVENUE RECOGNITION: -**

All revenue is accounted on accrual basis except claim received/paid.

5. **INVESTMENTS: -**

Long- term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long-term investments. Current investments are carried at the lower of cost and fair value.

6. **EMPLOYEES BENEFITS:-**

Contribution to defined schemes such as provident fund, superannuating/pension benefits, gratuity, Employees state insurance scheme are charged as incurred on accrual basis. These are in accordance with the respective Act's.

LEAVE ENCASHMENT: -

As per the employment policy of the company the employees avail there annual leave and provision for leave encashment is made on the basis of unavailed leave to the credit of employees.

GRATUITY:-

In accordance with the Payment of Gratuity Act, 1972, the company provides for gratuity covering all employees. The plan, subject to the above Act, provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based in the respective employee's salary and the tenure of employment. The company estimates its liability as of each balance sheet date based on an actuarial valuation.

7. **EARNING PER SHARE: -**

In accordance with the accounting standard 20 (AS-20) "Earning Per Share" issued by the Institute of Chartered Accountants of India, basic earning per share is computed using the weighted average number of share outstanding during the period.

Calculation of EPS

A	Number of Shares	5304600
B	Profit/(Loss) after taxation and interest	(29,14,053)
C	EPS	-

8. **INCOME TAX:-**

Income tax comprises the current year provision and net change in the deferred tax assets or liabilities in the year. Deferred Tax assets or liabilities are recognized for the future tax on consequences of timing (temporary) difference between the carrying value of assets and liabilities and then respective tax basis and operated loss carried forward.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the timing difference are expected to be recovered or settled.

9. **DISCONTINUING OPERATIONS:-**

The company has not discontinued operations during the Financial Year under review.

10. **INTERIM REPORTING:-**

In the interim financial statements, the company informs that the same accounting policies followed as going Concern.

11. **INTANGIBLE ASSETS:-**

There are no intangible assets in the company during the financial year under review.

12. **RELATED PARTY DISCLOURES:-**

Particulars of transactions with related party

The following is a summary of significant related party transaction:-

i) List of the Parties with whom transaction have taken place and relationship:

Sl. No.	Name of the Related Parties	Relationship
1	KMG INTERNATIONAL LTD	Company under the same
2	KMG MACRO INVESTMENT PVT LTD	Management

ii) Transaction during the year with related parties:

Sl. No.	Nature Of Transaction	Association	Key Management Personnel	Relatives of Key Management	Others	Total
1.	Unsecured Loan	42,38,000	—	NIL	NIL	42,38,000
2	Unsecured Loan	20,00,000	—	NIL	NIL	20,00,000

13. **PARTICULARS OF MANAGERIAL REMUNERATION**

No remuneration paid to managerial personnel during the financial year and Previous Year.

14. **CONTINGENT LIABILITIES**

1. No provision has been made in the account for doubtful debts and advances. These all are considered by the management as recoverable.

2. The pending court cases against and for the company is as under:

- I. In the matter of M/s Goel Agencies Pvt. Ltd/M/s Fair Deal Agencies, Ludhiana vs. Company/ Shri Basudev Garg/Smt. Mithlesh Garg for Rs.6, 00,528.15 - Ludhiana.
- II. In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana (Milk Cess) vs. Company for Rs.14,01,18,799/(Including Interest of Rs 11,74,69,424/- Chandigarh.
- III. In the matter of Company vs. Baldev Bhui in the Karkadoma Court for Rs.1, 30,000/- Delhi.
- IV. In the matter of Company vs. Prem Prakash in the Karkadoma Court for Rs.90, 000+67,000/- Delhi.
- V. In the matter of Company vs. Jindal Trading Co. in the Karkadoma Court for Rs.8400/- Delhi.
- VI. In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.1, 85, 000 + 123671/- Delhi.

- VII. In the matter of Company vs. Indian Feeds & Fodder in the Kamal Court for Rs 65000/-plus Interest, Kamal
 VII. In the matter of Company vs. Paradise Plastopack Pvt ltd in the court of Kurukshetra, Haryana and Rohini, Delhi for Rs2,75,524/-

3. The following Contingent Liabilities has been arisen in current year on account of Sale Tax. (a) In the matter of DETC, Kaithal vs Company for Rs.2, 52,720/- Chandigarh Tribunal. (b) Sebi dues on account of Annual Listing fees with arrears

S. No.	Name of the Stock Exchange	Amount Outstanding
1	Ahmedabad Stock Exchange Ltd.	121000
2	Jaipur Stock Exchange Ltd.	126000
3.	Ludhiana Stock Exchange Ltd.	120000
4.	Bombay Stock Exchange	138750
5.	Delhi Stock Exchange Ltd.	120000

NOTES TO THE ACCOUNTS

1. The previous year's figures have been regrouped, rearranged wherever necessary.
2. Information required under schedule VI to the Companies Act, 1956 has been given only to the extent applicable.

SIGNATURE OF SCHEDULE I TO XIII

For RAJAN K. GUPTA & CO.
Chartered Accountants

Sd/
Rajan Gupta
(Partner)
M.No 074696
FRN 005945C

For KMG MILK FOOD LIMITED

Sd/ Sd/
Basudev Garg B B Raina
Director Director

Place: Delhi
Dated: 13.08.2011

Sd/-
Aditya Kumar Dwivedi
Company Secretary

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KMG MILK FOOD LIMITED

Regd. Office: 9 KM Stone, Pipli to Ambala, G.T. Road, Vill. Masana, Distt. Kurukshetra-132 118 (Haryana).

Folio No.....

No. of Shares held.....

PROXY FORM

I/We.....of.....

..... being a member of KMG MILK FOOD LTD. hereby appoint.....

.....of.....or failing him.....

.....as my/our Proxy to attend and vote for me/ us on my/ our behalf at the 19th Annual General Meeting of the Company to be held on Friday, the 30th September, 2011 and at any adjournment thereof.

As witness my/ our hand(s) this day of September 2011.

Signed by the said



Note: The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

ATTENDANCE SLIP

Member's Name.....I hereby record my presence at the 19th Annual General Meeting of KMG MILK FOOD LTD. being held at 9th KM Stone, Pipli, to Ambala, G.T. Road, Vill, Masana, Distt. Kurukshetra-132118, (Haryana) on 30th September, 2011.

(in Block Letters)

.....
.....
.....

I certify that I am a registered member of the Company Folio No.....and holdshares in the Company. Name of Proxy.....Signature of the Member/Proxy (if attending for member)

- 1. Member/Proxies are requested to bring the DULY SIGNED Attendance Slip to the Meeting and hand it over at the entrance.
- 2. For the Convenience of members, persons other than members/ proxies will not be admitted.