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KMG MILK FOOD LIMITED
(FORMERLY RAHUL DAIRY & ALLIED PRODUCTS LTD.)

ANNUAL REPORT
2008-2009



KMG MILK FOOD LIMITED
(FORMERLY RAHUL DAIRY & ALLIED PRODUCTS LTD.)

ANNUAL REPORT 2008-2009

Name	:	KMG MILK FOOD LIMITED
Board of Directors	:	Chairman & Whole time Director Sh. Basudev Garg Director Sh. M. S. Venkateswaran Sh. S.V. Joshi Sh. R. Sundra Raj Sh. B B Raina Sh. Pawan Goel
Auditors	:	M/s. Rajan K Gupta & Co., Chartered Accountants 19, Chawla Complex, A-215, Shakarpur, Delhi-110 092.
Bankers	:	Canara Bank, Shankar Nagar, Delhi. Canara Bank, Kurukshetra, Haryana. Syndicate Bank, Kurukshetra (Haryana)
Registered Office & Works	:	9 th 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

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the members of the Company will be held on Wednesday, the 30th September, 2009 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-132118 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 2009.
2. To appoint Auditors and fix their remuneration.
3. To elect Directors in place of Sh. M. S. Venkateswaran and Mr. B B Raina who retires by rotation and being eligible offers himself for re-appointment.

Registered Office : 9th KM Stone, Pipli to Ambala
G.T. Road, Vill. Masana
Distt. Kurukshetra
Haryana-132 118
Dated: 04.09.2008

By the Order of the Board



(Basudev Garg)
Chairman & Wholetime Director

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 close from 22.09.2009 to 30.09.2009 (both days inclusive).
4. Explanatory Statement pursuant to section 173 of the Companies Act, 1956 is annexed.
5. 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.



KMG MILK FOOD LIMITED

DIRECTOR'S REPORT

The Directors hereby present their 17th Annual Report on the business and operations of the company and financial results for the year ended 31st March 2009

1. **FINANCIAL HIGHLIGHTS:**

(Rs. In lacs)

Particulars	<i>For the Year Ended 31.03.2009</i>	<i>For the Year Ended 31.03.2008</i>
Total Income	120.10	97.56
Total Expenditure	85.86	131.83
Profit & Loss before Interest & Depreciation	34.24	(34.26)
Tax Expenses	(10.32)	(8.71)
Profit & Loss After Tax+/(—)	(44.56)	(25.54)

2. **PERFORMANCE:**

With continuous efforts of the management of the Company during the period under report the Company achieved a turnover of Rs. 120.10 lacs including job work/processing against Rs. 97.56 lacs in previous year.

3. **DIVIDEND:**

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

4. **DIRECTORS:**

In accordance with the requirements of the Companies Act, 1956 and the Company Articles of Association, Sh. M. S. Venkateswaran and 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.

5. 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.

6. 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.

7. 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 31.03.2008, 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.

8. AUDIT COMMITTEE :

The Company has an Audit Committee of Directors consisting of S/ Sh. Basudev Garg, Whole time Director, Shashikant Vishnu Joshi and M. S. Venkateshwaran, Directors of the Company.

9. **PERSONNEL :**

Labour Management relations were cordial during the period under report. You 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.

10. **INVESTOR GRIEVANCES**

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

12. **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/co-operation.

By the Order of the Board



(BASUDEV GARG)

Chairman & Wholetime Director

Date : 04/09/2009

ANNEXURE TO THE DIRECTOR'S 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 2009.

I. CONSERVATION OF ENERGY:

	Year Ended 31-03-2009	Year Ended 31-03-2008
A. POWER AND FUEL CONSUMPTION		
Electricity		
(a) Purchase		
Units	Nil	71672
Total Amount (in Rs.)	Nil	597712
Rate / Unit	Nil	8.34
(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, SM and Dairy Whitener, it is not possible to give the consumption per unit of production. Hence, consumption per unit of processing has been given.

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. Pawan Goel, Mr. M. S. Venkateswaran, Mr. S. V. Joshi, Mr. B.B. Raina and Mr. Sundra Raj.

Composition:

As on 31st March 2009, 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.

BOARD MEETING

During the financial year ended March 31, 2009, 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.	28.04.2008	5.	30.10.2008
2.	30.06.2008	6.	11.11.2008
3.	29.07.2008	7.	28.01.2009
4.	01.09.2008	8.	18.03.2009

S. No.	Name of Director	No. of Meeting attending during 2008-09		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	1
2.	Mr. Pawan Goel	8	Yes	Nil	1	Nil	1
3.	Mr. M. S. Venkateswaran	8	Yes	Nil	Nil	Nil	Nil
4.	Mr. S. V. Joshi	7	Yes	Nil	Nil	Nil	Nil
5.	Mr. Sundra Raj	7	Yes	Nil	Nil	Nil	Nil
6.	B.B Raina	6	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.

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. B. B. Raina - (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 26.04.2008, 25.06.2008, 25.07.2008, 27.10.2008, 24.01.2009.

The attendance record of the members of the Audit Committee for the FY 2008-09 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. Mr. 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	5
Mr. S. V. Joshi	5	4
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.

REMUNERATION-CUM-COMPENSATION COMMITTEE

Composition:

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
Extra Ordinary General Meeting	05 th September 2007 at 11.00 A.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	28 th December 2007 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30 th September 2008 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 2008-09.

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.

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 2009 at 1.00 P.M.
Venue: 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

- b) Financial Calendar: 2008-2009

The Company follows financial year of April to March.

Financial reporting for

- 1st Quarter ending June 30, 2009: End of July 2009

- 2nd Quarter ending September 30, 2009 : End of October 2009
- 3rd Quarter ending December 31, 2009 : End of January 2010
- Annual Result for the year ended March 31, 2009: End of June 2010

- c) Date of Book Closure/Record Date (Both Days inclusive) : 22nd September to 30th September 2009
- 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 : In House Facility
- i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
October, 08	N.A.	N.A.	N.A.
November, 08	N.A.	N.A.	N.A.
December, 08	N.A.	N.A.	N.A.
January, 09	N.A.	N.A.	N.A.
February, 09	N.A.	N.A.	N.A.
March, 09	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.

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 In House facility at the following address:

9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

o) Shareholding Pattern

The shareholding pattern as on 31st March 2009:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	2,647,129	50.36
(2)	Foreign	0	0.00
	Total	2,647,129	50.36
B.	Public Shareholding		
(1)	Institutions	0	0.00
(a)	Mutual Funds/UTI	0	0.00
(b)	Financial Institutions/Banks	0	0.00
(c)	Foreign Institutional Investors	0	0.00
(d)	Any Other	0	0.00
	Sub Total	0	0.00
(2)	Non Institutions		
(a)	Bodies Corporate	543,500	10.34
(b)	Individuals	2,065,771	39.30
(c)	Any Other (Public Trust)	300	0.01
	Sub Total	2,609,571	49.64
	Grand Total	5,256,700	100.00

For **KMG Milk Food Limited**

Sd/-
Basudev Garg
Chairman and Whole Time Director

Place: Haryana
Date: 04.09.2009

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 2008-09:

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 2008-09 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: 04th September 2009

Sd/-
Basudav Garg
Whole Time Director

Declaration by the Whole Time 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, 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, 2009.

Place: Haryana

Dated: 04th September 2009

Sd/-

Basudav Garg

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 31.03.2009 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 as 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:01st September, 2009

Vivek Sinha
Practicing Company Secretary
CP Number- 5218

RAJAN K. GUPTA & CO.**AUDITOR'S REPORT****Chartered Accountants** THE MEMBERS OF KMG MILK FOOD LTD.

(A) We have audited the attached Balance Sheet of M/s KMG MILK FOOD LTD. As at 31st March 2009 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 statements 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

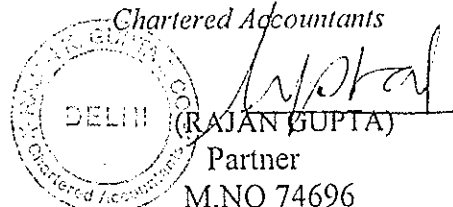
(C) As require by the companies (Auditor's Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we consider appropriate and according to the information and explanations given to us, a statement on the matters specified in Paragraphs (4 &5) of the said order is annexed 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 far 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 companies 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 U/s 274(1) (g) of the companies Act, 1956.
6. In our opinion and to the best of our information 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, 2009, and
 - (b) In the case of the Profit & Loss Account of the Profit for the year ended on that date.

For RAJAN K. GUPTA & CO.

Chartered Accountants



(RAJAN GUPTA)

Partner

M.NO 74696

PLACE: DELHI

DATED: 06-07-2009

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.

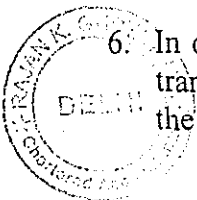
(b) All the assets have not been physically verified by the management during the year but there is a regular programmed of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

(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 no stock of inventory, hence physically verification of the stock not required.
3. (a) The company had taken unsecured loan from Associates 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 Sales Tax & SEBI as at 31st March 2009 which has not been deposited on account of dispute are mentioned in annexure 'A'.

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	Show Cause Noticeu/s61(2)(d)(i)	671.06	Letter dated 30-10-2006	Haryana Sales Tax Deppt.
Central Sales Tax	Non -receipt of statutory Forms	13.50	2006-07	Haryana Sales Tax Deppt.
Stock Exchanges Demand	Fees	6.26	Since 1995	SEBI

11. The company has accumulated losses of Rs 5,21,52,800/- (Previous Year Rs 5,66,08,090) at the end of the financial year under review.
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: New Delhi
Date:06-07-2009


(Rajan Gupta)
Partner
M.NO 74696

KMG MILK FOOD LIMITED
VIL. MASANA, 9 Km STONE PIPLI-AMBALA G.T. ROAD, KURUKSHETRA-136 118

BALANCE SHEET
AS AT 31 ST MARCH, 2009

(Amount in Rs.)

PARTICULARS	SCHEDULE NO	AMOUNT 31.03.2009	AMOUNT 31.03.2008
A. SOURCES OF FUNDS			
1 SHARE HOLDERS' FUNDS			
SHARE CAPITAL	I	52945000.00	52945000.00
2 LOAN FUNDS			
UNSECURED LOANS	II	40438000.00	41938000.00
3 DEFERRED TAX LIABILITIES (NET)	III	8547716.86	9633103.86
	TOTAL 'A'	<u>101930716.86</u>	<u>104516103.86</u>
B. APPLICATION OF FUNDS			
1 FIXED ASSETS			
GROSS BLOCK	IV	114133995.56	112912348.56
LESS : DEPRECIATION		72051752.65	66772038.65
NET BLOCK		<u>42082242.91</u>	<u>46140309.91</u>
2 INVESTMENTS			
	V	33000.00	33000.00
3 CURRENT ASSETS, LOANS &- ADVANCES			
A. CURRENT ASSETS	VI	1302100.49	-1013975.51
B. LOANS & ADVANCES	VII	7945784.76	6511481.76
		<u>9247885.25</u>	<u>5497506.25</u>
LESS : CURRENT LIABILITIES &- PROVISIONS	VIII	1584212.25	3762803.25
NET CURRENT ASSET		<u>7663673.00</u>	<u>1734703.00</u>
4 PROFIT & LOSS ACCOUNTS			
	TOTAL 'B'	<u>52151800.95</u>	<u>56608090.95</u>
		<u>101930716.86</u>	<u>104516103.86</u>

NOTES TO THE ACCOUNTS

XV

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


(RAJAN GUPTA)
(PARTNER)

For KMG MILK FOOD LIMITED


DIRECTOR


DIRECTOR

PLACE: DELHI

DATED: 06-07-2009

KMG MILK FOOD LIMITED
 VII. MASANA, 9 Km STONE PIPLI-AMBALA G.T. ROAD, KURUKSHETRA-136 118

PROFIT & LOSS ACCOUNT FOR YEAR ENDED ON 31ST MARCH 2009

PARTICULARS	SCHEDULE NO	FOR THE YEAR 31.03.2009	FOR THE YEAR 31.03.2008
<i>(Amount in Rs.)</i>			
A. INCOME			
SALES		0.00	423077.00
OTHER INCOME	IX	12010328.00	9333334.00
TOTAL 'A'		12010328.00	9756411.00
B. EXPENDITURE			
COST OF MATERIALS PROCUREMENT	X	0.00	140000.00
MANUFACTURING EXPENSES	XI	0.00	902566.00
PERSONNEL EXPENSES	XII	1481043.00	1775741.00
OFFICE & ADMINISTRATIVE EXPENSES	XIII	1620663.00	4991476.89
FINANCIAL EXPENSES	XIV	46434.00	27737.00
DEPRECIATION	IV	5438015.00	5345005.00
TOTAL 'B'		8586155.00	13182525.89
PROFIT/(LOSS) FOR THE YEAR		3424173.00	(3426114.89)
TAX EXPENSES			
PROVISION FOR FRINGE BENEFIT TAX		53,270.00	79990.00
DEFERRED TAX ASSETS		(1,085,387.00)	(951492.00)
PROFIT AFTER TAX		4456290.00	(2554612.89)
BALANCE BROUGHT FORWARD		(56608090.95)	(54053478.06)
BALANCE CARRIED OVER TO BALANCE SHEET		(52151800.95)	(56608090.95)

NOTES TO THE ACCOUNTS XV

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


 (RAJAN GUPTA)
 (PARTNER)

For KMG MILK FOOD LIMITED


 DIRECTOR


 DIRECTOR

PLACE: DELHI

DATED: 06-07-2009

KMG MILK FOOD LIMITED
CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2009

CASH FLOW FROM OPERATING ACTIVITIES

	<i>(Amount Rs in ' 000 ')</i>	
	AS AT 31.03.2009	AS AT 31.03.2008
NET PROFIT/(LOSS)	4456.29	(2554.61)
<u>ADJUSTMENTS FOR</u>		
1 EXPENSES WRITTEN OFF (PRIL. EXPENSES)	0.00	0.00
2 DEPRECIATION	5438.00	5345.00
3 INTEREST	46.43	27.74
4 Increase (Decrease) in DIFFERED TAX LIABILITIES	(1085.39)	(951.49)
5 LIABILITIES WRITTEN OFF (Extraordinary Item)	-	2,421.99
6 LOSS ON THEFT OF CAR	-	-
	<u>8855.33</u>	<u>4288.63</u>
ADD: (INCREASE) DECREASE IN DEBTORS	0.00	807.45
(INCREASE) DECREASE IN INVENTORIES	0.00	140.00
INCREASE (DECREASE) IN CREDITORS & OTHER PAYABLE:	(2178.59)	(4492.57)
(INCREASE) DECREASE IN ADVANCE RECOVERABLE	(1434.30)	6034.66
	<u>5242.44</u>	<u>6778.17</u>
CASH GENERATED FROM OPERATIONS	5242.44	6778.17
INTEREST PAID	(46.43)	(27.74)
NET CASH FROM OPERATING ACTIVITIES	<u>5196.01</u>	<u>6750.43</u>
<u>CASH FLOW FROM FINANCIAL ACTIVITIES</u>		
ADD : INCREASE/(DECREASE) IN SECURED LOANS	0.00	(1964.51)
INCREASE/(DECREASE) IN UNSECURED LOANS	(1500.00)	(2966.84)
LIABILITIES WRITTEN OFF (Extraordinary Item)	0.00	(2421.70)
	<u>3696.01</u>	<u>(602.62)</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
ADD : SALE OF FIXED ASSETS	-	16.58
	<u>3696.01</u>	<u>(586.04)</u>
LESS : PURCHASE OF FIXED ASSETS	1,379.95	1,615.64
INVESTMENT MADE	0.00	0.00
	<u>2316.06</u>	<u>(2201.68)</u>
OPENING BALANCE OF CASH & CASH EQUIVALENTS	(1998.06)	203.62
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	<u>318.00</u>	<u>(1998.06)</u>
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	<u>2316.06</u>	<u>(2201.68)</u>

FOR KMG MILK FOOD LTD

DATE
PLACE : DELHI

(COMPANY SECRETARY)

(BASUDEV GARG)
CHAIRMAN &
WHOLE TIME DIRECTOR

AUDITORS' REPORT

We have verified the above cash flow statement of M/s KMG MILK FOOD LIMITED derived from the financial statements for the period ended 31.03.2009. 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, to the members of the company.

For Rajan K. Gupta & Co
Chartered Accountants

DATE :
PLACE : Delhi

(Rajan Gupta)
Partner
M.No 074696

KMG MILK FOOD LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
SCHEDULE- I		
SHARE CAPITAL		
AUTHORISED		
60,00,000 EQUITY SHARES OF Rs 10/- EACH	60,000,000.00	60,000,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
53,04,600 EQUITY SHARES OF Rs 10/- EACH	53,046,000.00	53,046,000.00
LESS : CALLS IN ARREAR	101,000.00	101,000.00
	<u>52,945,000.00</u>	<u>52,945,000.00</u>
SCHEDULE- II		
UNSECURED LOANS		
FROM SHAREHOLDERS	9,000,000.00	9,000,000.00
FROM COMPANIES	31,438,000.00	32,938,000.00
	<u>40,438,000.00</u>	<u>41,938,000.00</u>
SCHEDULE- III		
DEFERRED TAX LIABILITIES		
OPENING BALANCE	9,633,103.86	10,584,595.86
LESS: DIFFERED TAX ASSETS - CURRENT YEAR	1,085,387.00	951,492.00
	<u>8,547,716.86</u>	<u>9,633,103.86</u>



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KMG MILK FOOD LIMITED
VIL. MASANA, 9 Km STONE PIPLAMBALA G.T. ROAD, KURUKSHETRA-136 118

SCHEDULE-IV
 FIXED ASSETS

S.	PARTICULARS	RATE	OP. BALANCE AS AT 01.04.2008	ADDITION	DELETION	COST AS AT 31.03.2009	DEPRECIATION			WDV	
							UPTO 31.03.2008	FOR THE YEAR	TOTAL	AS AT 31.03.2009	AS AT 31.03.2008
1	Land	-	826,400.00			826,400.00	-	-	-	826,400.00	826,400.00
2	Site Development		1,871,960.00			1,871,960.00				1,871,960.00	1,871,960.00
3	Factory Building	3.34	23,928,905.97	357,874.00		24,286,779.97	10,811,308.30	801,225.00	11,612,533.30	12,674,246.67	13,117,597.67
4	Plant & Machinery	5.28	81,258,969.69	996,374.00		82,255,343.69	52,653,361.08	4,299,474.00	56,952,835.08	25,302,508.61	28,605,608.61
5	Furniture & Fixture	6.33	329,653.00			329,653.00	257,754.23	20,867.00	278,621.23	51,036.77	71,903.77
6	Work Shop Equipments	5.28	229,905.90			229,905.90	164,604.61	12,139.00	176,743.61	53,162.29	65,301.29
7	Motor Car	9.50	2,298,460.00			2,298,460.00	1,703,144.32	218,354.00	1,921,498.32	376,961.68	595,315.68
8	Motor Car (Indica)	9.50	342,773.00			342,773.00	65,126.44	32,563.00	97,689.44	245,083.56	277,646.56
10	Tube Well	5.28	183,778.00			183,778.00	125,189.18	9,703.00	134,891.18	48,886.82	58,589.82
12	Road	3.34	851,948.00			851,948.00	370,918.98	28,455.00	399,373.98	452,574.02	481,029.02
13	Computer	16.21	325,280.00	25,700.00		350,980.00		700.00	325,980.00	25,000.00	-
14	Lab Instruments	4.75	306,009.00			306,009.00	137,051.51	14,535.00	151,586.51	154,422.49	168,957.49
			112,754,047.56	1,379,948.00	-	114,133,995.56	66,613,737.65	5,438,015.00	72,051,752.65	42,082,242.91	46,140,309.91
	Previous Year		111,620,707.56	1,615,641.00	324,000.00	112,912,348.56	61,734,175.17	5,345,005.00	66,772,038.65	46,140,309.91	-

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KMG MILK FOOD LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
SCHEDULE- V		
INVESTMENTS		
NATIONAL SAVING CERTIFICATE	33,000.00	33,000.00
	33,000.00	33,000.00
SCHEDULE- VI		
CURRENT ASSETS		
B. CASH & BANK BALANCES		
CASH IN HAND	48.75	29,489.75
WITH SCHEDULED BANKS		
CANARA BANK SHANKAR NAGAR 369	5,835.74	3,452.74
CANARA BANK (KRK) 1027	8,344.00	2,663.00
Syndicate Bank 1527	303,775.00	(2,033,678.00)
INDUSIND BANK C/A	-	-
TOTAL 'B'	318,003.49	(1,998,072.51)
C. SUNDRY DEBTORS		
(UNSCURED CONSIDERED GOOD)		
EXCEEDING 6 MONTHS	984,097.00	984,097.00
OTHERS	-	-
TOTAL 'C'	984,097.00	984,097.00
TOTAL (A+B+C)	1,302,100.49	(1,013,975.51)
SCHEDULE- VII		
LOANS & ADVANCE		
(RECOVERABLE IN CASH OR IN KIND OR FOR THE VALUE TO BE RECEIVED)		
ADVANCE RECOVERABLE	1,152,972.76	1,137,372.76
ADVANCE PAID TO SUPPLIER	3,543,337.00	3,543,337.00
HSEB SECURITY & GOVT. DEPOSIT	476,700.00	476,700.00
PRE-PAID EXPENSES	-	7,301.00
TDS RECOVERABLE (CONT.)	2,532,408.00	1,201,134.00
FRINGE BENEFIT ADVANCE TAX (07-08)	143,577.00	48,847.00
FRINGE BENEFIT ADVANCE TAX	53,270.00	53,270.00
ADVANCE INCOME TAX (A.Y. 2006-07)	43,520.00	43,520.00
	7,945,784.76	6,511,481.76
SCHEDULE- VIII		
CURRENT LIABILITIES & PROVISIONS		
ADVANCE FROM CUSTOMER	1,150,904.00	2,097,671.00
OTHER LIABILITIES	380,038.25	1,498,780.25
PROVISION FOR INCOME TAX (06-07)	-	42,362.00
PROVISION FOR FRINGE BENEFIT TAX (06-07)	53,270.00	123,990.00
	1,584,212.25	3,762,803.25



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KMG MILK FOOD LTD

ANNEXURES TO SCHEDULES FORMING PART BALANCE SHEET & PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31TH MARCH 2009

SUNDRY DEBTORS AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
ALESSH IMPEX		
B.M. TRADERS	173,750.00	173,750.00 ✓
BAPNA TRADING CO KAKROLI	88,756.00	88,756.00 ✓
RIGHT CHOICE	715,000.00	715,000.00 ✓
RIGHT CHOICE JODHPUR	6,591.00	6,591.00 ✓
	<u>984,097.00</u>	<u>984,097.00</u>

ADVANCE RECOVERABLE AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
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	15600.00 ✓	
	<u>1152972.76</u>	<u>1137372.76</u>

ADVANCE TO SUPPLIERS AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
M/S OM BHANDER	1,500,000.00	1,500,000.00 ✓
M/S TANYA INTERNATIONAL AGENCIES		
M/S STERLING AGRO INDS. LTD.	1,200,000.00	1,200,000.00 ✓
FAIR DEAL AGENCY	34,075.00	34,075.00 ✓
GOLD LINE MILK FOOD (P) LTD.	659,262.00	659,262.00 ✓
M/S MOHAN INDUSTRIES	150,000.00	150,000.00 ✓
	<u>3,543,337.00</u>	<u>3,543,337.00</u>

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FOR THE YEAR ENDED 31TH MARCH 2009

Expenses Payable as on 31.03.2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
Shri Basudev Garg, Director	-	235,000.00
AUDIT FEE PAYABLE	22,472.00	22,472.00
CENTRAL SALES TAX (Old)	-	464,000.00
VALUE ADDED TAXES PAYABLE	14,697.00	14,697.00
EPF	-	1,600.00
Establishment	102,025.00	188,392.00
Telephone	2,056.00	6,460.00
TDS- Professional	-	30,909.00
MR. MANOJ KUMAR JAIN	6,727.00	5,088.00
Bhardwaj Management Association	5,000.00	6,000.00
PCR Enterprises	-	7,790.00
Power Control Engineering	-	85,672.00
SHRI GANESH JEE MAHARAJ	253.25	152.25
PRAKASH MACHINERY COMPANY	-	44,879.00
WE POWER ENGINEERS (DELHI)	60,180.00	60,180.00
Maha Balaji	276.00	-
Provision for FBT	123,990.00	-
Provision for Income Tax	42,362.00	-
Advocate(s)		
- Arun Kathpalia	-	65,481.00
- Rajat Bhalla	-	15,769.00
- Rohit Khanna	-	39,481.00
- Vivek Malik	-	11,000.00
AMIT KUMAR (TPT) -PIPLI	-	50,000.00
TATA FINANCIAL SERVICES	-	143,758.00
	<u>380,038.25</u>	<u>1,498,780.25</u>

ADVANCE FROM CUSTOMERS AS ON 31ST MARCH, 2009

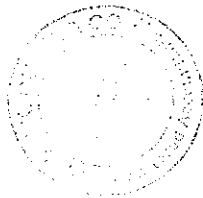
<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
Mahan Food Ltd Against Lease	-	946,767.00
BAFF ENGINEERING PVT. LTD.	150,904.00	150,904.00
PARLE PRODUCTS PVT. LTD. (BHUJ)	1,000,000.00	1,000,000.00
	<u>1,150,904.00</u>	<u>2,097,671.00</u>

KMG MILK FOOD LIMITED

LIST OF UNSECURED LOANS AS ON 31 ST MARCH 2009

S NO	PARTICULARS	AS ON 01.04.2008	ADDITION DURING THE PERIOD	INTEREST	REPAYME- NT DURING THE PERIOD	AS ON 31.03.2009
	From Shareholders					
1	Shri Sushil Goel	1,750,000.00				1,750,000.00
2	Smt. Bhawana Goel	2,250,000.00				2,250,000.00
3	Smt. Mithlesh Garg	5,000,000.00				5,000,000.00
	Total	9,000,000.00	-	-	-	9,000,000.00
	FROM COMPANIES'					
4	KMG LEASING & ADVANCE LTD	13,950,000.00	-		-	13,950,000.00
5	KMG INTERNATIONAL LTD	7,988,000.00	-		-	7,988,000.00
6	KMG NON FERROUS METALS (P) LTD	1,500,000.00	-	-	-	1,500,000.00
7	KMG MACRO INVESTMENT PVT LTD	9,500,000.00	-	-	1,500,000.00	8,000,000.00
	TOTAL	32,938,000.00			-	31,438,000.00
	Gross Total	41,938,000.00	-	-	-	40,438,000.00

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SCHEDULE-XV: 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 A. 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	3370903
C	EPS	0.64



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 DISCLOSURES: -**

Particulars of related party transaction.

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
	KMG Macro investments (P) Ltd.	CO. under same 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	Co, under same management	NIL	1500000	NIL	1500000

13. **PARTICULARS OF MANAGERIAL REMUNERATION**

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

14. **CONTINGENT LIABILITIES**

A

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 State of Haryana / Company vs. Pawan Goel of siphoning of Rs.60/- Crores - Kurukshetra.
- II. In the matter of State of Haryana / Company vs. Mohan Industries for Rs.1, 50,000/- Kurukshetra.
- III. In the matter of State of Haryana / Company vs. OM Bandar for Rs.15, 00000/- Kurukshetra.
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- V. In the matter of M/s Haryana Agro Industries Corporation vs. Shri Basudev Garg/ Shri R.L.Gupta/Company for Rs. 12409123/- for buy of equity - Chandigarh.
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3. The following Contingent Liabilities has been arisen in current year on account of Sale Tax.

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- II In the matter of DETC, Kaithal vs Company for Rs.2, 52,720/- Chandigarh Tribunal.
- III In addition to above the contingent liabilities would incurred on account of Sales Tax as Per show cause notice U/s 61(2)(d)(i) of Haryana Value added Tax Act-2003 vide their letter dated 30.10.2006 for Rs.6,71,06,246/- Kurukshetra.

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

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

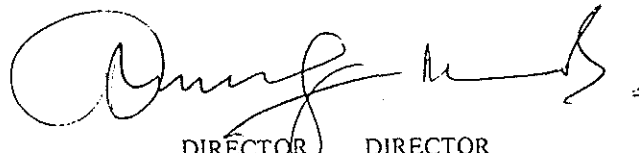
SIGNATURE OF SCHEDULE 1 TO 18

For RAJAN K. GUPTA & CO.

Chartered Accountants


(RAJAN GUPTA)
Partner
M.NO 74696

For KMG Milk Food Limited.


DIRECTOR DIRECTOR

PLACE: Delhi

DATED 06-07-2009

KMG MILK FOOD LIMITED
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	FOR THE YEAR 31.03.2009	FOR THE YEAR 31.03.2008
<u>SCHEDULE- IX</u>		
<u>OTHER INCOME</u>		
From Lease of Factory including Fixed Assets	11,750,001.00	9,333,334.00
OTHER INCOME (UNCLAIMED)	260,327.00	-
	12,010,328.00	9,333,334.00

SCHEDULE- X

COST OF MATERIAL PROCUREMENT

MATERIALS CONSUMED

PACKING MATERIALS

OPENING BALANCE	-	140,000.00
ADD: PURCHASES	-	-
	-	140,000.00
LESS: CLOSING STOCK	-	-
	-	140,000.00
	-	140,000.00

SCHEDULE- XI

MANUFACTURING EXPENSES

ELECTRICITY EXPENSES	-	597,712.00
REPAIR TO MACHINERY	-	271,994.00
CONSUMABLE	-	32,860.00
	-	902,566.00
	-	902,566.00

SCHEDULE- XII

PERSONNEL EXPENSES

SALARY & WAGES	1,392,837.00	1,651,292.00
PROVIDENT FUND	23,360.00	17,632.00
STAFF WELFARE	64,846.00	52,117.00
Workmen Compensation	-	54,700.00
	1,481,043.00	1,775,741.00
	1,481,043.00	1,775,741.00






SCHEDULE- XIII

OFFICE & ADMINISTRATIVE EXPENSES

AUDIT FEES	22,472.00	22,472.00
ADVERTISEMENT & PUBLICITY CHARGES	60,384.00	2,400.00
BOOKS & PERIODICALS	-	385.00
CONVEYANCE CHARGES	11,183.00	15,194.00
ADDITIONAL SALE TAX DEMAND	-	569,502.00
DONATION & CHARITY	2,100.00	2,100.00
FEES & TAXES	15,987.00	21,575.00
OFFICE EXPENSES	-	13,239.00
INSURANCE CHARGES	16,061.00	-
INTERNET CHARGES	-	2,232.00
LEGAL & PROFESSIONAL CHARGES	1,075,594.00	1,012,640.00
FESTIVAL EXPENSES	30,080.00	170,910.00
MEMBERSHIP & SUBSCRIPTION	-	6,500.00
COMPUTER REPAIR & MAINTENANCE	1,150.00	-
OFFICE MAINTENANCE	42,345.00	173,199.00
REPAIRS & MAINTANANCE	1,810.00	-
- Building	-	30,728.00
- Others	-	14,043.00
- Vehicle	169,091.00	206,262.00
POSTAGE & COURIER CHARGES	78,784.00	27,934.00
PRINTING & STATIONERY	32,300.00	25,186.00
SUNDRY BALANCE WRITTEN OFF	-	2,421,994.89
TELEPHONE EXPENSES	-	95,471.00
<u>TRAVELLING EXPENSES</u>	-	-
DIRECTORS	27,584.00	33,742.00
OTHERS	33,738.00	98,696.00
VEHICLE MAINTANANCE CHARGE	-	25,072.00
	<u>1,620,663.00</u>	<u>4,991,476.89</u>

SCHEDULE- XIV

FINANCIAL EXPENSES

INTEREST ON LOANS	41,325.00	21,958.00
BANK & OTHER CHARGES	5,109.00	5,779.00
	<u>46,434.00</u>	<u>27,737.00</u>



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KMG MILK FOOD LTD

ANNEXURES TO SCHEDULES FORMING PART BALANCE SHEET & PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31TH MARCH 2009

SUNDRY DEBTORS AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
ALESSH IMPEX		
B.M. TRADERS	173,750.00	173,750.00 ✓
BAPNA TRADING CO KAKROLI	88,756.00	88,756.00 ✓
RIGHT CHOICE	715,000.00	715,000.00 ✓
RIGHT CHOICE JODHPUR	6,591.00	6,591.00 ✓
	<u>984,097.00</u>	<u>984,097.00</u>

ADVANCE RECOVERABLE AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
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	15600.00 ✓	
	<u>1152972.76</u>	<u>1137372.76</u>

ADVANCE TO SUPPLIERS AS ON 31ST MARCH 2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
M/S OM BHANDER	1,500,000.00	1,500,000.00 ✓
M/S TANYA INTERNATIONAL AGENCIES		
M/S STERLING AGRO INDS. LTD.	1,200,000.00	1,200,000.00 ✓
FAIR DEAL AGENCY	34,075.00	34,075.00 ✓
GOLD LINE MILK FOOD (P) LTD.	659,262.00	659,262.00 ✓
M/S MOHAN INDUSTRIES	150,000.00	150,000.00 ✓
	<u>3,543,337.00</u>	<u>3,543,337.00</u>

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FOR THE YEAR ENDED 31TH MARCH 2009

Expenses Payable as on 31.03.2009

<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
Shri Basudev Garg, Director	-	235,000.00
AUDIT FEE PAYABLE	22,472.00	22,472.00
CENTRAL SALES TAX (Old)	-	464,000.00
VALUE ADDED TAXES PAYABLE	14,697.00	14,697.00
EPF	-	1,600.00
Establishment	102,025.00	188,392.00
Telephone	2,056.00	6,460.00
TDS- Professional	-	30,909.00
MR. MANOJ KUMAR JAIN	6,727.00	5,088.00
Bhardwaj Management Association	5,000.00	6,000.00
PCR Enterprises	-	7,790.00
Power Control Engineering	-	85,672.00
SHRI GANESH JEE MAHARAJ	253.25	152.25
PRAKASH MACHINERY COMPANY	-	44,879.00
WE POWER ENGINEERS (DELHI)	60,180.00	60,180.00
Maha Balaji	276.00	-
Provision for FBT	123,990.00	-
Provision for Income Tax	42,362.00	-
Advocate(s)		
- Arun Kathpalia	-	65,481.00
- Rajat Bhalla	-	15,769.00
- Rohit Khanna	-	39,481.00
- Vivek Malik	-	11,000.00
AMIT KUMAR (TPT) -PIPLI	-	50,000.00
TATA FINANCIAL SERVICES	-	143,758.00
	<u>380,038.25</u>	<u>1,498,780.25</u>

ADVANCE FROM CUSTOMERS AS ON 31ST MARCH, 2009

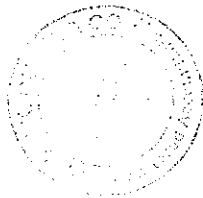
<u>PARTICULARS</u>	<u>31.03.2009</u>	<u>31.03.2008</u>
Mahan Food Ltd Against Lease	-	946,767.00
BAFF ENGINEERING PVT. LTD.	150,904.00	150,904.00
PARLE PRODUCTS PVT. LTD. (BHUJ)	1,000,000.00	1,000,000.00
	<u>1,150,904.00</u>	<u>2,097,671.00</u>

KMG MILK FOOD LIMITED

LIST OF UNSECURED LOANS AS ON 31 ST MARCH 2009

S NO	PARTICULARS	AS ON 01.04.2008	ADDITION DURING THE PERIOD	INTEREST	REPAYME- NT DURING THE PERIOD	AS ON 31.03.2009
	From Shareholders					
1	Shri Sushil Goel	1,750,000.00				1,750,000.00
2	Smt. Bhawana Goel	2,250,000.00				2,250,000.00
3	Smt. Mithlesh Garg	5,000,000.00				5,000,000.00
	Total	9,000,000.00	-	-	-	9,000,000.00
	FROM COMPANIES'					
4	KMG LEASING & ADVANCE LTD	13,950,000.00	-		-	13,950,000.00
5	KMG INTERNATIONAL LTD	7,988,000.00	-		-	7,988,000.00
6	KMG NON FERROUS METALS (P) LTD	1,500,000.00	-	-	-	1,500,000.00
7	KMG MACRO INVESTMENT PVT LTD	9,500,000.00	-	-	1,500,000.00	8,000,000.00
	TOTAL	32,938,000.00			-	31,438,000.00
	Gross Total	41,938,000.00	-	-	-	40,438,000.00

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SCHEDULE-XV: 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 A. 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.

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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.

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A	Number of Shares	5304600
B	Profit/(Loss) after taxation and interest	3370903
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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.

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

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

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

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

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For RAJAN K. GUPTA & CO.

Chartered Accountants

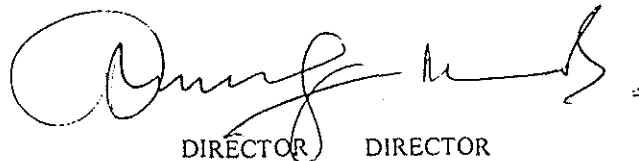


(RAJAN GUPTA)

Partner

M.NO 74696

For KMG Milk Food Limited.



DIRECTOR DIRECTOR

PLACE: Delhi

DATED 06-07-2009

KMG MILK FOOD LIMITED

9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

Folio No. _____

No. of Shares held _____

PROXY FORM

I/We -----of-----

R/o.....

.....being a member/members of KMG Milk Food Limited hereby appoint

Mr./Mrs.....

.....

R/o.....

.....or falling

him/herMr./Mrs.....R/o.....

.....

..... as my / our proxy to vote for me / us on my / our

behalf at the 17th Annual General Meeting of the members of the company to be held on

Wednesday 30th September, 2009 and any adjournment thereof.

As witness my/ our hand (s) this _____Day of September 2009

Signature.....

Affix Revenue Stamp of 1/- Rupee

Notes:

The proxy form duly signed across Revenue Stamp of Re.1.00 should reach the Company's Registered Office not less than 48 hours before the time for holding the aforesaid Meeting.

The proxy need not be a Member of the Company.

ATTENDENCE SLIP

Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting. Please complete this Attendance Slip and Hand over at the Entrance of Hall. Only Members or their Proxies are entitled to be present at the Meeting.

Name of the Shareholder / Proxy _____

L.F. _____

Address _____

No. of Shares held _____

I/We hereby record my / our presence at the 17th Annual General Meeting of the Company held on Wednesday, 30th September 2009.

Strike out whichever is not applicable
Signature of the Shareholder / Proxy