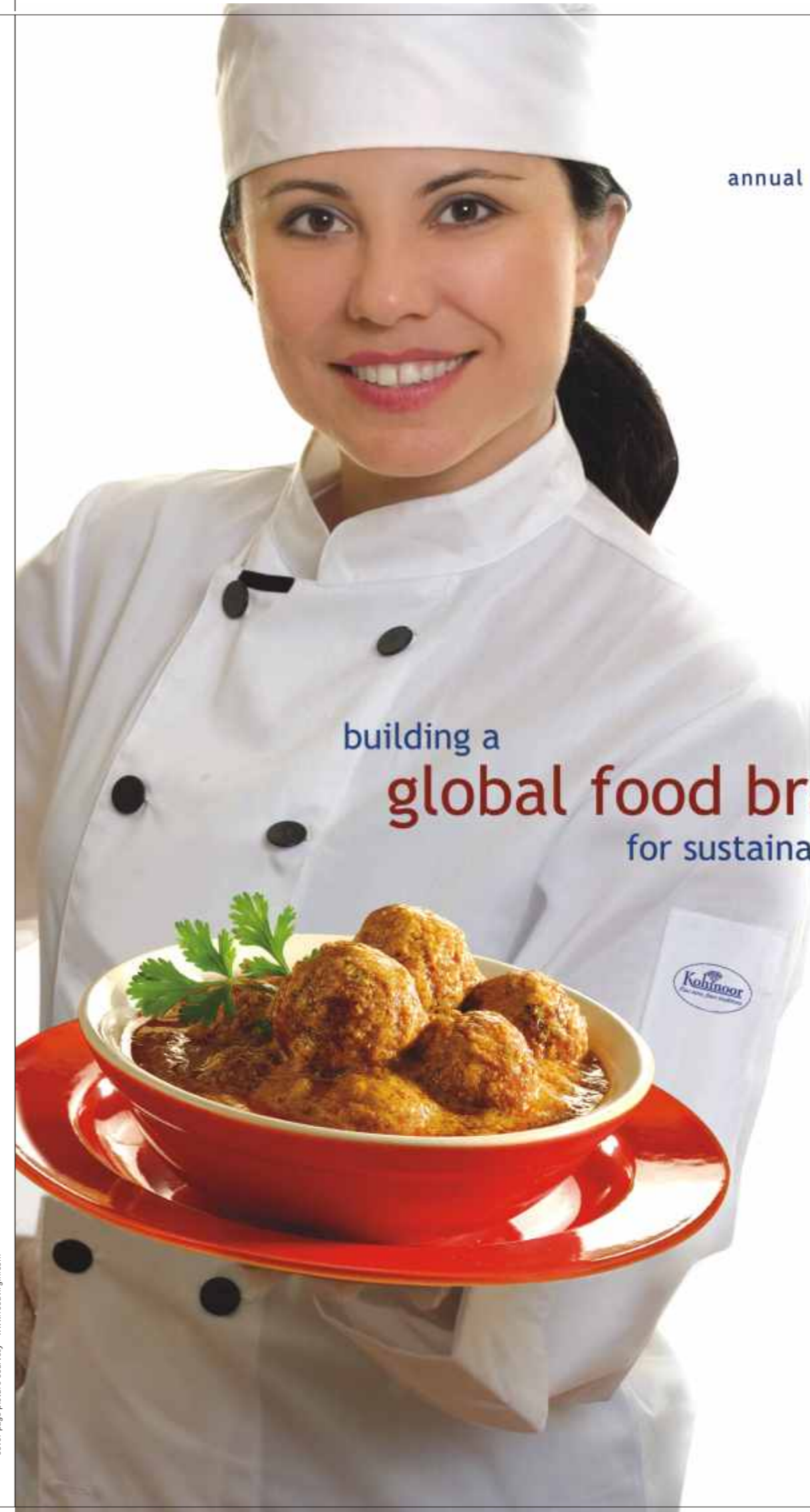


annual report 2006-07

building a  
**global food brand**  
for sustainable growth



(Formerly known as Satnam Overseas Limited)

201, Vipps Centre, Masjid Moth, Greater Kailash-II, New Delhi-110 048  
Ph.: 91-11-41635757 (10 Lines), Fax: 91-11-41638586, 41638587, 41638595, E-mail: info@kohinoorfoods.in  
www.kohinoorfoods.in

cover page picture courtesy - www.fooddesign.com



www.kohinoorfoods.in

## The world of Kohinoor

The fine taste of India has been the inspiration behind Kohinoor. With master chefs working on recipes days together with their mystical blend of spices along with fresh ingredients from the fields, what Kohinoor brings to the dining table is something extra special.



Capturing the taste and traditions from different regions of India, Kohinoor's authentic range of cuisine promises a journey of delight for the discerning food connoisseurs.

Kohinoor today reflects the attributes of an authentic culinary brand dishing out a special culinary experience with unique taste and flavour. The brand 'Kohinoor' has captured imagination of millions of customers across countries and continents with its authentic food offerings.

Registered Office  
Corporate Office and  
Share Department

201, Vipps Centre, Masjid Moth  
Greater Kailash II, New Delhi-110 048  
Tel: +91-11-41635757 (10 Lines)  
Fax: +91-11-41638586/87  
E-mail: info@kohinoorfoods.in  
Web: www.kohinoorfoods.in

Works

50-51 Milestone, G.T. Road  
Murthal, Dist. Sonapat (Haryana)  
71, Libaspur, Bahalgarh  
Dist. Sonapat, (Haryana)

Wholly Owned Subsidiary Companies

Satnam Overseas Limited INC.  
58, Northfield Avenue  
Edison, NJ 08837  
Tel.: 1(732) 8684400  
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Email: info@kohinoorfoods.com  
Web: www.kohinoorfoods.com

Indo European Foods Limited  
Kohinoor House, 40 Langer Road  
Felixstowe, Suffolk, IP 11 2BW  
United Kingdom  
Tel: 01394 276 700  
Fax: 01394 276 771  
E-mail: info@kohinoorfoods.co.uk

Sachdeva Brothers Limited  
50-51 Milestone, G.T. Road  
Murthal, Dist. Sonapat (Haryana)

Joint Venture Company

Rich Rice Raisers Factory L.L.C.  
Post Box No. 15542  
Al Quoz Industrial Area  
3rd Interchange, Sh Zayed Road  
Dubai, U.A.E.  
Tel: (9714) 3382800  
Fax: (9714) 3382900  
E-mail: richrice@emirates.net.ae

Board of Directors

|                           |                        |
|---------------------------|------------------------|
| Mr Jugal Kishore Arora    | Chairman               |
| Mr Satnam Arora           | Jt. Managing Director  |
| Mr Gurnam Arora           | Jt. Managing Director  |
| Mr Vijay Burman           | Non-Executive Director |
| Mr Anil Bhatia            | Non-Executive Director |
| Mr Vijay Parkash Aggarwal | Non-Executive Director |

Company Secretary

Ms Kanika Verma

Auditors

M/s Mayur Batra & Co  
Chartered Accountants

Bankers

Oriental Bank of Commerce  
State Bank of India  
Punjab National Bank  
Corporation Bank  
Standard Chartered Bank  
HSBC Ltd.  
HDFC Bank Limited

Transfer Agents

M/s Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri, Lajpat Nagar II, New Delhi-110024  
Tel: 29833777, 29847136  
Fax: 91-11-29848352

Listing of Equity Shares

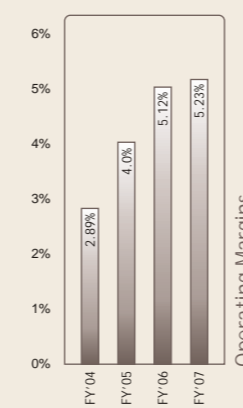
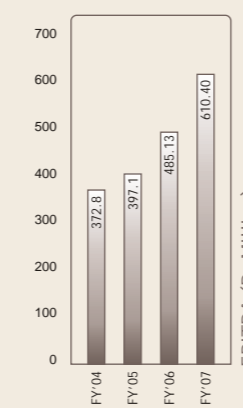
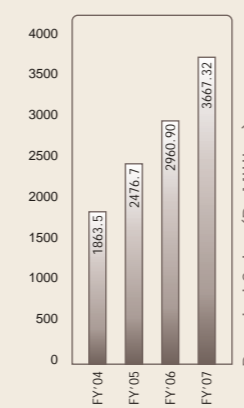
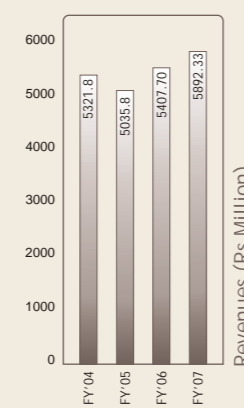
National Stock Exchange Ltd.  
Bombay Stock Exchange

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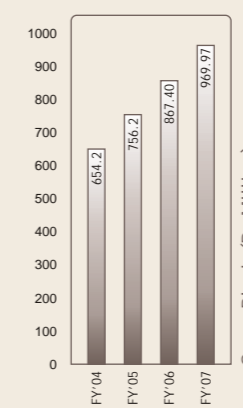
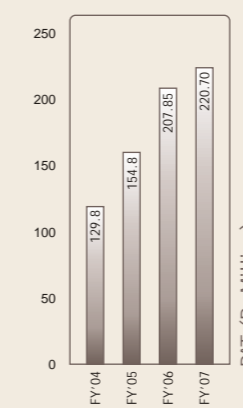
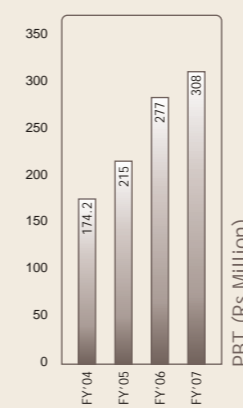
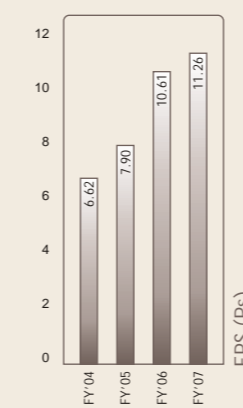
## The year at a glance

- Branded Sales up by 23.84% to Rs. 3667 mn from Rs. 2961 mn in FY' 06
- Branded Basmati Sales increased by 20.31% to Rs. 3293 mn
- Food Business grew by a robust 67% to Rs. 374.4 mn from Rs. 223.7 mn
- EBITDA increased to 10.36% from 8.97%
- PAT increased to Rs. 220.7 mn from Rs. 207.8 mn
- EPS increased to Rs. 11.26 from Rs. 10.61



## Kohinoor's foot-prints

- 1989**
  - The company 'Satnam Overseas Limited' (earlier name of Kohinoor Foods Limited) was incorporated in 1989
  - The flagship brand 'Kohinoor' was known for its finest quality of basmati rice in the Indian domestic market.
- 1990**
  - Kohinoor started organized marketing of basmati rice in the Indian domestic market
  - Set-up organized distribution exclusive to market Kohinoor brand of basmati rice
- 1992**
  - Launched the first ever advertising campaign espousing virtues of basmati rice
  - Introduced smaller consumer packs of basmati rice
- 1995**
  - First advertising campaign on national television, using celebrities; brand endorsement by the reigning Bollywood Queen 'Ms. Sharmila Tagore' with former Indian Cricket Captain Mr. M.A.K. Pataudi
- 1997**
  - Launch of 'Trophy' as a value for money brand of basmati rice; the second flagship brand from the stable
- 2000**
  - Set-up 3 strategic bases in USA, UK and Dubai with own offices
- 2004**
  - Went up the food value chain-forayed into branded packaged convenience foods and took authentic Indian flavour abroad with ready-to eat Indian curries and authentic Indian ready-meal preparations
  - Established one of India's most modern and sophisticated food processing units at Bahalgarh (Haryana)
- 2005**
  - Set-up the first ever overseas basmati rice processing unit at Felixtowe, UK
- 2006**
  - Entered into Frozen Foods with a state-of-the-art frozen foods facility at Bahalgarh (Haryana)
- 2007**
  - Launched a unique range of 100% vegetarian frozen foods comprising of Indian snacks, breads, curries and ready meals
  - Launched a strategic marketing initiative in the form of 'Kohinoor Chefree' a convenience food solution chain offering natural and healthy fine foods



## Chairman's message

Dear Shareholders,

I am happy to report that we are on target in executing our strategy to build a global food brand. We have been able to successfully increase the penetration of your company's products across the world. It is exciting times for your company because Indian food is growing in popularity across the world. We are able to watch retail trends carefully and have successfully launched several new products.

During the year, we set up our own distribution centres in the US, one of the largest markets in the world; added to the list of prestigious retail chains that stock Kohinoor products across the globe; introduced Kohinoor to ten new countries; made a foray into frozen foods and established tie-ups with international food chains.

We have also successfully increased the percentage of branded product sales to 62.23% of our turnover. We made a decision to focus on rapidly changing domestic market and have taken several strategic initiatives to exploit this opportunity.

### Focusing on the domestic market

Your company has a history of spotting new opportunities and markets across the globe. Currently 37.35% of our turnover comes from the domestic market and our domestic branded basmati rice business is growing at around 20%. We observe that the domestic retail and food markets are going through a disruptive phase throwing up several opportunities.

We believe that our branded basmati sales will be driven by the domestic market and we have put together a dedicated team to build relationships with the Indian retail chains. Our branded basmati rice is available at all the major

Indian retail chains. While we have a 38% market share in the Indian branded basmati market we have managed to garner a 52% market share in the modern retail formats.

The foods services division is also pursuing the domestic opportunity aggressively and has won several prestigious institutional clients. Our key marketing initiative this year was the launch of Kohinoor Chefree a quick-service food outlet chain that would stock all Kohinoor products.

### Introducing Kohinoor Chefree - Quick bite on the go

We have set up the first outlet in Gurgaon, Haryana (outskirts of Delhi) this year. But we believe that this is a potentially winning idea since it requires very little space; and is very hygienic. We see an opportunity for Kohinoor Chefree to be set up very easily in many locations like the burgeoning malls, rapidly modernizing railway stations, emerging budget hotels and new metro stations with very little investment. It is also a very franchisable model since standards can be controlled easily.

### Building the high-margin convenience foods business

During the year, your company started exporting frozen foods (Indian snacks, curries and rice). This market is at least three times larger than the ambient ready-to-eat foods business. Your company's frozen foods are stocked at prestigious retail chains like Seven Eleven in Singapore. We now export to US, UK, Australia, New Zealand, Mauritius, Switzerland and Singapore and plan to make a presence in ten more countries in FY'08. We have also introduced frozen foods in the domestic market (Delhi NCR region to begin with) and will take it to other cities in India too.

Our products are well received world-wide because they are 100% natural, authentic

Our key marketing initiative this year was the launch of Kohinoor Chefree a quick-service food outlet chain that would stock all Kohinoor products.

We believe that the branded basmati sales will be driven by the domestic market and Kohinoor has put together a dedicated team to build relationships with the Indian retail chains.

tasting, vegetarian products with no preservatives. We added four more product lines with more than 40 stock keeping units this year.

### Strengthening our global distribution network

The Kohinoor brand has already made an impression in the UK retail market and has become the No. 2 brand in dry basmati in a very short span of time. It is one of the fastest growing brands in TESCO and also captures more than 48% of the ethnic food shelves. During the year your company's products entered several new stores including Palmer & Harvey and Costco in UK, Globus in Switzerland and Norma in Germany. Your company's Basmati rice is now exported to 63 countries.

We introduced our branded Basmati rice into the large and competitive Saudi Arabian market with the appointment of an exclusive distributor to market Kohinoor Basmati Rice. We have changed our business model in the US and have set up five of our own distribution centers in the country to be able to reach both ethnic and mainstream retailers. Indian food is well received across the world now. A study done by the Food Marketing Group in the US forecasts that it will become the third most preferred food choice after Italian and Mexican food in that country and our goal is to capture a large share of the market.

### Increasing sales from branded products

In line with our goal your Company crossed another milestone to get at the target of 90% sales from branded products by 2010, grossing nearly 62.23% sales from branded products in the current year; an increase from 54% last year. Sales from high-margin food services grew 67.37% but on a small base.

Today the revenue from the food business is Rs. 374.44mn constituting 6.35% of the turnover but we expect this business to contribute to 25% of sales by 2010. We are

building a strong foundation and believe that our future is in this business.

During the financial year 2007, your company's sales increased to Rs. 5,892.33mn from Rs. 5,407.70mn, registering a very modest 8.96% growth. This is because of our conscious decision to reduce unbranded and commodity sales. The operating profit margin increased to 10.36% from 8.97% due to higher branded sales.

Our journey from a modest rice company to a food brand that you can spot in retail shelves across the world gives me conviction to commit to you that we will continue to innovate and spot new opportunities and markets in the coming future. We are committed to building Kohinoor Foods into a global food company.

Let me end by thanking all our customers, distributors, vendors, culinary specialists and employees for helping us through this journey. And a special thanks to all shareholders, for continued trust and support.

Yours sincerely,

Jugal Kishore Arora  
Chairman



Kohinoor brand has already made an impression in the UK retail market and emerged as the No. 2 brand in dry basmati in a very short span of time.

## Spreading the aroma of nature



The sprawling  
rice factory at Murthal  
Sonapat (Haryana)

Right nurturing and care is what Kohinoor Foods gives to the rice it produces. It is of little surprise then that it has world class rice processing plants that collectively produce some of the most sought after basmati rice brands in the country and around the world.

The rice factory at Murthal (Haryana) is one of the largest in the country with a rice production capacity of 40 metric tones per hour. The plant is ISO 9001:2000 certified, HACCP Certified and BRC certified along with being EUFSA and USFDA compliant. Fully automated through the entire chain of processing and final packaging, the factory uses the world's best possible technologies and equipment for churning out flawless rice grains.

The manufacturing facility is backed by a strong scientific procurement system. We have a highly technical team of procurement personnel to source the best produce. The company has entered into contract farming to ensure consistency of agri produce and to have control on the entire value chain of basmati rice. The entire chain is documented to minutest details to ensure 100% traceability as per international quality norms.



# Forever growing on taste



The state-of-the-art  
food factory at Bahalgarh  
Sonapat (Haryana)

Providing authentic Indian delicacies to millions worldwide is impossible without conforming to the highest standards of quality and food safety. The food factory at Bahalgarh (Haryana) therefore, matches all international food safety and hygiene standards. The plant is ISO 9001:2000 Certified, HACCP Certified, BRC Certified and GMO Certified for its adherence to prescribed quality norms. Additionally, the factory is also equipped with Kosher and Halal certification.

We have world-class infrastructure with best possible technology in thermal processing and frozen foods. Our technology partners include world leaders; FMC Technologies US, Toyo Jidoki Japan, G. Mondini Italy, Romer Germany to name a few.

We combine human resource talent along with best possible infrastructure to offer world class products. With a relentless pursuit to excel, our team of culinary chefs, R&D and new product development experts have created a slew of innovative products.





**What Our Good Basmati Rice Means**  
 Basmati rice is a long-grain rice that is known for its aromatic fragrance and fluffy texture. It is a staple food in many parts of the world, particularly in South Asia. The rice is grown in the foothills of the Himalayas in India and Pakistan, where it is cultivated in a unique soil and climate. The rice is then milled and polished to remove the outer husk, resulting in a long, slender grain that is perfect for cooking. Kohinoor Foods is proud to offer the finest basmati rice to our customers, ensuring that every grain is of the highest quality.

**Our Obsession with the Finest Ingredients**  
 We believe that the quality of our rice is the key to our success. We source our rice from the best growers in the region, and we carefully select only the finest grains for our products. We also use traditional cooking methods to ensure that our rice is cooked to perfection, with a soft, fluffy texture and a delicate fragrance. This is why our customers love our rice so much, and why we have earned a reputation for excellence in the industry.

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### Making the right market move

For Kohinoor Foods the quest for innovation is never ending and the horizon always keeps on moving ahead. The company has spearheaded the movement of upgrading basmati rice - a commodity to a branded product in India. Marketing innovations like organized distribution set-up, first ever celebrity endorsement, launching smaller consumer packs come naturally to us.

The company has always stayed ahead of the competition and tried to be pioneer by launching new and exciting products with innovative packaging. In the last year, Kohinoor has launched three new products Brown Basmati Rice, Organic Basmati Rice and Supreme Basmati Rice in very attractive packaging.

The continuous strive to innovate and excel also spills over to our other domain of convenience foods. Kohinoor has made a number of first time achievements in this segment. The first Indian food company on the menu of Malaysia Airlines with product range of curries and chutney; Rice & Curry-Microwaveable ready-meal having received the 'Trend & Innovation' award; the emergence of Kohinoor as the category captain on the coveted shelves of TESCO in UK; emerging as the 4th most favoured food brand in UK in a very short span of time; are just a few of many of such achievements.

In order to go closer to the consumer, Kohinoor Foods has launched 'Kohinoor Chefree' a convenience food solution chain offering natural and healthy fine foods with discerning standards of customer services. The company has opened its first outlet in Gurgaon (Haryana) and is expected to roll out a number of such small to medium fast food joints in the coming year.

On the international arena, Kohinoor Foods today commands respect from its peers as it shares the same coveted space in world's finest of food exhibitions like SIAL - Paris, World of Private Label - Amsterdam and IFE London.



### Making it possible

Behind the success of our enterprise, lies undying passion and dedication of our team of highly qualified technical, financial and marketing experts. Drawn from around the world, they exude great sense of team work and spirit to excel, which make Kohinoor Foods a thriving global enterprise.

Thanks to their professionalism, drive and concerted efforts, Kohinoor Foods Ltd has been able to expand and successfully break into new frontiers. Under the able guidance and visionary leadership of our senior management, we have developed an enviable pool of skilled workforce that's guiding the organisation to scale new peaks, manfully combating all the challenges on the way.



(left to right)

Satnam Arora, Jt. Managing Director  
 Jugal Kishore Arora, Chairman  
 Gurnam Arora, Jt. Managing Director





## Director's Report and Management Discussion & Analysis

The following report should be read in conjunction with the audited financial statements and notes for the period ended March 31, 2007 and the audited financial statements and notes for the year ended March 31, 2006. This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, market position, expenditures, and financial results, are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

### Financial overview

#### Results from operations

During the year under review, turnover grew at a steady 9% YoY with net sales of Rs 5,892.3mn as against Rs 5,407.7mn in FY06. This was largely driven by continued strategic focus on the branded and high value-added segments. Branded sales witnessed a robust growth of 23.8% to Rs 3,667.4mn from Rs 2,960.8mn in the last financial year contributing to 62.2% of turnover.

With increased sales of high-margin branded basmati rice and foods segments, operating profit margins witnessed improvement. The EBITDA margin (earnings before interest, depreciation, tax and amortisation) of the company increased to 10.36% in FY07 from 8.97% in the previous year.

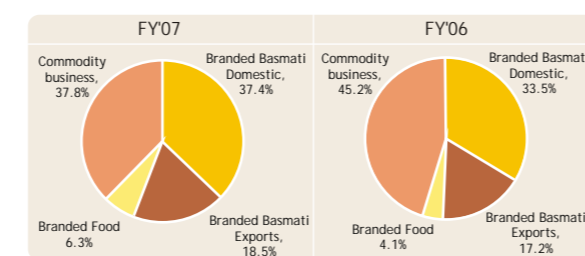
| Particulars                        | FY07   | FY06   |
|------------------------------------|--------|--------|
| Net Sales & Other Income           | 5918.2 | 5428.4 |
| Profit before Depreciation         | 4120.2 | 358.1  |
| Depreciation                       | 104.0  | 81.3   |
| Profit before Tax                  | 308.2  | 276.8  |
| Provision for Taxation             | 87.5   | 69.0   |
| Profit after Tax                   | 220.7  | 207.8  |
| Add: Balance brought forward       | -      | -      |
| Profit available for appropriation | 220.7  | 207.8  |
| <b>APPROPRIATION</b>               |        |        |
| Transfer to General Reserve        | 197.8  | 158.7  |
| Proposed Dividend (Including Tax)  | 22.9   | 49.2   |
| Figures in Rs Million              |        |        |

The net profits increased by 6.2% to Rs 220.7mn from Rs 207.8mn in FY06. Net Margins remained stable at 3.7% despite 59% increase in financial expenses due to improvement in EBITDA margins. The basic and diluted EPS increased to Rs 11.26 in FY07 from Rs 10.61 in FY06.

The company has recommended a dividend of 10% on the Equity Capital for FY07.

### Segmental Overview

Kohinoor Foods is an emerging global food company. It has built a strong global distribution network and has been able to establish relationships with several large retailers across the world. It exports basmati rice to 63 countries. Its ambient ready-to-eat and ready-to-cook Indian foods are exported to 25 countries. During the year it forayed into frozen foods and exported to 10 countries. The company has a strong ability to watch international retail trends and introduce new products in easy-to-use packaging successfully.



In line with its goal, the company has successfully crossed another milestone to get to the target of 90% branded sales by 2010. Sales from branded products comprised of 62.23% of turnover in FY07 as against 54.76% in FY06. Through its conscious strategy, it has been able to reduce the share of sales from private label and trading sales during the year under review.

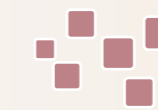
### Branded basmati rice

Kohinoor Foods is continuously expanding its retail and distribution network throughout the world and currently has 195 distributors and products are available at over 250,000 retail outlets across the globe. Your company is constantly introducing new products in line with international trends and has introduced brown basmati rice and organic basmati rice. Sales from branded basmati sales increased by an impressive 20.3% YoY to Rs 3,293mn in FY07 compared to Rs 2,737mn in FY06.

#### Domestic market

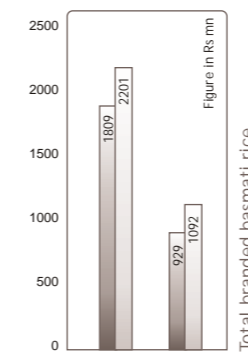
Your company continues to be a market leader in the domestic branded basmati rice business with a 38% market share according to TNS Mode. Our growth in the branded basmati business is driven by the domestic industry. The domestic organised retail industry is seeing explosive growth; and to exploit the opportunities in the rapidly growing sector, Kohinoor has put together a dedicated team to build and manage relationships with the emerging retail

building a  
global food brand  
for sustainable growth



**Kohinoor**  
FOODS LIMITED

chains. The company's wide range of branded basmati rice is displayed on the shelves of all major retailers in the country including Reliance, Pantaloon Retail (Food Bazaar), Spencers, Shoprite, AV Birla Group, Hyper City and Fabmall. According to AC Nielsen your company has been able to garner a market share of 49% by volume and 52% by value in the modern retail formats.



Apart from the modern retail format, the company has expanded its distribution network and added more than 12 distributors to penetrate newer markets like Uttar Pradesh, Bihar, Jharkhand and Orissa. Today, the company has 140 distributors and more than 500 stockists and its products are available in more than 225,000 retail outlets in the country.

Sales of branded basmati rice in the domestic market increased by 21.7% to Rs 2,201mn in FY07 as compared to Rs 1,809mn in the previous fiscal.

#### Export Market

Your company has continued its focus on increasing penetration to newer markets and has entered 8 more countries taking the total list of customer countries to over 60.

Branded basmati exports increased by 17.6% in FY07 to Rs 1,092mn from Rs 929mn.

Your company made a major breakthrough during the year by commencing export of Kohinoor branded basmati to Saudi Arabia, the largest market for basmati rice in the world. The market size of Indian basmati rice in Saudi Arabia is approximately Rs 30bn. Kohinoor Foods has been exporting basmati rice to Saudi Arabia under private labels for the last ten years and understands the market. The branded products have received tremendous response and are now available in leading retail stores of the region like Geant and a number of wholesale outlets. Kohinoor Foods has also acquired a warehouse in Damman for its products.

With the overseas offices in US, UK and Dubai, Kohinoor Foods is aggressively pursuing the mainstream markets in these regions. Your company's Basmati rice has already entered the mainstream markets of US, UK, Australia, Switzerland, Mauritius, Romania and the Middle East. It is today retailed across the world in prestigious stores like Tesco and Somerfield in UK, Coles and Woolworths in Australia, Metro and Globus in Switzerland and Romania, Carrefour and Geant Stores in the Middle East.

#### Food Business

Kohinoor Foods foresaw that the future was in the

high-margin foods business and forayed into branded and packaged convenience foods in 2004 with authentic Indian ready-to-eat curries and ready-meal preparations. Indian food is now popular across the world and your company has a strong presence in 25 countries and its food products are available in world's leading retail outlets such as Tesco, Somerfield, and ASDA in UK; Krogers, Target and Whole Foods in the US; Coles and Woolworths in Australia; and premium stores like Hankyu, Daimaru and Seijo Ishi in Japan.

Turnover from branded foods showed a robust increase of 67.4% YoY to Rs 374mn in FY07 from a relatively small base of Rs 224mn in the previous financial year. The food business contributes to a modest 6.35% of the turnover currently but is targeted to contribute to 25% by 2010. Your company has a strong commitment to building a global food brand and is putting in place a strong foundation.

During the year, your company has introduced 4 more product lines with more than 40 SKUs (Stock Keeping Units) in the overseas markets. It started exporting to 5 more countries including Kuwait and Bahrain. The company now has a wide portfolio of around 350 SKUs.

#### Foray into Frozen Foods business

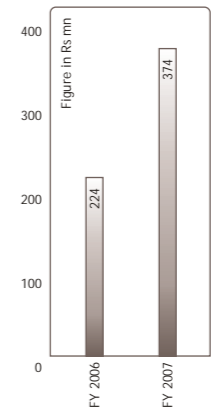
To increase the range of increasingly popular Indian Foods that it can bring to its global customers, the company added frozen foods to its product portfolio in the current year. It has set up a frozen foods facility at Bahalgarh with a capacity of 20 MT per day which began commercial production in the last quarter of FY06.

Kohinoor Foods has created more than 30 products in the frozen foods category including Indian Snacks (including Samosas, Aloo Bondas, Kebabs, and Paneer Tikkas), Indian breads (including Naans, Parathas and Kulchas), Indian Curries and Biryani. Your company has completed shipment of frozen foods to USA, UK, Mauritius, Singapore, Australia, New Zealand, Bahrain and Switzerland.

In the domestic market, Kohinoor Foods has already launched frozen foods in Delhi and NCR, and will soon also enter other metros like Mumbai, Bangalore and Hyderabad.

#### Strengthening presence in domestic market

Kohinoor Foods has initiated plans to strengthen its presence in the domestic market for foods and has started building an independent distribution network. It also launched a food service division in Q4 FY07 to service Indian and overseas institutional markets. The company has won several institutional customers during the year.





Launch of Kohinoor Chefree

Kohinoor Foods has undertaken a key marketing initiative and has launched 'Kohinoor Chefree' a chain of quick-service tiny restaurants. These quick-service outlets will stock and serve the entire range of Kohinoor food products. These outlets need very little space and are very hygienic and can be located easily in many places like malls, railway stations, metro stations and budget hotels. Your company is expected to roll out a number of such small to medium fast food outlets in the coming year.

Commodity business

Kohinoor Foods has made a conscious effort to move out of the commodity business, and as a result, over the years, it has been reducing the share of unbranded and commodity sales in turnover. The major turnover in the commodity business comes from non-basmati rice, which the company is supplying to certain buyers who are buying basmati rice exclusively from Kohinoor Foods.

Overview

The Indian market offers a huge potential for the food processing industry. According to the Confederation of Indian Industry (CII), the Indian food industry is estimated to be worth over \$200bn and is expected to grow to \$310bn by 2015. Even though India is one of the world's largest food producers, it accounts for less than 1.5% of international trade and presents a huge opportunity.

Processed food market is the most important segment of the food industry accounting for over 32% of the total food market (Source: ibef). While India has an abundant supply of food, the food processing industry is still nascent: only 2% of fruit and vegetables; and 15% of milk produced are processed. Despite this, the processed food industry in India ranks 5th in size, representing 6.3% of GDP. It accounts for 13% of the country's exports and 6% of total industrial investment. The industry size is estimated at \$70bn, including \$22bn of value-added products.

Convenience food:

The Food Service business in India is seeing explosive growth driven by increasing incomes, changing lifestyles, increasing urbanization and changing demographics where the average age in working population is decreasing. According to Euromonitor International a market research company, the amount of money Indians spend on meals outside the home has more than doubled in the past decade, to about \$5bn a year and is expected to double again in about half that time. With the increase of women in the working population convenience foods are also likely to become popular. The emerging large retail chains make these foods more easily accessible. According to the Ministry of Food Processing the industry size of the semi-processed and ready-to-eat packaged food industry is over \$1bn and is growing at a CAGR of 20%.

Basmati rice:

Among the rice growing countries, India has the largest area (40.2 million hectares) followed by China and Bangladesh. India and Pakistan grow and export aromatic rice and the main buyers are the Middle East and Europe. The global production of basmati rice is approximately 2.3mn tons, out of which India's share is a whopping 74%. Total basmati rice market in India is estimated at Rs 10bn, out of which branded basmati rice market is approximately 50% in value and 33% in volume terms.

The domestic branded basmati market is growing rapidly driven by rising incomes and changing lifestyle. The major driver for branded basmati sales will be organized retail which is growing at 9% pa and is expected to grow by 30% in 5 years. As organized retail penetrates semi-urban and rural areas branded basmati penetration to rural areas is expected to increase.

The year of metamorphosis-An emerging global food company

Unveiling new identity to tap the global branded food market

The company changed its name to Kohinoor Foods Ltd from Satnam Overseas Ltd to leverage on the strong brand equity it has built for the Kohinoor brand. With its new identity, your company aims to become a global food company with an International manufacturing footprint having established factories in India, UK and Dubai; it has also built a strong global distribution network spanning 63 countries.

Consolidation of manufacturing operations

In FY'07, Kohinoor Foods, consolidated its manufacturing operations bringing rice processing and production operations at one location in Murthal and closing the Amritsar facility. The Murthal facility has emerged as one of India's largest rice factories with a rice production capacity of 40 MT per hour.

Quality certifications-

- > HACCP certified
- > ISO 9001:2000 certified
- > US-FDA and EU-FSA compliant
- > Kosher Certified
- > BRC Certified (British Retailers' Consortium Certified)

Bahalgarh (Haryana). It has set up a frozen foods facility at Bahalgarh with a capacity of 20 MT per day which began commercial production from last quarter of fiscal 2006.

Moving up the value chain

After establishing its brand in the ambient foods market, your company extended its product offerings by adding frozen foods to its portfolio. During the year KFL has added 10 new products in the frozen foods category including Indian Snacks (like Samosas, Aloo Bondas, Kebabs, Paneer Tikkas etc.), Indian breads

(Naans, Parathas and Kulchas etc.) and Indian curries and Biryanis.

Strengthening presence in key international markets

During the year under review, your company has strengthened its presence in leading international markets and also made successful inroads into new markets. It entered 8 new markets for the branded basmati segment including Saudi Arabia, the largest market of basmati rice in the world. It also entered 5 new countries for the food business including Bahrain and Kuwait. Today, the company's products are available at over 250,000 retail outlets across the globe and its clientele includes leading retail chains world over.

The company has 2 wholly-owned subsidiaries in US and UK and a joint venture company in Dubai to look after these markets, which jointly form the largest market for food.

Key international clients

- > TESCO The worlds second largest chain and UK's no. 1 retail chain
- > Somerfield - UK's no. 4 retail chain stores
- > ASDA Walmart - UK's no. 2 retail chain stores
- > Bestway Cash & Carry - UK's leading cash & carry outlet
- > Krogers - Leading chain stores in the US
- > Whole Foods - Leading chain stores in the US
- > BJs Club Store - Leading chain stores in the US
- > Costco - Leading chain stores of US, Canada and UK
- > Coles and Woolworths - Leading chain stores in Australia
- > Shoprite, Mauritius
- > Globus and Metro, Switzerland
- > Mustafa Centre, Singapore
- > Tiger Food Brands - Leading FMCG conglomerate of South Africa
- > Malaysia Airlines
- > Emirates

US operations

USA is a large potential market for Indian food products. According to the US-based Food Marketing Group, Indian food is growing popular rapidly and is expected overtake Chinese and Kosher food and occupy the No. 3 position (below Italian and Mexican) in the next 3 years.

Realizing the strong demand in that country, we established our wholly-owned subsidiary in New Jersey - Satnam Overseas Limited Inc. (SOLI) in the year 2000. SOLI is presently supplying to leading mainstream stores such as Whole Foods, Krogers, select stores of Walmart, BJs Club Stores and Costco apart from almost all leading ethnic Indian stores in the US.

During the year under review, your company changed its business model and established 5 dedicated distribution and warehousing centres in New Jersey, Houston, Maryland, Chicago and Hayward (California) to increase the penetration of the brand "Kohinoor"

across all ethnic and mainstream stores. Apart from the Kohinoor brand, the company has launched Durbar a brand carrying a complete range of ethnic Indian groceries for the US market, which has substantial demand. And it has done very well in a short span of time. As a result, US sales increased to \$ 11.1mn in FY07 as compared to \$ 3.6mn in the previous year. KFL has also set up a different division in the US to get into the main stream retail chains.

UK operations

Indian food is hugely popular in UK and enjoys mainstream acceptance. There are more than 10,000 Indian restaurants in greater London alone. Kohinoor Foods had set up Indo European Foods Limited, a wholly-owned subsidiary in the year 2001 in UK. The subsidiary owns a rice processing facility at the port city of Felixstowe with a milling capacity of 8 MT per hour. It presently services mainstream stores like Tesco, Somerfield, ASDA Walmart, Bestway, Costco, Tesco, Ireland and almost all leading ethnic stores in UK.

Indo European Foods has taken Kohinoor to a new high. The brand Kohinoor has grown by leaps and bounds and has become the No. 2 brand in dry basmati in UK in a very short span of time (Source: AC Nielsen). Kohinoor is one of the fastest growing brands in Tesco (50% YoY) capturing more than 48% share of the fast growing ethnic food shelves. Kohinoor today is recognized as the 4th most favoured food brand in the UK (Source: Ethnic Focus Research, Jan 2007 UK).

During the year, the company strengthened its penetration into the mainstream UK market and has gained entry into Palmer & Harvey (a wholesale and retail chain in UK which caters to around 8,000 retailers), ASDA (second largest store in UK) and Costco (One of the largest Cash N Carry stores in the world). It increased its presence in 200 additional stores of Tesco. Kohinoor products are now present in 400 Tesco stores across UK. The subsidiary has set up a separate cell to look after the food service business in UK and has started working very closely with industry stalwarts like Gazebo Fine Foods, Noon Products and S&A Foods. Kohinoor Foods is now exploring the Chilled foods business for the UK market.

Dubai Operations

Rich Rice Raisers Factory LLC (RRR) was established as a joint venture company in the financial year 2001 in Dubai to augment its marketing strengths in the middle-east region. RRR has a small rice processing facility in Dubai besides a full-fledged marketing office. Rich Rice Raisers is presently supplying Kohinoor range of basmati rice and other food products in mainstream stores like Carrefour, Lulu's Chain and Geant Stores. Kohinoor Foods caters to the Iranian market from its Dubai base and intends to tap the Iraq market.

Strengthening domestic presence for food business

Kohinoor Foods has also taken measures to strengthen



its presence in the domestic market for foods business. It has set up an independent distribution set-up for marketing its range of food products in India and building relationships with modern retail stores.

During the year, the company made major breakthroughs by starting supplies to Reliance Retail for their newly opened retail stores. It also tied up with international chains like Pizza Hut, Papa John's, Pulse Foods for supplies to the domestic market.

**Business outlook**

A rapidly growing domestic economy with changing consumption patterns presents a huge opportunity for your company going forward. Your company is committed to building a global food brand and has drawn up a strategy to continue its focus on the branded foods business. It will continue to introduce new products and penetrate new markets overseas.

**Focus on branded business**

- > We will continue our focus on branded product sales and capitalize on the high margin convenience foods segment. We believe that 90% of our turnover would come from the branded segment (Basmati rice and Food business) by FY 2010 as compared to 62.23% in FY07.
- > Kohinoor Foods plans to increase its total market share in the domestic branded basmati market from 38% to 42% by FY2010 through aggressive and focused marketing strategies and expects to garner additional market share from a growing market.
- > We expect the food business to contribute 25% of our turnover by FY2010.
- > After the successful launch of frozen foods, your company is eyeing the much larger chilled foods business in UK and India to further consolidate its position as a global player in this arena. The critical point in the chilled foods business is the management of logistics we expect to be ready with a full-fledged plan next year.

**Increased production**

- > Considering the enthusiastic response from across the globe, we plan to increase capacity of ambient food production at our Bahalgarh food factory to 120,000 meals/day.
- > We also plan to increase our capacity of basmati rice production from 40mt/hr to 50mt/hr.

**International market**

- > Kohinoor Foods expects to find entry into other

**Key domestic clients**

- > Taj Group
- > Oberoi Group
- > KFC
- > Papa John's
- > Pulse Foods
- > Food Bazaar
- > Reliance Retail
- > AV Birla Group
- > Spencer's
- > Shoprite
- > Hyper City
- > Twenty Four Seven

top stores like Sainsbury's, Morrisons in UK by the end of FY'08. The company plans to enter into more big retail formats across the world, in mainstream markets. Major focus would be on US and UK, the largest markets for food products in the world.

- > Your company intends to acquire major market share of US ethnic food market by leveraging distribution centres in five major cities of US.
- > We aim to add at least another 25 countries to our list of customer countries in the next 2 years in the food business.

**Risks & concerns**

Macro-economic factors like recession, subdued demand, political uncertainty, may affect the business of the Company as also the industry at large. The company is aware that uncertainties in business offer opportunities as well as downside risks and thus has identified and put in place mitigation tools for the same. Some key risk areas are:

**Procurement risk:** Adequate availability of key raw materials at the right prices is crucial for the Company. Being a generic natural product with low yield concentrated in a small region of the World, production of Basmati depends on the vagaries of nature. Therefore, any disruption in the supply due to a natural or other calamity or violent changes in the cost structure could adversely affect the Company's ability to reach its consumers with the right value proposition.

However, the company's long term relationship with farmers built on trust ensures constant supply and thus over the years it has not faced any procurement problems. Also, adequacy of irrigation facilities in the Basmati producing regions mitigates these uncertainties.

**High working capital requirement:** Basmati rice requires to be aged for 9-12 months before selling, leading to huge working capital requirements. This results in low ROCE for the industry. Combating this risk, efficient working capital management system has been set in place by the company and cash flow is monitored on daily basis.

**Intense competition from unorganized sector:** Another characteristic of this industry is the presence of unorganised sector offering basmati in loose unbranded form which intensifies competition. The company is moving towards branded products and has invested significantly in building strong brands which helps differentiate their product.

**Package foods industry in India at a nascent stage:** Currently the packaged foods industry in India faces several problems including the high price of processed food, fragmented supply chain, lack of infrastructure, high packaging costs, low FDI and the lack of a proper legal framework. However we feel the unorganized nature of the industry is an opportunity for a company



like KFL having strong systems and infrastructure, extensive distribution network and access to best technology for package foods business.

**Dividend**

Your Directors have pleasure in recommending for the consideration of the members at the Annual General Meeting, Dividend of Re 1/- per equity share, which, if approved will absorb Rs 19.6mn. The company has provided for the proposed dividend tax of Rs 3.33mn in the accounts.

**Directorate**

In accordance with the provisions of the Companies Act, 1956 Mr. Gurnam Arora and Mr. Anil Bhatia are Directors liable to retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

**Subsidiaries and joint ventures**

As required by section 212 of the Companies Act, 1956 the reports and audited accounts of the Subsidiary Companies alongwith the statement pursuant to Section 212 of the Companies Act, 1956 form part of the Annual Report.

**Internal control system**

Your Company has well established Internal Control Procedures across its various locations, commensurate with its size and nature of operations to ensure that financial and Operating Reporting Systems are reliable and that all material risks are evaluated. The Internal audit function is adequately resourced and reports independently to the Audit Committee of the Board. In the opinion of the management and the internal auditors, there exists adequate safeguard against fraud and negligence within the company.

**Listing at stock exchange**

The Equity Share of the Company are listed on Stock Exchanges at Mumbai and National Stock Exchange. The annual listing fee for the year 2007-08 has been paid to the Exchanges.

**Corporate governance**

Your company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as stipulated by the Stock Exchanges. A separate report on Corporate Governance alongwith Auditor's Certificate on its compliance by the company is attached as Annexure 'A' to this report.

**Auditors**

M/s Mayur Batra & Co. Statutory Auditors of the Company retire and offer themselves for reappointment. The Company has obtained a Certificate to the effect that their reappointment, if made, would be in conformity with the limits specified under section 224 (1)(B) of the Companies Act, 1956

**Auditors' report**

As reported in para 1(a) of the Annexure to the

Auditors' Report, in some instances the locations of fixed assets was not identified. The observations of the Auditors are self-explanatory. The discrepancies noticed on such verification of fixed assets were not material and have been properly dealt with in the books of accounts.

The observations of Auditors are self-explanatory and/or suitably explained in various notes to the Accounts.

**Fixed deposits**

Your company has not accepted any deposit from Public during the year under review.

Information Regarding Conservation Of Energy and Employees

Information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended from time to time are given in Annexures 'B' & 'C' forming part of this report.

**Directors' responsibility statement**

Pursuant to Section 217 (2AA) of Companies Act, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 of the Company for that period;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

**Acknowledgement**

Your Directors acknowledge with gratitude the commitment and dedication of the employees at all levels that has contributed to the growth and success of the company. Your Directors also put on record their appreciation and thanks to the Authorities, millions of consumers who have reposed faith in the product of their company.

For and on behalf of the Board

New Delhi  
August 24, 2007

Jugal Kishore Arora  
Chairman







































**ANNEXURE 'A' TO THE DIRECTORS' REPORT**  
**REPORT ON CORPORATE GOVERNANCE**

**1. CORPORATE GOVERNANCE PHILOSOPHY**

The Company's philosophy on Corporate Governance is focused upon a rich legacy of fair, ethical and transparent governance practices. Adopting Corporate Governance as a work ethos, the Company ensures best performance by staff at all levels to maximize the operational efficiency and enhancing the stakeholders value.

**2. BOARD OF DIRECTORS**

The Board of Directors has an optimal combination of Executive and Non-Executive and independent Directors. The Board is headed by an executive Chairman. It consists of three Executive Directors and three Non-Executive Independent Directors. The Board members possess the requisite skills, experience and expertise to guide the company.

**Information Available to the Board**

All requisite information as per Clause 49 of the Listing Agreement is placed before the Board during meetings. From time to time the Board invites members of the senior management to present reports on the Company's operations and internal control system. During the financial year 2006-07, the Board of Directors of the Company met Twenty Two (22) times on 27th April, 2006, 28th April, 2006, 16th May, 2006, 18th May, 2006, 6th June, 2006, 10th July, 2006, 31st July, 2006, 1st August, 2006, 11th August, 2006 28th August, 2006, 2nd September, 2006, 26th September, 2006, 3rd October, 2006, 20th October, 2006, 30th October, 2006, 20th November, 2006, 12th December, 2006, 4th January, 2007, 11th January, 2007, 22nd January, 2007, 16th February, 2007 & 1st March, 2007. The details of the Directors on the Board of your Company for the year 2006-07 are given below:

**Composition of the Board**

| Name of Director         | Category                   | No. of Board Meetings Attended | Whether Attended last AGM | Directorship in Companies (Incl. KFL*) | Number of membership (Including KFL*) |          |
|--------------------------|----------------------------|--------------------------------|---------------------------|--|---------------------------------------|----------|
|                          |                            |                                |                           |  | Member                                | Chairman |
| Mr.Jugal Kishore Arora   | Chairman (WTD)             | 15                             | NO                        | 5                                      | NIL                                   | NIL      |
| Mr.Satnam Arora          | Jt.Managing Director (WTD) | 17                             | YES                       | 6                                      | 1                                     | NIL      |
| Mr.Gurnam Arora          | Jt.Managing Director (WTD) | 14                             | NO                        | 6                                      | NIL                                   | NIL      |
| Mr.Anil Bhatia           | Independent/ Non-Executive | 18                             | NO                        | 2                                      | 2                                     | NIL      |
| Mr.Vijay Burman          | Independent/ Non-Executive | 14                             | YES                       | 1                                      | 3                                     | 1        |
| Mr.Vijay Parkash Agarwal | Independent/ Non-Executive | 22                             | NO                        | 1                                      | 3                                     | 1        |

\* Kohinoor Foods Limited

**Code of Conduct for Board Members & Senior Management Team:**

In Compliance to the provisions of Clause 49 of the Listing Agreement, the Board has laid down a Code of Conduct for all Board Members and Senior Management Team. A copy of the said Code of Conduct is available on the website of the Company.

All Board Members and Senior Management Team have affirmed compliance of Code of Conduct as on 31st March 2007. A Declaration signed by chairman is enclosed with :

**INFORMATION UNDER THE LISTING AGREEMENT OF THE DIRECTORS SEEKING RE-APPOINTMENT**

|   |  |  |  |   |
|---|--|--|--|---|
| Particulars   | Mr. Jugal Kishore Arora  | Mr. Satnam Arora   | Mr. Gurnam Arora   | Mr. Anil Bhatia   |
| Date of Birth   | 11th October, 1943   | 23rd January, 1949   | 26th March, 1950   | April 10, 1949  |
| Qualifications  | Graduate   | Post Graduate  | Graduate   | Post Graduate   |
| Experience  | He is associated with the Organisation since its inception. He has been looking after and is in-charge of Production. His vast experience of more than three decades in the rice industry, together with a sharp eye for detail, have reaped rich dividends. In fact, they have been largely responsible for the wide acceptance that the company's Basmati Brands enjoy all over the World today. | He has vast experience in marketing the rice in overseas market. Mr. Satnam Arora has been looking after Export Marketing and Finance. The fact that the company has taken a Commanding Share of the Basmati Export Market is largely because of the sincere efforts and initiative taken by Mr. Satnam Arora. | He has over thirty years of experience in rice industry. Mr. Gurnam Arora has been looking after Domestic Marketing, Purchase, Administration, Quality Control and Corporate Affairs of the Company. Mr. Gurnam Arora's broad vision helped the company increase in domestic share. The Sales in domestic market have increased manifold | He is a post graduate in English Literature with over 31 years experience in the Construction industry. He is an Independent Director of the company. |
| Directorships   | Satnam Int'l P. Ltd.<br>Satnam Haegens Ltd.<br>Sachdeva Bros. Ltd.<br>Indo European Foods Ltd.<br>Uk   | Satnam Int'l P. Ltd.<br>Satnam Haegens Ltd.<br>Sachdeva Bros. Ltd.<br>Indraprastha Medical Corpn. Ltd.<br>Sara Textiles Ltd.   | Satnam Int'l P. Ltd.<br>Satnam Haegens Ltd.<br>Sachdeva Bros. Ltd.<br>Indo European Foods Ltd. Uk<br>Satnam Overseas Ltd. Inc. USA   | Indian Delco Pvt. Ltd   |
| Memberships/ Chairmanships of Board Committees        | No Membership  | Member of Share Transfer Committee   | No Membership  | He is a member of Remu-neration and Audit Committee of the company.   |
| Number of Shares held in the Company as on 31.03.2007 | 2727281  | 5039768  | 131507   | NIL   |

**3. BOARD COMMITTEES**

**i) Audit Committee**

The Company has an Audit Committee which deals in matters relating to financial reporting and internal controls. The role and powers of the company's Audit Committee as stipulated by the Board are in accordance with the Listing Agreement(s) and Section 292 A of the Companies Act, 1956. All the members are independent and non-executive Directors. Mr.Vijay Burman who has the financial and accounting knowledge is the Chairman of the Audit Committee. The other members of the Committee are Mr.Vijay Parkash Agarwal and Mr.Anil Bhatia who are Non-Executive and Independent Directors. The Committee met 5 (five) times during the year and attendance of the Members at the meetings was as follows:

| Name                     | Position | Meetings Attended |
|--------------------------|----------|-------------------|
| Mr.Vijay Burman          | Chairman | 5                 |
| Mr.Vijay Parkash Agarwal | Member   | 5                 |
| Mr.Anil Bhatia           | Member   | 5                 |

**ii) Investor's Grievance / Share Transfer Committee**

The Investors Grievance/ Share Transfer Committee of the Company comprises of two Non-executive and Independent Directors. The Committee consists of three members, Mr. Vijay Prakash Agarwal, Mr. Vijay Burman and Mr. Satnam Arora and is chaired by Sh Vijay Prakash Agarwal, an independent director. The Company Secretary, being the Compliance Officer is entrusted with the responsibility to specifically look into the redressal of shareholders and investors complaints and report the same to Investors Grievance/ Share Transfer Committee.

The Functioning and terms of reference of Investors Grievance/ Share Transfer Committee includes :

- To specifically look into the redressal of investors' grievance pertaining to transfer/ transmission of shares, dividends, dematerialization/ rematerialisation, replacement of lost/ stolen/ mutilated share certificates;
- To consider the matters relating to transfer, transmission and transposition of shares, sub-division and consolidation of shares, replacement of lost/ stolen and mutilated share certificates and review of requests for dematerialization/ rematerialisation of shares
- Other related issues and to strengthen investors' relations.

The company received a total of 51 Complaints from investors during the period 1.4.2006 to 31.3.2007, all of which were resolved within the stipulated period to the satisfaction of the Complainants. No requests for share transfers are pending except those that are disputed or sub-judice.

During the year, the Committee met 18 times and the attendance of the Members was as follows:

| <b>Name</b>              | <b>Position</b> | <b>Meetings Attended</b> |
|--------------------------|-----------------|--------------------------|
| Mr.Vijay Parkash Agarwal | Chairman        | 18                       |
| Mr.Satnam Arora          | Member          | 17                       |
| Mr.Vijay Burman          | Member          | 18                       |

**iii) Remuneration Committee.**

Matters of remuneration of Executive Directors are considered by the remuneration Committee. The terms of remuneration are then approved by the shareholders at the General Body Meeting.

Non-Executive Directors are not paid any remuneration. The remuneration Committee comprises of all Non-Executive and independent Directors, viz Mr.Vijay Burman, Mr.Anil Bhatia and Mr.Vijay Parkash Aggarwal. The meeting of remuneration committee was held on 22<sup>nd</sup> Aug, 07 for re-appointment and revision of salary of Executive Directors of the Company. The same was then recommended to Board of Directors for their approval.

| <b>Name</b>              | <b>Position</b> | <b>Meetings Attended</b> |
|--------------------------|-----------------|--------------------------|
| Mr.Vijay Burman          | Chairman        | 1                        |
| Mr.Vijay Parkash Agarwal | Member          | 1                        |
| Mr. Anil Bhatia          | Member          | 1                        |

The Remuneration Committee meeting was held on 22<sup>nd</sup> Aug, 07 to consider the re-appointment and the terms and conditions of remuneration of the Chairman and Jt. Managing Directors of the Company.

**REMUNERATION OF DIRECTORS FOR 2006-2007**

**EXECUTIVE DIRECTORS**

| <b>Name of Director</b> | <b>Salary (Rs.Lacs)</b> | <b>Other Perquisites</b> | <b>Service Contract Tenure</b> |
|-------------------------|-------------------------|--------------------------|--------------------------------|
| Mr.Jugal Kishore Arora  | 24                      | NIL                      | 5 yrs.w.e.f 26.9.02            |
| Mr.Satnam Arora         | 24                      | NIL                      | 5 yrs. w.e.f 26.9.02           |
| Mr.Gurnam Arora         | 24                      | NIL                      | 5 yrs. w.e.f 26.9.02           |

#### 4. GENERAL BODY MEETINGS

Details of location of the last three Annual General Meetings of the Company are given below :

| Year | Date of AGM | Time      | Venue   | Special Resolutions Passed |
|------|-------------|-----------|---|----------------------------|
| 2004 | 28-9-2004   | 1:00 P.M. | Surya Garden, Sector- D,<br>Vasant Kunj, New Delhi                  | NIL                        |
| 2005 | 9-9-2005    | 1:00 P.M. | Surya Garden, Sector - D,<br>Vasant Kunj, New Delhi                 | NIL                        |
| 2006 | 29-9-2006   | 1:00 P.M. | Pearey Lal Bhaan,<br>2 Bahadur Shah Zafar<br>Marg, New Delhi 110002 | NIL                        |

All the resolutions set out in the respective notices were passed by show of hands at the above AGMs.

#### 5. POSTAL BALLOT

- a) During the year, the ordinary/ special resolution contained in the notice dated 3rd October 2006, were passed by the members of the Company through Postal Ballot pursuant to Section 192A of the Companies Act 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001

Mr. Dinesh Kumar Agarwal, practicing Company Secretary was appointed as Scrutinizer for conducting the postal ballot process.

| Particulars  | Result of the voting conducted through Postal Ballot on the Ordinary Resolution under Section 293 (1) (a) of the Companies Act, 1956 to mortgage/ charge any of the moveable/ immoveable properties of the company to secure borrowings subject to the limits approved under Section 293 (1) (d) of the Companies Act 1956. |               |
|--|---|---------------|
|  | No. of postal ballot forms  | No. of shares |
| Number of Total Postal Ballot forms received           | 416   | 10,181,142    |
| Number of invalid Postal ballot forms received.        | 44  | 16,221        |
| Number of valid Postal ballot forms received.          | 372   | 1,016,4921    |
| Votes in favour of resolution                          | 365   | 10,162,201    |
| Votes against of resolution                            | 7   | 2,720         |
| Percentage of Votes Caste in favour of the resolution. | 99.97%  |               |

As per the Report dated 29.11.2006, submitted by Mr. D.K. Agarwal, Scrutinizer appointed for the Postal Ballot conducted by the Company vide Notice dated 3rd October 2006, the results of the postal ballot are as follows:

The resolution mentioned in the Postal Ballot Notice dated 3rd October 2006 were duly approved with requisite majority by the shareholders of the Company.

- b) During the year, the special resolutions contained in the notice dated 11th January 2007, were passed by the members of the Company through Postal Ballot pursuant to Section 192A of the Companies Act 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001

Mr. Dinesh Kumar Agarwal, practicing Company Secretary was appointed as Scrutinizer for conducting the postal ballot exercise.

As per the Report dated 1st March 2007, submitted by Mr. D.K. Agarwal, Scrutinizer appointed for the Postal Ballot conducted by the Company vide Notice dated 11th January 2007, the results of the postal ballot are as follows:

| Particulars   | To appoint Mr. Nitin Arora, s/o Mr. Jugal Kishore Arora, Chairman of the Company to hold office or place of profit as General Manager (Marketing) in the Company |               | To appoint Mr. Amit Arora, s/o Mr. Satnam Arora, Jt. Managing Director of the Company to hold office or place of profit as General Manager (Exports) in the Company |               | To appoint Mr. Nishant Arora, s/o Mr. Gurnam Arora, Jt. Managing Director of the Company to hold office or place of profit as Head -Domestic Marketing (Food) in the Company |               | To appoint Mr. Ankush Arora, s/o Mr. Gurnam Arora, Jt. Managing Director of the Company to hold office or place of profit as General Manager (Marketing) in the Company |               |
|---|--|---------------|---|---------------|--|---------------|---|---------------|
|   | No. of Postal Ballot Forms   | No. of shares | No. of Postal Ballot Forms  | No. of shares | No. of Postal Ballot Forms   | No. of shares | No. of Postal Ballot Forms  | No. of shares |
| Number of Total Postal Ballot forms received          | 278  | 8,697,913     | 278   | 8,697,913     | 278  | 8,697,913     | 278   | 869,7913      |
| Number of invalid Postal ballot forms received.       | 13   | 4,121         | 13  | 4,121         | 13   | 4,121         | 13  | 4,121         |
| Number of valid Postal ballot forms received.         | 265  | 8,693,792     | 265   | 8693792       | 265  | 8693792       | 265   | 8,693,792     |
| Votes in favour of resolution                         | 240  | 8,686,942     | 241   | 8,686,752     | 242  | 8,688,722     | 242   | 8,688,722     |
| Votes against of resolution                           | 25   | 6,850         | 24  | 7,040         | 23   | 5,,070        | 23  | 5,070         |
| Percentage of Votes Cast in favour of the resolution. | 99.92%   |               | 99.92%  |               | 99.94%   |               | 99.94%  |               |

All the four resolutions mentioned in the Postal Ballot Notice dated 11th January 2007 were duly approved with requisite majority by the shareholders of the Company.

## 6. DISCLOSURES

### a) Related Party Transactions

The Related Party Transactions of the Bank are disclosed in the notes to Accounts Schedule 12 of the Balance Sheet as on 31st March 2007.

Pecuniary relationships or transactions with the Non-Executive Directors.

NONE

### b) Compliances made by the Company

The Company was not subject to any non-compliance and no penalties or strictures have been imposed by Stock Exchanges, SEBI or any other Statutory Authority, on any matters relating to Capital Market during the last three years.

### c) The Company has complied with the applicable mandatory requirements of Clause 49 of the Listing Agreement. Non-mandatory requirement relating to Remuneration Committee have been adopted by the Company.

## 7. MEANS OF COMMUNICATION

The Company interacts with its shareholders through multiple forms of corporate and financial communications such as annual reports, result announcement and media releases. The quarterly, Half Yearly and Yearly results are generally published in English and Hindi Newspapers viz Business Standard and Vir Arjun. The financial results and investor update are displayed on the website of the company [www.kohinoorfoods.in](http://www.kohinoorfoods.in).

The Management discussion and Analysis Report has been included elsewhere in the Report and Accounts.

## 8. SHAREHOLDER INFORMATION

### Annual General Meeting

|                       |   |   |
|-----------------------|---|---|
| Date                  | : | 27th September 2007   |
| Time                  | : | 10:00 A.M   |
| Venue                 | : | Pearey Lal Bhawan, 2, Bahadur Shah Zafar Marg,<br>New Delhi 110 002 |
| Financial Calender    | : | 1st April to 31st March   |
| Date of Book Closure  | : | 18.09.2007 to 21.09.2007 (both days inclusive)                      |
| Dividend Payment date | : | Within 30 days from the date of declaration                         |

## 9. LISTING ON STOCK EXCHANGES

The Equity Shares of the company are listed on the Stock Exchanges at Mumbai and National Stock Exchange. The company confirms that it has paid annual listing fees due to the above Stock Exchanges for the year 2007-2008.

## 10. STOCK CODE

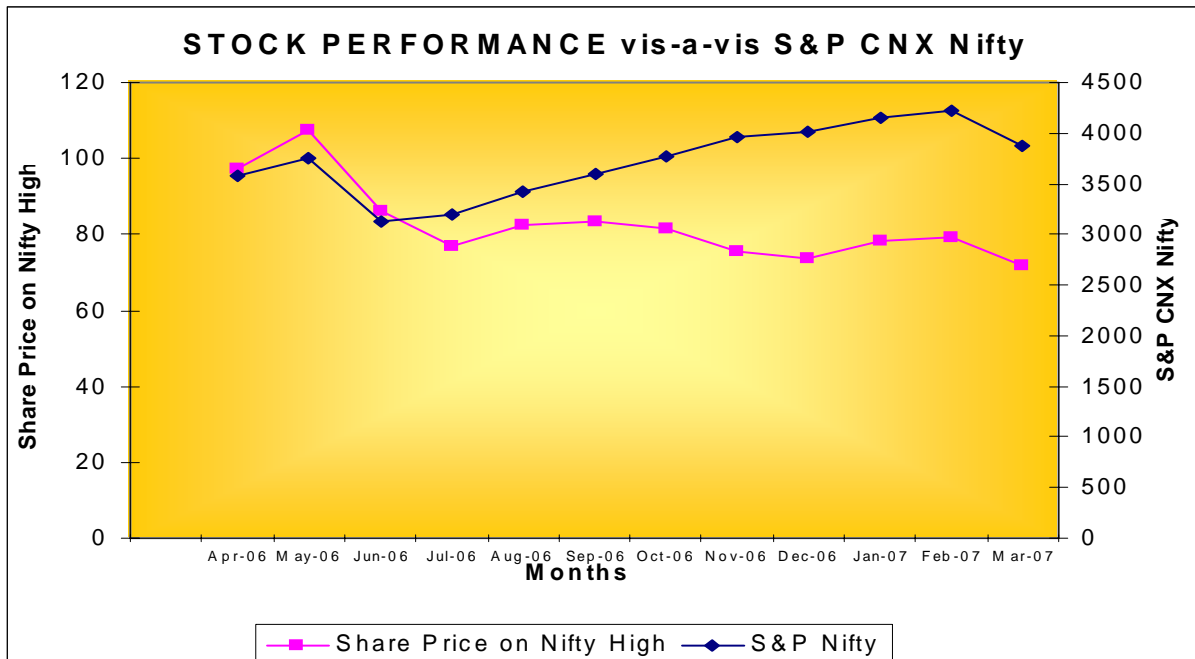
1. Trading symbol on National Stock Exchange of India Ltd. : Kohinoor
2. The Stock Exchange, Mumbai : 512559
3. ISIN Number for NSDL & CDSL : INE080B01012

### STOCK MARKET DATA

#### Monthly High and Low quotations of Shares traded at National Stock Exchange and Mumbai Stock Exchange (BSE)

| Month/Year   | N.S.E     |          | B.S.E     |          |
|--------------|-----------|----------|-----------|----------|
|              | High(Rs.) | Low(Rs.) | High(Rs.) | Low(Rs.) |
| April 2006   | 97.35     | 85.10    | 97.20     | 84.50    |
| May          | 107.65    | 80.70    | 106.90    | 80.60    |
| June         | 86.20     | 53.75    | 85.85     | 53.95    |
| July         | 76.95     | 66.45    | 76.90     | 66.80    |
| August       | 82.50     | 71.20    | 82.00     | 71.70    |
| September    | 83.40     | 76.50    | 83.00     | 76.10    |
| October      | 81.65     | 75.75    | 81.50     | 76.00    |
| November     | 75.35     | 68.55    | 75.90     | 68.60    |
| December     | 73.70     | 64.50    | 73.40     | 64.25    |
| January 2007 | 78.45     | 70.25    | 78.20     | 70.55    |
| February     | 79.30     | 69.30    | 79.00     | 69.55    |
| March        | 71.60     | 66.55    | 71.45     | 66.05    |

**S&P CNX Nifty vis-à-vis Satnam Overseas  
Relative Price movements  
April 2006 - March 2007  
( Base price as on 1st April 2006)**



**11. REGISTRAR AND TRANSFER AGENT**

M/s.Skyline Financial Services Pvt.Ltd.  
 123, Vinoba Puri,  
 Lajpat Nagar-II  
 New Delhi 110 024

Share Transfer System : All the Transfers received are processed and approved by the share transfer committee and returned to the shareholders within a period of 30 days. The Company obtains from a practicing Company Secretary half yearly certificate of compliance as required under clause 47 © of the Listing Agreement and files the same with Stock Exchanges.

**12. Distribution of Shareholding and shareholding pattern as on 31st March, 2007.**

Distribution of Shareholding As on 31st March, 2007.

| AMOUNT       |          | SHARE HOLDERS |               | SHARE AMOUNT        |               |
|--------------|----------|---------------|---------------|---------------------|---------------|
|              |          | No.           | % age         | Total               | % of Total    |
| 0            | 5,000    | 19,387        | 91.90         | 26,397,530.00       | 13.47         |
| 5,001        | 10,000   | 980           | 4.65          | 8,212,780.00        | 4.19          |
| 10,001       | 20,000   | 383           | 1.82          | 5,983,240.00        | 3.05          |
| 20,001       | 30,000   | 127           | 0.60          | 3,288,180.00        | 1.68          |
| 30,001       | 40,000   | 34            | 0.16          | 1,235,450.00        | 0.63          |
| 40,001       | 50,000   | 49            | 0.23          | 2,293,810.00        | 1.17          |
| 50,001       | 1,00,000 | 69            | 0.33          | 4,942,310.00        | 2.52          |
| Above        | 1,00,000 | 66            | 0.31          | 143,646,700.00      | 73.29         |
| <b>Total</b> |          | <b>21,095</b> | <b>100.00</b> | <b>1,960,000.00</b> | <b>100.00</b> |

**Shareholding Pattern as on 31st March, 2007**

|                              | <b>Number of Shares</b> | <b>Percentage (%)</b> |
|------------------------------|-------------------------|-----------------------|
| <b>Promoters</b>             | <b>8646565</b>          | <b>44.12</b>          |
| Mutual Funds & UTI           | 1230751                 | 6.28                  |
| Banks, Financial Institution | 501362                  | 2.56                  |
| F.I.Is                       | 1398682                 | 7.14                  |
| Corporate Bodies Public      | 1665892                 | 8.50                  |
| Public                       | 5607042                 | 28.61                 |
| NRIs/OCBs                    | 529510                  | 2.70                  |
| Any Other                    | 20196                   | 0.10                  |
| Total                        | 19600000                | 100.00                |

- 12. Dematerialisation of Shares** : The Shares of the company are in Compulsory Demat segment and are available for trading in the depository systems of both the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL). As on 31st March, 2007, 18343904 Equity Shares of the Company forming 93.59% of the share capital of the Company, stand dematerialised.
- 13. Outstanding GDRs / ADRs/ Warrants or any Convertible Instrument, conversion date and likely impact on equity.** : Company has raised US\$ 20 million from international market by issuing 20000, one percent, unsecured convertible bond at a price of US\$ 1000 per bond due 2010. The bonds are listed at Luxembourg Stock Exchange.
- 14. Plant Locations** :  
- 50-51 Milestone, G.T. Road, Murthal Dist . Sonapat (Haryana)  
- O/S Gate Bhagtanwala, Amritsar (Punjab)  
- 71, Libaspur, Bahalgarh, Dist. Sonapat (Haryana)
- 15. Address for Correspondence** : Shareholders Correspondence may be addressed to :  
M/s.Skyline Financial Services Pvt.Ltd.  
123, Vinoba Puri,  
Lajpat Nagar-II  
New Delhi 110 024  
Or  
The Company Secretary  
Kohinoor Foods Limited  
201, Vipps Centre, Masjid Moth, Greater Kailash-II, New Delhi 110 048  
However, shareholders holding shares in demat mode should address their correspondence relating to their holdings to the respective Depository participants.

On behalf of the Board of Directors

August 28, 2006  
New Delhi

**Jugal Kishore Arora**  
**Chairman**

## ANNEXURE - 'B' TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming Part of the Directors' Report for the year ended 31st March, 2007.

### **A. Conservation of Energy**

Improvement of methods of Energy Conservation and optimal utilisation of Energy in all operations, continued to receive close attention. Company is always conscious to conserve energy through improved methods of operations and design. In this regard the Company has introduced energy saving features in the systems and monitors by which the user saves the power consumption to a considerable extent.

### **B. Research & Development (R & D)**

#### **i) Specific areas in which R&D carried out by the Company and benefits derived as a result of R&D**

Research & Development has always gained precedence at Kohinoor Foods. In the last year the company has come out with a range of exciting frozen foods namely in the area of Indian Snacks like Samosas, Cutlet, Vegetable Kebab etc. and Indian breads like Naan, Paranthas, Stuffed Kulchas etc. Because of its emphasis on product innovation, the Company has developed a range of frozen ready meals and curries. All products offered are hundred percent natural and vegetarian in nature which is a unique achievement.

#### **Future plan of action**

Steps are continuously being taken to promote the branded sales in domestic as well as overseas market. The company is continuously making efforts to provide best of quality products to its customers. The Company has already launched the Kohinoor range of Frozen foods in domestic as well as international market. The Company is eyeing the ambient as well as frozen food business in a focused manner and intends to capture significant market share in both domestic and international market.

#### **IV) Expenditure on R&D**

|  |   |                 |
|--|---|-----------------|
| a) Capital   | : | Nil             |
| b) Recurring   | : | Rs. 3379562.31  |
| c) Total   | : | :Rs. 3379562.31 |
| d) Total R&D expenditure as a percentage of total turnover | : | 0.06%           |

### **C) Technology Absorption, Adaptation and Innovation**

Technology Absorption, Adaptation and Innovation has always been the key strength of the Company. Company plans to be a leading player in technology introduction through innovative products.

### **D) Foreign Exchange Earnings and Outgo**

#### **a) Total Foreign Exchange earned and used.**

Foreign Exchange Earnings of the Company amounted to Rs. 31780 lacs as against Foreign Exchange Outgo of Rs. 1098 Lacs during the year under review.

#### **b) Activities related to exports, initiative taken to increase exports, development of new export markets for products.**

In the last year, Kohinoor Foods has put in a lot of emphasis to increase exports of various agro products from the country. Namely, the following:

- Basmati Rice
- Spices
- Processed Foods (value added culinary products using basmati rice, lentils and other vegetables)

With its traditional strength in the exports of basmati gathered over the years, Kohinoor Foods has yet again put special efforts to increase the exports of both these categories of rice in the last year. The company having two subsidiaries in USA and UK and a joint venture operation in United Arab Emirates, has been able to provide renewed impetus to the growth of exports of various agro commodities, produced in India.

It has now made substantial inroads in the overseas markets, particularly in USA, Canada, England, France and other middle-eastern countries. Kohinoor Foods has concentrated in marketing of agro products in order to maximise selling under its own brand names even in the overseas markets. The company has exported both basmati and non-basmati rice as well as spices and pulses in large quantities and has been able to maintain its lead amid strong competition.

**FOR AND ON BEHALF OF THE BOARD**

**New Delhi  
August 24, 2006**

**JUGAL KISHORE ARORA  
CHAIRMAN**

**ANNEXURE - 'C' TO THE DIRECTOR'S REPORT - PARTICULARS OF EMPLOYEES**

- A. Employed throughout the year under review and were in receipt of remuneration for the year which, in the aggregate was not less than 24,00,000/- per annum.

| S. No | Name                | Age (Years) | Designation/ Nature of Duties | Remuneration | Qualification/ experience (in years) | Date of Commencement of employment | Particulars of last employment held | Shareholding in The Company in Number & Percentage |
|-------|---------------------|-------------|-------------------------------|--------------|--------------------------------------|------------------------------------|-------------------------------------|--|
| 1.    | Jugal Kishore Arora | 64          | Chairman                      | 24,00,000/-  | Graduate<br>44 Years                 | 01.04.1991                         | N.A.                                | 2727281<br>13.91%                                  |
| 2.    | Satnam Arora        | 58          | Jt.Managing Director          | 24,00,000/-  | M.A.(Eco)<br>34 Years                | 01.04.1991                         | N.A.                                | 5039768<br>25.71%                                  |
| 3.    | Gurnam Arora        | 57          | Jt.Managing Director          | 24,00,000/-  | Graduate<br>34 years                 | 01.04.1991                         | N.A.                                | 131507<br>0.67%                                    |

\* Jugal Kishore Arora, Satnam Arora and Gurnam Arora are related to each other.

- B. Employed for the part of year and was in receipt of remuneration which in the aggregate was not less than Rs.2,00,000/- per month. - NIL

**NOTES :**

1. Remuneration comprises of Basic Salary only.
2. Nature of Employment — Contractual
3. Other Terms & Conditions — NIL

**AUDITOR'S REPORT**

Ladies & Gentlemen,

1. We have audited the attached Balance Sheet of **M/s Kohinoor Foods Limited**, as at March 31, 2007 and the Profit and Loss account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which are 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that: -
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on March 31, 2007 we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
    - (ii) in the case of the Profit & Loss Account, of the profit of the company for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For Mayur Batra & Co.,  
Chartered Accountants**

**Place: New Delhi,  
Dated: June 30, 2007**

**(Mayur Batra)  
Membership No. 096613**

## Annexure to the Auditor's Report

(Referred to in paragraph 3 of the Auditor's Report of even date on the accounts of Kohinoor Foods Limited for the year ended 31.03.2007)

Ladies & Gentlemen,

1.
  - (a) The Company has maintained proper records showing full particulars, including the quantitative details and situation of fixed assets. However, in some instances the locations of fixed assets were not identified.
  - (b) As informed and represented to us, most of the fixed assets have been physically verified by the management during the period in accordance with a phased programme of verification adopted by the company and no material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given to us, the Company has not disposed off any substantial part of its fixed assets during the period and accordingly paragraph 4(i) (c) of the said Order relating to going concern is not affected.
2.
  - (a) As informed and represented to us, inventory has been physically verified by the management at reasonable intervals.
  - (b) According to the information and explanation given to us, the procedures of physical verification of inventory followed by the management was reasonable and adequate in relation to the size of the company and nature of its business.+
  - (6) According to the information and explanation given to us, the company is maintaining the proper records of inventory and there was no material discrepancies were noticed on physical verification.
3.
  - (a) According to the information and explanation given to us, the Company has not granted any loan secured or unsecured to companies, firms or other parties covered in the registered maintained under section 301 of the Companies Act, 1956 accordingly paragraph 4(iii)(b), (c) & (d) of the said Order is not applicable.
  - (b) According to the information and explanation given to us, the Company has not taken unsecured loans from companies and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - (c) The rate of interest and other terms and conditions of loans taken by the Company secured and unsecured are not prima facie prejudicial to the interest of the company; and
  - (d) As per the information available from the management no terms and conditions for the payment of principal amount and interest are specified.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and with regard to sale of goods & services. We have not come across any major weakness in the internal control during the course of the audit.
5. In our opinion and according to the information and explanations given to us, there were no contracts or arrangements entered in the registers maintained under section 301 in respect of any party during the period and hence provisions of paragraph 4 (v) (b) of the said Order relating to reasonableness of price having regard to prevailing market price is not applicable to the Company.
6. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA or any other relevant provision of the Act and rules framed there under are not applicable accordingly provisions of paragraph 4(vi) of the said Order relating to compliance of rules and compliance of Company law board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal order are also not applicable to the Company.

7. In our opinion and according to information and explanation given to us, the company has adequate internal audit system commensurate with its size and nature of its business.
8. The central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company and accordingly provisions of paragraph 4(viii) of the said Order are not applicable.
9. (a) According to the information and explanation given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees state insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities except for some delay in depositing the Tax deducted at Source.

According to the information and explanation given, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees state insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues were outstanding as at 31st March 2007 for a period of more than six months from the date it became payable.

- (b) There According to the information and explanation given to us there were dues of sales tax which have not been deposited as on 31st March 2007, on account of dispute, details of which are as follows:

| Particulars | Forum where matter is pending | Amount (Rs.)   |
|-------------|-------------------------------|----------------|
| Sales Tax   | Commissioner of Sales Tax     | 1,22,00,000.00 |

10. The Company neither has any accumulated losses as at March 31, 2007 nor has incurred any cash losses in the current financial period and in the immediately preceding financial year and accordingly paragraph 4(x) of the said Order is not applicable.
11. According to the information available from the management the Company has not defaulted in repayment of funds to financial institutions or banks or debenture holders.
12. The Company has made Inter Corporate Deposit amounting to Rs. 15,00,00,000 (Rs. One Hundred Fifty Millions) to one party by way of pledge of shares, as security for the deposits. The Company has maintained proper records in regard to the Inter Corporate Deposit.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefits fund/society. Hence, the provisions of paragraph 4(xiii) of the said Order relating to compliance with the provisions of special statute relevant to chit fund and nidhi/mutual benefits/societies are not applicable to the company.
14. In our opinion and as per the information available from the management, the Company is not dealing in shares, securities, debentures and other investments.
15. The Company has given guarantee for loans taken by others from banks or financial institutions. In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company
16. In our opinion and on the basis of information and explanation given to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised for short-term basis have been used to finance long-term assets. No long-term funds have been used to finance short-term assets.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly provisions of paragraph 4(xviii) of the said order relating to terms and conditions, whether prejudicial to Company's interest is not applicable to the Company.

19. The Company has raised unsecured loan amounting to Rs. 30,00,00,000 (Rs. Three Hundred Million) from Life Insurance Corporation and issued 30 Debentures of Rs. One Crore each.
20. Company has not increased the share capital by public issue during the period and accordingly the provision of paragraph 4(xx) of the said Order relating to end use of money raised is not applicable.
21. 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 Mayur Batra & Co.,  
Chartered Accountants**

**Place: New Delhi,  
Dated: June 30, 2007**

**(Mayur Batra)  
Membership No. 096613**

**BALANCE SHEET AS AT 31ST MARCH 2007**

| P A R T I C U L A R S                                    | Schedule | 2007             |                  | 2006             |                   |
|--|----------|------------------|------------------|------------------|-------------------|
|  |          | Rs. Lacs         | Rs. Lacs         | Rs. Lacs         | Rs. Lacs          |
| <b><u>SOURCES OF FUNDS</u></b>                           |          |                  |                  |                  |                   |
| <b>1. SHAREHOLDERS' FUNDS</b>                            |          |                  |                  |                  |                   |
| A) Share Capital   | A        | 1,960.00         |                  | 1,960.00         |                   |
| B) Reserves and Surplus                                  | B        | <u>12,202.66</u> | 14,162.68        | <u>10,225.15</u> | 12,185.151        |
| <b>2. <u>LOAN FUNDS</u></b>                              |          |                  |                  |                  |                   |
| A) Secured Loans   | C        | 26,419.77        |                  | 26,202.56        |                   |
| B) Unsecured Loans                                       | D        | <u>19,598.03</u> |                  | <u>9,329.30</u>  |                   |
| Deferred Tax Liabilities                                 |          |                  | 46,017.80        |                  | 35,531.757        |
|  |          |                  | <u>215.46</u>    |                  | <u>295.46</u>     |
| <b><u>APPLICATION OF FUNDS</u></b>                       |          |                  |                  |                  |                   |
| <b>1. <u>FIXED ASSETS</u></b>                            |          |                  |                  |                  |                   |
|  | E        |                  |                  |                  |                   |
| Gross Block  |          | 9,699.68         |                  | 8,673.97         |                   |
| Less : Depreciation                                      |          | 4,900.44         |                  | 4,062.01         |                   |
| Net Block  |          |                  | 4,799.23         |                  | 4,611.97          |
| CAPITAL WORK-IN-PROGRESS                                 |          |                  | 1,451.92         |                  | 1,067.51          |
| <b>2. <u>INVESTMENTS</u></b>                             |          |                  |                  |                  |                   |
|  | F        |                  | 3,480.49         |                  | 2,066.93          |
| <b>3. <u>CURRENT ASSETS, LOANS AND ADVANCES</u></b>      |          |                  |                  |                  |                   |
| A) Inventories   | G        | 35,514.12        |                  | 30,262.79        |                   |
| B) Trade Debtors   | H0       | 10,192.73        |                  | 6,202.76         |                   |
| C) Cash and Bank Balances                                | I        | 591.91           |                  | 3,105.68         |                   |
| D) Other Current Assets                                  | J        | 75.42            |                  | 66.83            |                   |
| E) Loans and Advances                                    | K        | <u>10,939.58</u> |                  | <u>5,156.33</u>  |                   |
|  |          | 57,313.76        |                  | 44,794.40        |                   |
| <b><u>LESS: CURRENT LIABILITIES &amp; PROVISIONS</u></b> |          |                  |                  |                  |                   |
|  | L        |                  |                  |                  |                   |
| A) Liabilities   |          | 3,461.94         |                  | 2,069.76         |                   |
| B) Provisions  |          | <u>3,497.52</u>  |                  | <u>2,805.50</u>  |                   |
|  |          | 6959.46          |                  | 4875.27          |                   |
| <b><u>NET CURRENT ASSETS</u></b>                         |          |                  |                  |                  |                   |
|  |          |                  | 50,354.30        |                  | 39,919.131        |
| <b><u>MISCELLANEOUS EXPENDITURE</u></b>                  |          |                  |                  |                  |                   |
| (To the extent not written off or adjusted)              | M        |                  | 310.00           |                  | 346.83            |
| <b>TOTAL</b>   |          |                  |                  |                  |                   |
|  |          |                  | <u>60,395.94</u> |                  | <u>48,012.369</u> |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS**

**(MAYUR BATRA)**

**(SATNAM ARORA)  
JT. MG. DIRECTOR**

**(GURNAM ARORA)  
JT. MG. DIRECTOR**

**(KANIKA VERMA)  
COMPANY SECRETARY**

New Delhi

Dated :- 30.06.2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

| P A R T I C U L A R S   | Schedule | 2007           |                 | 2006           |                 |
|---|----------|----------------|-----------------|----------------|-----------------|
|   |          | Rs. Lacs       | Rs. Lacs        | Rs. Lacs       | Rs. Lacs        |
| <b>Income</b>   |          |                |                 |                |                 |
| Sales   |          | 58983.83       |                 | 54010.37       |                 |
| Less :- Excise Duty   |          | <u>60.58</u>   |                 | <u>16.65</u>   |                 |
| Net Sales   |          | 58923.25       |                 | 53993.72       |                 |
| Add :- Other Income   |          | <u>258.49</u>  |                 | <u>290.64</u>  |                 |
| Sales & other income  | N        | 59181.74       |                 | 54284.36       |                 |
|   |          |                | <u>59181.74</u> |                | <u>54284.36</u> |
| <b>Expenditure</b>  |          |                |                 |                |                 |
| Manufacturing and other expenses                                | O        | 52903.91       |                 | 49433.04       |                 |
| Depreciation, amortisation and impairment                       |          | 1077.50        |                 | 834.19         |                 |
| Financial expenses  | P        | <u>1982.44</u> |                 | <u>1246.83</u> |                 |
|   |          |                | <u>55963.85</u> |                | <u>51514.06</u> |
| <b>Profit before extraordinary items/<br/>Profit before Tax</b> |          |                | 3217.88         |                | 2770.29         |
| Provision for taxation - Current Tax                            |          |                | 955.00          |                | 762.00          |
| - Deferred Tax  |          |                | <u>(80.00)</u>  |                | <u>(72.00)</u>  |
| Profit after tax  |          |                | 2342.88         |                | 2080.29         |
| Prior Period Adjustment   |          |                | 0.35            |                | 1.84            |
| Less - Provision for dividend                                   |          |                | 196.00          |                | 431.20          |
| Tax on Proposed Dividend  |          |                | 33.31           |                | 60.48           |
| Transferred to General Reserve                                  |          |                | <u>2113.23</u>  |                | <u>1586.78</u>  |

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS**

**(MAYUR BATRA)**

**(SATNAM ARORA)  
JT. MG. DIRECTOR**

**(GURNAM ARORA)  
JT. MG. DIRECTOR**

**(KANIKA VERMA)  
COMPANY SECRETARY**

**New Delhi  
Dated :- 30.06.2007**

| P A R T I C U L A R S  | Schedule | 2007     |                | 2006     |                |
|--|----------|----------|----------------|----------|----------------|
|  |          | Rs. Lacs | Rs. Lacs       | Rs. Lacs | Rs. Lacs       |
| <b>SHARE CAPITAL</b>   |          |          |                |          |                |
| <b>SCHEDULE - A</b>  |          |          |                |          |                |
| <b>AUTHORISED</b>  |          |          |                |          |                |
| 5,00,00,000 Equity shares of Rs. 10 each   |          |          | 5000.00        |          | 5000.00        |
| <b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL</b>  |          |          |                |          |                |
| 196,00,000 Equity Shares of Rs. 10/- each.<br>(Of the above shares 6911480 shares are<br>allotted as fully paid up by way of bonus<br>shares by capitalization of share premium & reserve) |          |          | 1960.00        |          | 1960.00        |
|  |          |          | <u>1960.00</u> |          | <u>1960.00</u> |

|                                      |  |             |          |             |          |
|--------------------------------------|--|-------------|----------|-------------|----------|
| <b>RESERVE AND SURPLUS</b>           |  |             |          |             |          |
| <b>SCHEDULE - B</b>                  |  |             |          |             |          |
| <b>GENERAL RESERVE</b>               |  |             |          |             |          |
| As per last balance sheet            |  | 10225.15    |          | 8638.37     |          |
| Add Transfer from Profit & Loss a/c. |  | 1977.53     |          | 1586.78     |          |
| Profit & Loss Appropriation Account  |  | <u>0.00</u> |          | <u>0.00</u> |          |
|                                      |  |             | 12202.68 |             | 10225.15 |

|  |  |          |          |          |          |
|--|--|----------|----------|----------|----------|
| <b>SECURED LOANS</b>                       |  |          |          |          |          |
| <b>SCHEDULE - C</b>                        |  |          |          |          |          |
| <b>Short term working capital loans :-</b> |  |          |          |          |          |
| Pre-Shipment                               |  | 20099.93 |          | 21460.26 |          |
| Post-Shipment                              |  | 5225.85  |          | 3615.77  |          |
| Working Capital Demand Loan                |  | 247.67   |          | 248.53   |          |
| Cash Credit                                |  | 471.25   |          | 502.99   |          |
| <b>Long term loans :-</b>                  |  |          |          |          |          |
| Term loan from banks                       |  | 275.00   |          | 375.00   |          |
| ICICI Bank Car Loan                        |  | 100.07   |          |          |          |
|  |  |          | 26419.77 |          | 26202.56 |

- a) Pre-shipment and working capital demand loans cash credit loans a/c are secured against hypothecation of stock, personal guarantee of promoter director restricted to the extent of their stake in immovable property mortgage with the banks and equitable mortgage of fixed assets on pari passu basis with banks.
- b) Post-shipment loans are secured against export sales receivables, personal guarantee of promoter director restricted to the extent of their stake in immovable properties mortgaged with the banks and equitable mortgage of fixed assets on pari passu basis with banks.
- c) Term loans are secured against specific fixed assets and personal guarantee of promoter directors.

|  |  |          |          |         |         |
|--|--|----------|----------|---------|---------|
| <b>UNSECURED LOANS</b>                   |  |          |          |         |         |
| <b>SCHEDULE - D</b>                      |  |          |          |         |         |
| Foreign currency convertible bonds       |  | 8896.00  |          | 8896.00 |         |
| Overdraft in current accounts with banks |  | 177.47   |          | 301.31  |         |
| Bills Discounting                        |  | -        |          | 131.89  |         |
| Loan from Banks & Institutions           |  | 10524.56 |          |         |         |
|  |  |          | 19598.03 |         | 9329.20 |

## FIXED ASSETS SCHEDULE FOR THE YEAR ENDED 31ST MARCH 2007

## SCHEDULE - E

| PARTICULARS                             | Gross Block |           |                  | Depreciation |          |                 | NET BLOCK        |         |                 |                 |
|---|-------------|-----------|------------------|--------------|----------|-----------------|------------------|---------|-----------------|-----------------|
|   | Cost as on  | ADDITIONS | ADJUST-<br>MENTS | TOAL         | 31.03.06 | FOR THE<br>YEAR | ADJUST-<br>MENTS | TOTAL   | WDV<br>31.03.07 | WDV<br>31.03.06 |
| LAND                                    | 129.67      | 142.50    | 0.00             | 272.17       | 0.00     | 0.00            | 0.00             | 0.00    | 272.17          | 129.67          |
| FACTORY BUILDING                        | 1768.89     | 159.69    | 32.84            | 1895.73      | 682.30   | 107.44          | 9.38             | 780.36  | 1115.38         | 1086.59         |
| OFFICE BUILDING                         | 159.69      | 39.89     | 0.00             | 199.58       | 60.02    | 4.99            | 0.00             | 65.01   | 134.57          | 99.67           |
| PLANT & MCY &                           |             |           |                  |              |          |                 |                  |         |                 |                 |
| OFFICE EQUIPMENT                        | 5909.56     | 707.17    | 229.06           | 6387.66      | 2813.33  | 826.96          | 161.80           | 3478.49 | 2909.18         | 3096.23         |
| VEHICLES                                | 310.55      | 192.79    | 47.47            | 455.87       | 184.71   | 40.32           | 31.05            | 193.98  | 261.90          | 125.84          |
| VEHICLES - SOLAR                        | 4.13        | 0.00      | 0.00             | 4.13         | 1.41     | 0.54            | 0.00             | 1.96    | 2.18            | 2.72            |
| WOODEN, PLASTIC<br>CREATES & TARPAULINS | 152.82      | 31.83     | 0.00             | 184.65       | 152.82   | 31.83           | 0.00             | 184.65  | 0.00            | 0.00            |
| COMPUTERS                               | 104.70      | 34.31     | 0.00             | 139.02       | 85.33    | 16.30           | 0.00             | 101.64  | 37.38           | 19.37           |
| OTHER MACHINERY                         | 5.87        | 0.00      | 0.00             | 5.87         | 2.16     | 0.74            | 0.00             | 2.90    | 2.96            | 3.70            |
| FUR & FIXTURE                           | 128.09      | 26.89     | 0.00             | 154.98       | 79.92    | 11.54           | 0.00             | 91.46   | 63.52           | 48.17           |
| GRAND TOTAL                             | 8673.97     | 1335.08   | 309.37           | 9699.68      | 4062.01  | 1040.67         | 202.24           | 4900.44 | 4799.23         | 4611.97         |
| <b>CAPITAL WORK IN PROGRESS</b>         |             |           |                  |              |          |                 |                  |         |                 |                 |
| Machinery WIP                           | 11.05       | 458.95    | 224.30           | 245.71       | 0.00     | 0.00            | 0.00             | 0.00    | 245.71          | 11.05           |
| Electric Installation WIP               | 41.32       | 6.95      | 48.27            | 0.00         | 0.00     | 0.00            | 0.00             | 0.00    | 0.00            | 41.32           |
| Building WIP                            | 1015.14     | 1201.47   | 1053.91          | 1162.70      | 0.00     | 0.00            | 0.00             | 0.00    | 1162.70         | 1015.14         |
| SAP WIP                                 | 0.00        | 43.51     | 0.00             | 43.51        | 0.00     | 0.00            | 0.00             | 0.00    | 43.51           | 0.00            |
| TOTAL                                   | 1067.51     | 1710.88   | 1326.48          | 1451.92      | 0.00     | 0.00            | 0.00             | 0.00    | 1451.92         | 1067.51         |

| INVESTMENTS                                     |                                |                     |                | SCHEDULE - F     |            |                |                |
|---|--------------------------------|---------------------|----------------|------------------|------------|----------------|----------------|
| INVESTMENTS (TRADE)<br>Valued at Cost           | NATURE OF INVESTMENT           | Face value Interest | % of Ownership | NUMBER OF SHARES |            | AMOUNT         |                |
|   |                                |                     |                | 31-03-2007       | 31-03-2006 | 31-03-2007     | 31-03-2006     |
| UNQUOTED  |                                |                     |                |                  |            |                |                |
| <b>A. Investment in Joint Venture Companies</b> |                                |                     |                |                  |            |                |                |
| a) Rich Rice Raisers Factory Dubai              | Equity Share Fully Paid-up     | DHS 1000            | 25.00%         | 75               | 75         | 9.42           | 9.42           |
| <b>B. Subsidiary Companies</b>                  |                                |                     |                |                  |            |                |                |
| <b>(i) Domestic Wholly Owned</b>                |                                |                     |                |                  |            |                |                |
| Sachdeva Brothers Ltd.                          | Equity Share Fully Paid-up     | Rs. 100             | 100.00%        | 15835            | 15835      | 71.34          | 71.34          |
| <b>(ii) Overseas Wholly Owned</b>               |                                |                     |                |                  |            |                |                |
| a) Satnam Overseas Ltd Inc USA                  | Equity Share Fully Paid-up     | \$10                | 100.00%        | 350000           | 100000     | 1608.68        | 469.38         |
| b) Indo European Foods Ltd, UK                  | Equity Share Fully Paid-up     | £1                  | 100.00%        | 1000000          | 1000000    | 742.72         | 742.72         |
|   | Preference Share Fully Paid-up | £1                  | 100.00%        | 1000000          | 1000000    | 773.64         | 0.00           |
|   | Share Application Money        |                     |                |                  |            | 274.26         |                |
| <b>In Fully Paid Equity Shares - Quoted</b>     |                                |                     |                |                  |            |                |                |
| Punjab National Bank                            | Equity Share                   | Rs. 10/-            | 0.00%          | 110              | 110        | 0.43           | 0.43           |
|   |                                |                     |                |                  |            | <u>3480.49</u> | <u>1293.29</u> |

| INVENTORIES  |          | SCHEDULE-G |                 |          |                 |
|--|----------|------------|-----------------|----------|-----------------|
| PARTICULARS  | Schedule | 2007       |                 | 2006     |                 |
|  |          | Rs. Lacs   | Rs. Lacs        | Rs. Lacs | Rs. Lacs        |
| (AS CERTIFIED AND VALUED BY THE MANAGEMENT AT COST OR MARKET VALUE WHICHEVER IS LOWER) |          |            |                 |          |                 |
| RICE & PADDY   |          |            | 33601.25        |          | 28715.38        |
| PULSES   |          |            | 0.00            |          | 0.00            |
| FOOD PRODUCTS  |          |            | 292.39          |          | 208.43          |
| PACKING MATERIALS  |          |            | 1611.86         |          | 1338.99         |
| WORK IN PROGRESS   |          |            | 8.62            |          | —               |
|  |          |            | <u>35514.12</u> |          | <u>30262.79</u> |

| SUNDRY DEBTORS                                      |                | SCHEDULE-H |                |
|---|----------------|------------|----------------|
| Debts outstanding for a period exceeding six months | 1540.31        |            | 228.11         |
| Others  | <u>8652.42</u> |            | <u>5974.64</u> |
|   |                | 10192.73   | 6202.76        |

(Debts considered good for which the company holds no security other than the debtor's personal security).

| <b>CASH AND BANK BALANCES</b>  |                 | <b>SCHEDULE-I</b>   |                 |                 |                 |
|--|-----------------|---------------------|-----------------|-----------------|-----------------|
| <b>PARTICULARS</b>   | <b>Schedule</b> | <b>2007</b>         |                 | <b>2006</b>     |                 |
|  |                 | <b>Rs. Lacs</b>     | <b>Rs. Lacs</b> | <b>Rs. Lacs</b> | <b>Rs. Lacs</b> |
| Cash in hand   |                 | 35.98               |                 | 36.67           |                 |
| Balances with scheduled banks:   |                 |                     |                 |                 |                 |
| Current Account  |                 | 477.07              |                 | 2896.55         |                 |
| Deposit Account  |                 | <u>78.86</u>        |                 | <u>172.46</u>   |                 |
|  |                 |                     | 591.91          |                 | 3105.68         |
| <b>OTHER CURRENT ASSETS</b>  |                 | <b>SCHEDULE - J</b> |                 |                 |                 |
| Security Deposits  |                 | 73.34               |                 | 64.98           |                 |
| Interest accrued   |                 | <u>2.07</u>         |                 | <u>1.85</u>     |                 |
|  |                 |                     | 75.42           |                 | 66.83           |
| <b>LOANS AND ADVANCES</b>  |                 | <b>SCHEDULE - K</b> |                 |                 |                 |
| (Considered good otherwise where provided)   |                 |                     |                 |                 |                 |
| Advance recoverable in cash or in kind or for value to be received                   |                 |                     |                 |                 |                 |
| Advance Tax  |                 | 3225.46             |                 | 2202.88         |                 |
| Prepaid Expenses   |                 | 77.57               |                 | 84.83           |                 |
| Staff Advance  |                 | 4.90                |                 | 2.97            |                 |
| Advance against Purchases  |                 | 219.83              |                 | 15.16           |                 |
| Others   |                 | <u>1806.10</u>      |                 | <u>351.47</u>   |                 |
|  |                 |                     | 5333.85         |                 | 2657.31         |
| Loans given to Subsidiaries & Joint Venture  |                 |                     |                 |                 |                 |
| Subsidiary Company (India)   |                 | 1.20                |                 | 1.20            |                 |
| Joint Venture Company (Dubai)  |                 | 1399.29             |                 | 466.16          |                 |
| Wholly owned Subsidiary - U.K  |                 | 1984.33             |                 | 1358.23         |                 |
| Wholly owned Subsidiary - U.S.A  |                 | <u>2220.92</u>      |                 | <u>673.44</u>   |                 |
|  |                 |                     | 5605.73         |                 | 2499.02         |
|  |                 |                     | <u>10939.58</u> |                 | <u>5156.33</u>  |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>  |                 | <b>SCHEDULE - L</b> |                 |                 |                 |
| <b>CURRENT LIABILITIES</b>   |                 |                     |                 |                 |                 |
| Trade  |                 | 1230.90             |                 | 1519.49         |                 |
| Others   |                 | <u>2231.04</u>      |                 | <u>550.27</u>   |                 |
|  |                 |                     | 3461.94         |                 | 2069.76         |
| <b>PROVISIONS</b>  |                 |                     |                 |                 |                 |
| Gratuity   |                 | 62.45               |                 | 62.07           |                 |
| Taxation   |                 | 3205.76             |                 | 2251.76         |                 |
| Dividend   |                 | 196.00              |                 | 431.20          |                 |
| Tax on Dividend  |                 | <u>33.31</u>        |                 | <u>60.48</u>    |                 |
|  |                 |                     | 3497.52         |                 | 2805.50         |
| <b>MISCELLANEOUS EXPENDITURE</b>   |                 | <b>SCHEDULE - M</b> |                 |                 |                 |
| DEVELOPMENT EXPENDITURE<br>(FCCB EXPENSES TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED) |                 |                     | 310.00          |                 | 346.83          |
| <b>SALES &amp; OTHER INCOMES</b>   |                 | <b>SCHEDULE - N</b> |                 |                 |                 |
| SALES  |                 |                     | 58923.25        |                 | 53993.72        |
| INCOME FROM SALE OF LICENCES   |                 |                     | 246.08          |                 | 191.23          |
| PROFIT ON SALE OF ASSETS   |                 |                     | 1.12            |                 | 14.75           |
| MISCELLANEOUS AND OTHER INCOME   |                 |                     | <u>11.28</u>    |                 | <u>84.66</u>    |
|  |                 |                     | <u>59181.74</u> |                 | <u>54284.36</u> |

| CASH AND BANK BALANCES  |          | SCHEDULE-O |           |          |           |
|---|----------|------------|-----------|----------|-----------|
| P A R T I C U L A R S   | Schedule | 2007       |           | 2006     |           |
|   |          | Rs. Lacs   | Rs. Lacs  | Rs. Lacs | Rs. Lacs  |
| <b>A. Materials</b>   |          |            |           |          |           |
| Consumption of raw materials and components-net                                     |          |            | 47080.59  |          | 43267.79  |
| <b>B. Employees remuneration and benefits</b>                                       |          |            |           |          |           |
| Salaries, wages and bonus   |          | 960.32     |           | 744.54   |           |
| Contribution to provident, gratuity and other funds                                 |          | 65.61      |           | 51.94    |           |
| Welfare Expenses  |          | 89.95      | 1115.88   | 62.03    | 858.51    |
| <b>C. Other Expenses</b>  |          |            |           |          |           |
| Packing Material Consumed   |          | 2696.57    |           | 1980.25  |           |
| Brokerage & Commission on Purchase  |          | 158.04     |           | 99.56    |           |
| Freight & Octroi  |          | 369.86     |           | 330.83   |           |
| Loading & Unloading Exp.  |          | 189.86     |           | 211.98   |           |
| Power & Fuel  |          | 753.44     |           | 721.93   |           |
| Repair & Maintenance  |          |            |           |          |           |
| Building  |          | 77.08      |           | 32.87    |           |
| Machinery   |          | 164.10     |           | 250.57   |           |
| General   |          | 30.70      |           | 46.03    |           |
| Rent  |          | 51.90      |           | 31.77    |           |
| Rates and Taxes   |          | 177.06     |           | 139.03   |           |
| Insurance   |          | 107.83     |           | 97.11    |           |
| Research & development  |          | 33.80      |           | 12.70    |           |
| Postage, Telegram and Telephone   |          | 108.30     |           | 125.98   |           |
| General Expenses  |          | 149.28     |           | 135.35   |           |
| Legal and Professional Charges  |          | 119.33     |           | 90.68    |           |
| Charity and Donation  |          | 10.73      |           | 11.65    |           |
| Vehicle Maintenance   |          | 72.73      |           | 47.51    |           |
| Printing and Stationery   |          | 34.25      |           | 26.12    |           |
| Staff Recruitment Expenses  |          | 7.26       |           | 5.14     |           |
| <b>Payment to Auditors</b>  |          |            |           |          |           |
| Audit Fees  |          | 9.75       |           | 9.00     |           |
| Other Capacity  |          | —          |           | 0.00     |           |
| Conveyance  |          | 57.58      |           | 60.64    |           |
| Membership & subscription   |          | 8.79       |           | 10.20    |           |
| <b>Selling and Distribution Expenses</b>  |          |            |           |          |           |
| Advertisement and Publicity   |          | 548.10     |           | 398.85   |           |
| Business Promotion  |          | 473.35     |           | 317.95   |           |
| Travelling Expenses   |          | 203.21     |           | 147.82   |           |
| Rebate & Discount   |          | 44.34      |           | 91.86    |           |
| Ocean Freight   |          | 1748.39    |           | 1519.29  |           |
| Expenses Against Export   |          | 33.34      |           | 59.89    |           |
| Brokerage & Commission  |          | 31.23      |           | 95.30    |           |
| Clearing and Forwarding   |          | 1215.72    |           | 919.76   |           |
|   |          |            | 9685.91   |          | 8027.64   |
|   |          |            | 57882.38  |          | 52153.94  |
| <b>D. Movement in value of stock of finished/trading goods and work in progress</b> |          |            |           |          |           |
| Opening Stock   |          | 28923.81   |           | 26202.91 |           |
| Closing Stock   |          | 33902.26   |           | 28923.81 |           |
| (Increase)/Decrease   |          |            | (4978.47) |          | (2720.89) |
|   |          |            | 52903.91  |          | 49433.04  |

| FINANCIAL CHARGES                     |  | SCHEDULE - P |         |
|---------------------------------------|--|--------------|---------|
| Bank Charges                          |  | 216.33       | 226.70  |
| Interest Paid on Working Capital Loan |  | 1620.06      | 895.79  |
| Interest Paid on Term Loan            |  | 146.05       | 124.34  |
|                                       |  | 1982.44      | 1246.83 |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS****SCHEDULE - R****1) SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Preparation of Financial Statements**

The financial statements are prepared on the historical cost convention basis in accordance with the generally accepted Accounting principles and the Accounting standards referred to in Section 211(3C) of the Companies Act 1956, as adopted consistently by the company.

The preparation of financial statements in conformity with the Accounting Standards requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities as on the date of balance sheet and the reported amount of revenues and expenditures during the reporting period. Examples of such estimates include useful life of fixed assets, Lease Rental and write off of deferred revenue expenditure. Actual results could differ from those estimates.

**b) Revenue Recognition :**

The company follows the mercantile system of accounting and recognises the income and expenditures on accrual basis except in case of significant uncertainties. Certain items of income such as insurance claim, market fees refund, overdue interest from customers etc have been considered to the extent the amount is accepted by the parties. The principles of the revenue recognition are given below:-

- (I) Sales are recognised as follows :
- Domestic Sales - At the point of dispatches to customers.
  - Export Sales - At the time of issue of Bill of Lading.

There are some instances of deviation where sales have been booked on the date of negotiation. The deviation is as much as 3 days. The differences arising out of these deviations are not material. Sales are recorded net off sales tax & excise duty.

- (II) Income from processing charges have been recognised net off processing charges.
- (III) Sale of license is recognised on realisation basis.
- (IV) Duty draw back is recognized on realization basis.

**c) Fixed Assets**

- (i) Fixed Assets are stated at cost less accumulated depreciation.
- (ii) Capital work in progress is stated at cost. Capital WIP includes the cost of fixed assets that are not yet ready for their intended use, before the balance sheet date.

**d) Depreciation**

Depreciation is provided on written down value basis at rates provided in Schedule XIV to the Companies Act, 1956. The depreciation rates which are different from the principal rates specified in Schedule-XIV are as follows:-

|                         |      |      |
|-------------------------|------|------|
| Tarpoline               | 100% |      |
| Wooden & Plastic Crates |      | 100% |

In case of items having value of Rs. 5,000/- and below acquired during the year have been charged to profit & loss account at 100% in the year of purchase.

**e) Taxes on Income**

Provision is made for current Income Tax Liability estimated to arise on the results for the year at the current rate of tax in accordance with Income Tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets and Liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date.

**f) Retirement Benefits**

- (i) Provident Fund and Family Pension :  
Contribution to PF and FPF are provided for and payments in respect thereof are made to the relevant authorities.

(ii) Gratuity

Gratuity liability is determined on the basis of actuarial valuation.

**g) Investments**

i) Investments are stated at cost.

Investments in Wholly Owned subsidiary companies Investment in the wholly owned subsidiary companies have been stated at cost. No provisions for losses suffered by the subsidiaries have been made in the accounts.

However consolidated financial statements have been prepared for the information of the members.

ii) Investments in Joint Venture Company

Investment in the Joint Venture Company has been stated at cost. No provision for loss suffered by Joint Venture company has been made in the accounts.

The consolidated financial statements have been prepared for the information of the members.

**h) Inventories**

(i) Inventories are valued at cost or net realisable value which is lower, as taken, valued and certified by the management. The basis for determining cost for various categories of inventories are as under:

|                  |   |   |
|------------------|---|---|
| Raw Material     | — | At cost on FIFO Basis   |
| Finished Stock   | — | At material cost + appropriate share of production overhead.<br>(On weighted average cost basis). |
| Work in Progress | — | At material cost + appropriate share of production overhead.<br>(On weighted average cost basis). |
| Packing Material | — | At Cost   |

(ii) Stores & Spares

Stores & spares are charged to profit & loss A/c in the year of purchase.

**i) Foreign Exchange Transactions**

(i) Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

(ii) Investment in WOS and JV companies are recorded at the foreign exchange rate prevailing on the dates of making the investments.

(iii) The Monetary items denominated in foreign currency are translated at the year end rate of exchange, except those relating to loan taken in foreign currency and Loan given to subsidiaries companies and Joint venture which have been stated at transaction rate.

This has been done in accordance with para 11 of AS - 11 and as a matter of prudence, unrealistic & unrealised profit/loss has not been booked.

(iv) Non Monetary foreign currency items are stated at cost.

(v) The exchange difference arising out of subsequent settlement, if any, are included in sales.

(vi) Since foreign currency is being hedged against exports, therefore exchange gains/losses has been adjusted against turnover.

**j) Research & Development**

Revenue Expenditure on Research & Development is charged as an expense in the year in which it is incurred. Capital expenditure is included in respective heads under fixed assets.

**k) Miscellaneous Expenditure**

The issue expenditure of FCCB is treated as Deferred Revenue expenditure and is being written off over a period of ten years.

**l) Segment Reporting**

The Company is primarily engaged in the business of manufacturing, trading & marketing of food products which is a single segment, as per Accounting Standard (AS) 17 issued by the Institute of Chartered Accountant of India. Therefore disclosure requirement of (AS) 17 does not apply.

**m) Earning per share**

Basic earning per share is calculated by dividing net profit/loss for the year attributable to equity share holder by weighted average number of equity share outstanding during the year. Diluted earning per share is same as basic earning per share as there are no potential dilutive equity shares.

| <u>NOTES TO ACCOUNTS</u>   | <u>2006-2007</u>    | <u>(Lacs)</u><br><u>2005-2006</u> |
|--|---------------------|-----------------------------------|
| <b>1) Earning Per Share</b>  |                     |                                   |
| Net profit attributable to equity share holders  |                     |                                   |
| Profit after tax   | 2,207.18            | 2,080.29                          |
| Number of weighted average equity share  | 196.00              | 196.00                            |
| Basic  | 11.26               | 10.61                             |
| Diluted  | 11.26               | 10.61                             |
| <b>2) Directors Remuneration</b>   |                     |                                   |
| a) Salary  | 72.00               | 72.00                             |
| Total  | <u>72.00</u>        | <u>72.00</u>                      |
| <b>b) Computation of Net Profit in accordance with section 349 of the Companies Act 1956</b> |                     |                                   |
| a) Profit before Taxation as per P&L A/c   | 3,082.18            | 2,770.29                          |
| Add : i) Depreciation charged to P&L A/c   | 1,040.67            | 812.70                            |
| ii) Director's Fee & Salaries  | 72.00               | 72.00                             |
| iii) Remuneration to Managing Agents   | —                   | —                                 |
| iv) Profit/Loss on sale of Fixed Assets u/s 349 of Companies Act 1956.                       | 1.12                | 14.75                             |
| Less : i) Depreciation u/s 350 of Companies Act 1956.  | 1,040.67            | 812.70                            |
| ii) Profit/loss on sale of Fixed Assets as per P&L A/c                                       | 1.12                | 14.75                             |
|  | <u>3,154.18</u>     | <u>2,842.29</u>                   |
| <b>3) Raw materials consumed</b>   | <b>Qty. in Qtls</b> | <b>Value in Lacs</b>              |
| Paddy  | 699,396.99          | 9,917.41                          |
|  | (956,196.05)        | (10,761.32)                       |
| Ready to Eat (Pieces)  | 461.34              | (382.93)                          |
| <b>4) Earning from Exports</b>   |                     |                                   |
| Export value of Direct Export of goods.  | 31,780.32           | 29,310.85                         |
| <b>5) Expenditure in Foreign Currency</b>  |                     |                                   |
| — Travelling   | 32.40               | 27.70                             |
| — Brokerage & Commission   | 6.87                | 5.25                              |
| — Business Promotion   | 83.40               | 44.56                             |
| — Legal & Professional charges   | 2.01                | 0.50                              |
| — Membership & Subscription  | 11.68               | 0.35                              |
| — Books & Periodicals  | —                   | 0.35                              |
| — Ocean Freight  | 671.63              | 209.99                            |
| — Entertainment  | 0.65                | 0.68                              |
| — Copyright & Trade Mark   | 6.65                | 1.70                              |

|                             | Qty. in Qtls    | Value in Lacs |
|-----------------------------|-----------------|---------------|
| — Interest on FCCB          | 89.28           | 52.40         |
| — Clearing & Forwarding     | 1.81            | 0.34          |
| — Expenses agst Export      | 8.76            | —             |
| — Rebate & Discount         | 145.65          | —             |
| — Advertisement & Publicity | 25.60           | —             |
| — Telephone Expenses        | 0.26            | —             |
| — Research & Development    | 11.53           | —             |
|                             | <u>1,098.17</u> | <u>343.81</u> |

**6) Foreign Currency Convertible Bonds**

20000 One percent convertible bonds of USD 1000 each amounting to USD 20 millions is listed at Luxemburg Stock Exchange which is due in 2010. The interest is payable semi annually on 31st Dec and 30th June of each year.

The bonds are not rated by any rating agency. The bond have the right to convert their bonds into shares during the conversion period.

The bondholders will have no voting rights at a general meeting of the company or otherwise, unless and until the bondholders chooses his option to convert the bonds into equity shares in accordance with the conditions specified.

During the year the company has utilized the proceeds completely towards business development and expansion, in accordance with the end use restriction specified in the ECB guidelines.

- 7) a). Prior period expenditure of Rs. .35(1.843) pertains to Rates, Fees& Taxes has been debited to Profit & Loss Account.
- b). Loan and Advances include capital advances amounting to Rs.69.08(112.55) lacs and inter corporate deposit amounting to Rs. 1,500.00 lacs
- c). Sundry debtors include an amount of Rs. 115.71(113.43) lacs in respect of which cases are pending in the court for recovery, however no provision has been considered necessary by the management with respect to such amount. Sundry Debtors also include receivables Rs. 4418.74 (1,871.66)lacs from wholly owned subsidiaries and Rs. 1021.10 (705.84) lacs from Joint venture company.
- d). Expenses incurred during the year on registration of trade mark amounting to Rs. 9.68 (14.03) lacs has been charged to profit/loss a/c and has not been recognised as an Intangible asset as per Accounting Standard 26.
- e). Unsecured loan from LIC amounting to Rs. 3,000.00 lacs has been taken during the year against which 30 debentures of Rs. 100.00 lacs each has been issued. The debentures are redeemable with interest after 365 days from the date of issue.
- 8) Market value of quoted share of Punjab National Bank is Rs. .52 (.51) lacs.
- 9) The company has closed down its operation in Amritsar Plant during the year and all its facilities has been transferred to Murthal Plant.

**10) Quantitative Information's in respect of Capacity, Opening Stock, Production, Sales and Closing Stock (As certified by the management)**

| a) <u>Class of Goods</u> | <u>Rice</u>       |                     |
|--------------------------|-------------------|---------------------|
|                          | <u>2006-2007</u>  | <u>2005-2006</u>    |
| Installed Capacity       | 40 M.T.P.H.       | 40 M.T.P.H.         |
| Actual Production        | 45530 M.T         | 63951 M.T           |
|                          |                   | <u>Ready to Eat</u> |
| Installed Capacity       | 50000 Pouches/Day | 50000 Pouches/Day   |
| Actual Production        | 1724.24 (MT)*     | 5789652 Pouches     |
|                          |                   | <u>Frozen Foods</u> |
| Installed Capacity       | 20 M.T/Day        | —                   |
| Actual Production        | 225.150 M.T       | —                   |

**b) Production, Stocks & Sales**

|                  | Opening<br>Closing Stock   | Production/<br>Purchase        | Damage/<br>Shortate<br>Samples | Closing<br>Stock             | Sales/<br>Consumed             | Sale Value<br>(Rs. Lacs) |
|------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|--------------------------------|--------------------------|
| Rice (Qtls.)     | 916,844.25<br>(645,748.04) | 2,055,865.15<br>(2,672,279.55) | (124.18)<br>657.87             | 1,110,879.90<br>(916,844.25) | 1,861,953.68<br>(2,400,525.47) | 46,739.22<br>(50,945.03) |
| Pulses (Qtls)    | —<br>(1,429.69)            | 226,799.59<br>(32,003.89)      | 732.27<br>(1,008.52)           | —<br>—                       | 226,067.32<br>(32,425.06)      | 8,412.34<br>(789.19)     |
| Foods (MT)*      | 228.85<br>(572,530.00)     | 4,397.96<br>(7,390,179.00)     | 12.92<br>(212,576.00)          | 311.62<br>(807,136.00)       | 4,302.27<br>(6,942,997.00)     | 3,744.02<br>(2,178.21)   |
| Wheat Flour (MT) | —                          | —<br>(1,527.20)                | —                              | —                            | —<br>(1,527.20)                | —<br>(31.77)             |
| Mango Pulp (MT)  | —                          | —<br>(180.79)                  | —                              | —                            | —<br>(180.79)                  | —<br>(10.24)             |
| Machinery        |                            |                                |                                |                              |                                | 27.67<br>(39.28)         |

\* Previous year figure are in Pouches and M.T in some cases, hence not comparable.

**c.) Consumption of raw materials, components and spares**

|            | 2006-2007           |                          |                       | 2005-2006           |                          |                      |
|------------|---------------------|--------------------------|-----------------------|---------------------|--------------------------|----------------------|
|            | Raw Material        | Components<br>and Spares | Packaging<br>Material | Raw<br>Material     | Components<br>and Spaces | Packaing<br>Material |
| Indigenous | 40,361.45<br>95.87% | 154.15<br>93.93%         | 2466.37<br>91.46%     | 33,531.22<br>82.70% | 241.730<br>96.47%        | 1794.525<br>90.62%   |
| Imported   | 1,740.68<br>4.13%   | 9.96<br>6.07%            | 230.20<br>8.54%       | 7,015.68<br>17.30%  | 8.841<br>3.53%           | 185.724<br>9.38%     |
|            | 42,102.13           | 164.10                   | 2,696.57              | 40,546.89           | 250.57                   | 1,980.25             |

**11) CIF Value of Imports**

|                            | 2006-2007<br>Value (in Rs. Lacs) | 2005-2006<br>Value (in Rs. Lacs) |
|----------------------------|----------------------------------|----------------------------------|
| — Capital goods            | 504.22                           | 349.59                           |
| — Components & Spare Parts | 9.96                             | 8.84                             |
| — Finished Products        | 1,740.68                         | 7,015.68                         |
| — Packaging Material       | 362.00                           | 230.55                           |
| — Raw Material             | 12.37                            | —                                |
| <b>Total</b>               | <b>2,629.23</b>                  | <b>7,604.65</b>                  |

**12) RELATED PARTIES DISCLOSURES UNDER ACCOUNTING STANDARD 18**

**a. List of related parties**

- i) Wholly Owned Subsidiaries of the Company  
 — Sachdeva Brothers Ltd. India  
 — Satnam Overseas Ltd. Inc., USA  
 — Indo European Foods Ltd, U.K
- ii) Joint Venture of the Company  
 — Rich Rice Raisers Factory- Dubai
- iii) Directors  
 Mr. Jugal Kishore Arora Chairman  
 Mr. Satnam Arora Jt.Mg.Director  
 Mr. Gurnam Arora Jt.Mg.Director  
 Mr. Anil Bhatia Director  
 Mr. Vijay Burman Director  
 Mr. Vijay Parkash Aggarwal Director

**b. The following transactions were carried out with related parties in the ordinary course of Business during the year.**

|   | <u>Subsidiary<br/>Compaines</u> | <u>Joint Venture<br/>Compaines</u> | <u>(Value in Lacs)<br/>Key management<br/>Personal and<br/>their relatives</u> |
|---|---------------------------------|------------------------------------|--|
| — Sale of Finished Goods                            | 7,284.67<br>(4,368.34)          | 2,224.18<br>(1,373.83)             | —  |
| — Lease Rental/Commission                           | —                               | —                                  | 3.44<br>(10.55)  |
| — Loan/Advance/Equity Contribution as on 31.03.2007 | 7,677.09<br>(4,089.95)          | 1,408.70<br>(475.58)               | —  |
| — Remuneration                                      |                                 |                                    | 75.26<br>(75.50)   |
| — Interest/Commission Received                      | —                               | 33.59<br>(21.38)                   | —  |
| — Corporate guarantee given by the company          | 7,246.25<br>(6,575.95)          | 1,537.90<br>(1,336.56)             | —  |
| — Balances outstanding at the year end:             |                                 |                                    |  |
| — Receivables                                       | 4,418.74<br>(1,871.66)          | 1,021.10<br>(705.84)               | —  |
| — Payables  | —                               | —                                  | —  |

**13) Contingent Liabilities**

|  | <b>2006-2007</b> | <b>2005-2006</b> |
|--|------------------|------------------|
| a) Corporate Guarantee given by the Co.  | 8,784.15         | 7,912.50         |
| b) Sales Tax   | 122.00           | 122.00           |
| c) Letter of Credit  | 166.93           | 58.08            |
| d) Surety Bonds issued to Govt.Agencies  | 34.53            | 34.53            |
| e) Duty fore gone against Capital Goods imported and procured from the domestic market for Export Oriented Unit. | 259.08           | 237.78           |
|  | <u>9,366.69</u>  | <u>8,364.89</u>  |

|   | 2006-2007                     | 2005-2006         |
|---|-------------------------------|-------------------|
| 14) Capital Expenditure Commitment (Net of advances)  | 496.96                        | 313.22            |
| 15) Bank Guarantee given by Bankers on behalf of the Company  | 9.75                          | 7.25              |
| 16) Customs Duty against quantities un exported against advance licenses.                               | <u>21.29</u>                  | <u>21.29</u>      |
| 17) Corporate guarantees are given by the company to subsidiaries and Joint Venture as follows:-        |                               |                   |
| i) Indo Euroepan Foods Ltd  | ICICI Bank & IOB              |                   |
| ii) Rich Rice Raisers Factory LLC   | Standard Chartered Bank       |                   |
| 18) Nature of contingent liability regarding Sales Tax is as follows                                    |                               |                   |
| Particulars   | Forum where matter is pending | Amount (Rs. Lacs) |
| Sales Tax   | Commissioner of Sales Tax     | 122.00            |
| 19) During the year no amount of Dividend has been remitted in foreign currency to NRIs out side India. |                               |                   |
| 20) Debtors and Creditors are subject to confirmation.  |                               |                   |
| 21) Previous year figures have been regrouped/rearranged, whenever necessary, for comparison purposes.  |                               |                   |
| 22) Figures in ( ) are related to previous year.  |                               |                   |

In terms of our separate report of even date attached

FOR AND ON BEHALF OF THE BOARD

FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS

(MAYUR BATRA)

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi  
Dated :- 30.06.2007

(Figures in \$.)

| PARTICULARS  | FOR THE PERIOD<br>ENDED 31.03.2007 | FOR THE PERIOD<br>ENDED 31.03.2006 |
|--|------------------------------------|------------------------------------|
| <b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007</b> |                                    |                                    |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                                    |                                    |
| — Net Profit before interest, tax & extra ordinary items       | 5,064.28                           | 4,015.28                           |
| — Adjustments for :-   |                                    |                                    |
| Depreciation   | 1,040.67                           | 812.70                             |
| Foreign exchange   | —                                  | —                                  |
| Interest / Dividend  | —                                  | —                                  |
| Deferred Revenue Expenditure                                   | 36.83                              | 21.48                              |
| — Operating profit before working capital changes              | 6,141.78                           | 4,849.46                           |
| — Adjustments for :-   |                                    |                                    |
| Trade & other receivables                                      | (5,175.10)                         | (1,516.39)                         |
| Inventories  | (5,251.33)                         | (3,182.31)                         |
| Trade payables   | 2,004.19                           | 95.21                              |
| — Cash generated from operations                               | (2,280.46)                         | 245.99                             |
| Interest paid  | 1,982.44                           | 1,246.83                           |
| Direct taxes   | 955.00                             | 762.00                             |
| Deferred Taxes   | (80.00)                            | (72.00)                            |
| — Cash flow before extra ordinary items                        | (5,137.89)                         | (1,690.84)                         |
| Extra ordinary items   | —                                  | —                                  |
| Net cash from operating activities                             | (5,137.89)                         | (1,690.84)                         |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                  |                                    |                                    |
| — Purchase of fixed assets                                     | (1,612.34)                         | (2,019.91)                         |
| — Sale of fixed assets   | —                                  | —                                  |
| — Acquisition of companies                                     | —                                  | —                                  |
| — Purchase of investments & Loans                              | (6,020.27)                         | (1,591.10)                         |
| — Loans to J.V companies & WOS                                 | —                                  | —                                  |
| — Interest received  | —                                  | —                                  |
| — Dividend received  | —                                  | —                                  |
| — Net cash flow from investing activities                      | (7,632.61)                         | (3,611.01)                         |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                  |                                    |                                    |
| — Proceeds from issue of share capital / share premium         | —                                  | —                                  |
| — Proceeds from borrowings                                     | 10,486.04                          | 8,516.20                           |
| — Repayment of finance, lease liabilities -                    | —                                  | —                                  |
| — Dividends / purchase tax                                     | (229.31)                           | (491.68)                           |
| — Net cash flow from financing activities                      | 10,256.73                          | 8,024.52                           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                      | (2,513.77)                         | 2,722.67                           |
| — Cash & Cash equivalent as at opening 3,105.68                | 383.01                             | —                                  |
| — Cash & Cash equivalent as at closing                         | 591.91                             | 3,105.68                           |

In terms of our separate report of even date attached

FOR AND ON BEHALF OF THE BOARD

FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS

(MAYUR BATRA)

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi

Dated :- 30.06.2007

**AUDITOR'S REPORT**

We have examined the attached cash flow statement of Satnam Overseas Limited for the year ended March 31, 2007. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the listing agreement with stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our report of June 30, 2007 to the members of the company.

**ADDITIONAL INFORMATION AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**I. Registration details**

|                  |            |
|------------------|------------|
| Registration No. | 37097      |
| State code       | 55         |
| sheet date       | 31-03-2007 |

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

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Right Issue       | Nil |
| Bonus issue  | Nil | Private placement | Nil |

**III. Position of Mobilisation and Deployment of funds**

|                   |           |              |           |
|-------------------|-----------|--------------|-----------|
| Total Liabilities | 6,039,594 | Total Assets | 6,039,594 |
|-------------------|-----------|--------------|-----------|

**SOURCES OF FUNDS**

|                          |           |                   |           |
|--------------------------|-----------|-------------------|-----------|
| Paid-up Capital          | 196000    | Reserve & Surplus | 1,220,268 |
| Secured loans            | 2,641,977 | Unsecured Loans   | 1,959,803 |
| Deffered Tax Liabilities | 21,546    |                   |           |

**APPLICATION OF FUNDS**

|                    |         |                   |         |
|--------------------|---------|-------------------|---------|
| Net fixed assets   | 625115  | Investments       | 348,049 |
| Net current assets | 5035430 | Misc. Expenditure | 31,000  |
| Accumulated losses | 0       |                   |         |

**IV. Performance of the company ( Amount in Rs. Thousand )**

|                                 |         |                                |           |
|---------------------------------|---------|--------------------------------|-----------|
| Turnover                        | 5892325 | Total Expenditure              | 5,584,107 |
| Profit / loss<br>( before tax ) | 308218  | Profit / loss<br>( after tax ) | 220,718   |
| Earning per share (Rs.)         | 11.26   | Dividends                      | 19,600    |

**V. Generic names of three principal products/services of company  
(As per monetary terms)**

|                           |              |
|---------------------------|--------------|
| Item code no. (ITC Code ) | N.A          |
| Product description       | Rice         |
| Item code no. (ITC Code ) |              |
| Product description       | Pulses       |
| Item code no. (ITC Code ) |              |
| Product description       | Wheat Flour  |
| Item code no. (ITC Code ) |              |
| Product description       | Spices       |
| Item code no. (ITC Code ) |              |
| Product description       | Frozen       |
| Item code no. (ITC Code ) |              |
| Product description       | Ready to Eat |

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS**

(MAYUR BATRA)

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi  
Dated :- 30.06.2007

**ANNEXURE TO THE BALANCE SHEET AS AT 31ST MARCH, 2007**

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in the subsidiaries companies

| 01 | Name of subsidiaries Company  | Sachdeva Brothers Ltd. | Satnam Overseas Ltd. Inc.(SOLI) | Indo European Foods Limited |
|----|---|------------------------|---------------------------------|-----------------------------|
| 02 | Financial Year of the subsidiaries ended on   | 31-03-2007             | 31-03-2007                      | 31-03-2007                  |
| 03 | Number of shares held by Satnam Overseas Ltd. with its Nominees in the subsidiaries Companies at the end of the financial year of the subsidiaries companies. |                        |                                 |                             |
|    | Equity shares of Rs. 100 each fully paid up (\$10 fully paid up in case of SOLI) (£1 fully paid up in case of IEFL)   | 15,835.00              | 350,000.00                      | 1,000,000.00                |
|    | ii) Preference Shares (£1 fully paid up in case of IEFL)  |                        |                                 | 1,000,000.00                |
|    | iii) Extent of holding  | 100%                   | 100%                            | 100%                        |
|    | iv) Share Application Money (Rs.) / (\$)  | Nil                    | Nil                             | Nil                         |
| 04 | Date from which it became subsidiaries Company  | 17/10/1990             | 24/03/2000                      | 3/29/2005                   |
| 05 | The net aggregate of Profit/(Loss) of the subsidiaries Companies as far as it concerns the members of the Holding Company                                     |                        |                                 |                             |
|    | Not dealt with in the Holding Company's Account   |                        |                                 |                             |
|    | (a) For the Period Ended 31.03.2007   | (1,150.00)             | \$6,396.19                      | (£118451.00)                |
|    | (b) For the Previous Financial years since it became the Holding company's subsidiaries   | (1,340,461.00)         | (\$1,425,831.41)                | (£277969.00)                |
|    | ii) Dealt with in the Holding Company's Accounts  |                        |                                 |                             |
|    | (a) For the financial years of the subsidiaries   | Nil                    | Nil                             | Nil                         |
|    | (b) For the Previous Financial years since it became the Holding company's subsidiaries   | Nil                    | Nil                             | Nil                         |
| 06 | Changes in the interest of Satnam Overseas Ltd. between the end of the subsidiaries's Financial year and 31st March, 2006                                     |                        |                                 |                             |
|    | — Number of Shares acquired   | Nil                    | Nil                             | Nil                         |
|    | — Material changes between the end of the subsidiaries's Financial year and 31st March, 2006  |                        |                                 |                             |
|    | (i) Fixed Assets (Net Addition) (Capital Work-in-progress)  | Nil                    | Nil                             | Nil                         |
|    | (ii) Investments  | Nil                    | Nil                             | Nil                         |
|    | (iii) Money lent by the subsidiaries  | Nil                    | Nil                             | Nil                         |
|    | (iv) Moneys borrowed by the subsidiaries Company other than for meeting Current Liabilities   |                        |                                 |                             |

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS**

**(MAYUR BATRA)**

**(SATNAM ARORA)  
JT. MG. DIRECTOR**

**(GURNAM ARORA)  
JT. MG. DIRECTOR**

**(KANIKA VERMA)  
COMPANY SECRETARY**

New Delhi

Dated :- 30.06.2007

## Consolidated Kohinoor Foods Limited

### BALANCE SHEET AS AT 31ST MARCH 2007

| P A R T I C U L A R S                           | Schedule | 2007     |                 | 2006     |                    |
|---|----------|----------|-----------------|----------|--------------------|
|   |          | Rs. Lacs | Rs. Lacs        | Rs. Lacs | Rs. Lacs           |
| <b>Sources of funds</b>                         |          |          |                 |          |                    |
| <b>1. Shareholder's funds</b>                   |          |          |                 |          |                    |
| Capital   | A        | 1960.00  |                 | 1960.00  |                    |
| Reserve & surplus                               | B        | 11556.66 |                 | 9405.29  |                    |
|   |          |          | 13516.66        |          | 11365.29104        |
| <b>2. Loan funds</b>                            |          |          |                 |          |                    |
| Secured loans                                   | C        | 31347.71 |                 | 31300.54 |                    |
| Unsecured loans                                 | D        | 19914.96 |                 | 9343.00  |                    |
|   |          |          | 51262.67        |          | 40643.54272        |
|   |          |          | 215.46          |          | 295.46             |
| <b>Deferred tax liability - net</b>             |          |          |                 |          |                    |
| <b>Total</b>                                    |          |          | <b>64994.79</b> |          | <b>52304.29375</b> |
| <b>Application of funds</b>                     |          |          |                 |          |                    |
| <b>1. Fixed assets</b>                          |          |          |                 |          |                    |
| Gross block                                     | E        | 14817.78 |                 | 12648.11 |                    |
| Less: Depreciation                              |          | 5273.35  |                 | 4300.60  |                    |
| Net block                                       |          |          | 9544.42         |          | 8347.52            |
| Capital work-in-progress                        |          |          | 1451.92         |          | 1067.51            |
| <b>2. Investments</b>                           |          |          |                 |          |                    |
|   | F        |          | 318.20          |          | 81.07              |
| <b>3. Current assets, loans and advances</b>    |          |          |                 |          |                    |
| A) Inventories                                  | G        | 42342.83 |                 | 33459.28 |                    |
| B) Sundry Debtors                               | H        | 8966.80  |                 | 5737.77  |                    |
| C) Cash and bank balances                       | I        | 836.33   |                 | 3356.10  |                    |
| D) Other current assets                         | J        | 75.42    |                 | 66.83    |                    |
| E) Loan and advances                            | K        | 6717.78  |                 | 3185.68  |                    |
|   |          | 58939.16 |                 | 45805.66 |                    |
| <b>Less: Current liabilities and provisions</b> |          |          |                 |          |                    |
| A) Liabilities                                  | L        | 3702.70  |                 | 2099.84  |                    |
| B) Provisions                                   |          | 3497.52  |                 | 2805.50  |                    |
|   |          | 7200.22  |                 | 4905.34  |                    |
| <b>Net current assets</b>                       |          |          | 51738.94        |          | 40900.31509        |
| <b>Miscellaneous expenditure</b>                | M        |          | 1941.31         |          | 1,907.88           |
| (to the extent not written off or adjusted)     |          |          |                 |          |                    |
| <b>Total</b>                                    |          |          | <b>64994.79</b> |          | <b>52304.29</b>    |

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

In terms of our separate report of even date attached

FOR AND ON BEHALF OF THE BOARD

FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS

(MAYUR BATRA)

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi  
Dated :- 30.06.2007

## Consolidated Kohinoor Foods Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

| P A R T I C U L A R S   | Schedule | 2007            |                 | 2006            |                 |
|---|----------|-----------------|-----------------|-----------------|-----------------|
|   |          | Rs. Lacs        | Rs. Lacs        | Rs. Lacs        | Rs. Lacs        |
| <b>Income</b>   |          |                 |                 |                 |                 |
| Sales   |          | 62547.47        |                 | 55582.07        |                 |
| Excise Duty   |          | 60.58           |                 | 16.65           |                 |
| Net Sales   |          | 62486.89        |                 | 55565.42        |                 |
| Add :- Other Income   |          | 162.44          |                 | 407.37          |                 |
| Sales & other income  | N        | <u>62649.33</u> |                 | <u>55972.79</u> |                 |
|   |          |                 | <u>62649.33</u> |                 | <u>55972.79</u> |
| <b>Expenditure</b>  |          |                 |                 |                 |                 |
| Manufacturing and other expenses                                | O        | 56293.37        |                 | 51079.07        |                 |
| Depreciation, amortisation and impairment                       |          | 1286.55         |                 | 920.92          |                 |
| Financial expenses  | P        | <u>2067.80</u>  |                 | <u>1540.61</u>  |                 |
|   |          |                 | <u>59647.72</u> |                 | <u>53540.61</u> |
| <b>Profit before extraordinary items/<br/>Profit before Tax</b> |          |                 | 3217.88         |                 | 2770.29         |
| Provision for taxation - Current Tax                            |          |                 | 955.00          |                 | 762.00          |
| - Deferred Tax  |          |                 | <u>(80.00)</u>  |                 | <u>(72.00)</u>  |
| Profit after tax  |          |                 | 2126.61         |                 | 1742.19         |
| Prior Period Adjustment   |          |                 | 0.35            |                 | 1.84            |
| Less - Provision for dividend                                   |          |                 | 196.00          |                 | 431.20          |
| Tax on Proposed Dividend  |          |                 | 33.31           |                 | 60.48           |
| Transferred to General Reserve                                  |          |                 | <u>1896.95</u>  |                 | <u>1248.67</u>  |

## Consolidated Kohinoor Foods Limited

| P A R T I C U L A R S  | Schedule | 2007                |                | 2006          |                |
|--|----------|---------------------|----------------|---------------|----------------|
|  |          | Rs. Lacs            | Rs. Lacs       | Rs. Lacs      | Rs. Lacs       |
| <b>SHARE CAPITAL</b>   |          | <b>SCHEDULE - A</b> |                |               |                |
| AUTHORISED   |          |                     |                |               |                |
| 5,00,00,000 Equity shares of Rs. 10 each   |          |                     | 5000.00        |               | 5000.00        |
| ISSUED, SUBSCRIBED & PAID UP CAPITAL   |          |                     | 1960.00        |               | 1960.00        |
| 196,00,000 Equity Shares of Rs. 10/- each.<br>(Of the above shares 6911480 shares are<br>allotted as fully paid up by way of bonus shares<br>by capitalization of share premium & reserve) |          |                     | <u>1960.00</u> |               | <u>1960.00</u> |
| <b>RESERVE AND SURPLUS</b>   |          | <b>SCHEDULE - B</b> |                |               |                |
| <b>GENERAL RESERVE</b>   |          |                     |                |               |                |
| As per last balance sheet  |          | 9405.29             |                | 7995.62       |                |
| Add Transfer from Profit & Loss a/c.   |          | 1896.94             |                | 1248.68       |                |
| Profit & Loss Appropriation Account  |          | <u>254.42</u>       |                | <u>160.99</u> |                |
|  |          |                     | 11556.66       |               | 9405.29        |
| <b>SECURED LOANS</b>   |          | <b>SCHEDULE - C</b> |                |               |                |
| Kohinoor Foods Ltd- India  |          | 26319.70            |                | 26202.56      |                |
| Rich Rice Raisers - Dubai  |          | 324.58              |                | 308.09        |                |
| Indo European Foods Ltd - U.K  |          | 1720.18             |                | 4563.46       |                |
| Satnam Overseas Ltd Inc. - U.S.A   |          | <u>2983.25</u>      |                | <u>226.43</u> |                |
|  |          |                     | 31347.71       |               | 31300.54       |
| <b>UNSECURED LOANS</b>   |          | <b>SCHEDULE - D</b> |                |               |                |
| Foreign currency convertible bonds   |          | 8896.00             |                | 8896.00       |                |
| Overdraft in current accounts with banks   |          | 177.47              |                | 301.31        |                |
| Bills Discounting  |          | -                   |                | 131.89        |                |
| Loan Others - Rich Rice Raisers  |          | 2.63                |                | 13.81         |                |
| Loan from Banks & Institutions   |          | 10524.56            |                | -             |                |
| Demand Loan - SOLI   |          | 217.20              |                | -             |                |
| Loan from Promoters  |          | <u>97.10</u>        |                | <u>-</u>      |                |
|  |          |                     | 19914.96       |               | 9343.00        |

## Consolidated Kohinoor Foods Limited

### CONSOLIDATED FIXED ASSETS SCHEDULE FOR THE YEAR ENDED 31.03.2007

| P A R T I C U L A R S                     | YEAR ENDED<br>31.03.2007 | YEAR ENDED<br>31.03.2006 |
|---|--------------------------|--------------------------|
|   |                          | (Rs. Lacs)               |
| <b>CONSOLIDATED FIXED ASSETS SCHEDULE</b> |                          | <b>SCHEDULE - E</b>      |
| LAND                                      | 697.92                   | 129.67                   |
| BUILDING                                  | 4853.75                  | 4432.69                  |
| PLANT & MACHINERY                         | 7751.66                  | 7018.30                  |
| VEHICLES                                  | 699.87                   | 509.65                   |
| VEHICLES - SOLAR                          | 4.13                     | 4.13                     |
| WOODEN CRATES                             | 184.65                   | 152.82                   |
| <b>COMPUTERS</b>                          | <b>178.13</b>            | <b>118.74</b>            |
| FURNITURE & FIXTURES                      | 365.37                   | 215.65                   |
| OFFICE EQUIPMENTS                         | 17.91                    | 10.95                    |
| WEBSITE                                   | 8.87                     |                          |
| GOODWILL                                  | 55.51                    | 55.51                    |
| <b>TOTAL</b>                              | <b>14817.78</b>          | <b>12648.11</b>          |
| <b>LESS</b>                               |                          |                          |
| <b>ACCUMULATED DEPRECIATION</b>           | <b>5273.35</b>           | <b>4300.60</b>           |
| <b>NET BLOCK</b>                          | <b>9544.42</b>           | <b>8347.52</b>           |
| <b><u>CAPITAL WORK IN PROGRESS</u></b>    |                          |                          |
| PLANT & MACHINERY                         | 245.71                   | 11.05                    |
| BUILDING                                  | 1162.70                  | 1015.14                  |
| ELECTRIC INSTALLATION                     | 43.51                    | 41.32                    |
| <b>TOTAL</b>                              | <b>1451.92</b>           | <b>1067.51</b>           |

## Consolidated Kohinoor Foods Limited

| INVESTMENTS  |                                   |                           |                   |                  |            |               |              | SCHEDULE - F |
|--|-----------------------------------|---------------------------|-------------------|------------------|------------|---------------|--------------|--------------|
| INVESTMENTS (TRADE)<br>Valued at Cost                  | NATURE OF<br>INVESTMENT           | Face<br>value<br>Interest | % of<br>Ownership | NUMBER OF SHARES |            | AMOUNT        |              |              |
|  |                                   |                           |                   | 31-03-2007       | 31-03-2006 | 31-03-2007    | 31-03-2006   |              |
| <b>UNQUOTED</b>  |                                   |                           |                   |                  |            |               |              |              |
| <b><u>A. Investment in Joint Venture Companies</u></b> |                                   |                           |                   |                  |            |               |              |              |
| Rich Rice Raisers Factory Dubai                        | Equity Share<br>Fully Paid-up     | DHS 1000                  | 25.00%            | 75               | 75         | —             | —            |              |
| <b><u>B. Subsidiary Companies</u></b>                  |                                   |                           |                   |                  |            |               |              |              |
| <b><u>(i) Domestic Wholly Owned</u></b>                |                                   |                           |                   |                  |            |               |              |              |
| Sachdeva Brothers Ltd.                                 | Equity Share<br>Fully Paid-up     | Rs. 100                   | 100.00%           | 15835            | 15835      | —             | —            |              |
| <b><u>(ii) Overseas Wholly Owned</u></b>               |                                   |                           |                   |                  |            |               |              |              |
| a) Satnam Overseas Ltd Inc USA                         | Equity Share<br>Fully Paid-up     | \$10                      | 100.00%           | 100000           | 100000     | —             | —            |              |
| b) Indo European Foods Ltd, UK                         | Equity Share<br>Fully Paid-up     | £1                        | 100.00%           | 1000000          | 1000000    | —             | —            |              |
|  | Preference Share<br>Fully Paid-up | £1                        | 100.00%           | 1000000          | —          | —             | —            |              |
|  | Share Application<br>Money        |                           |                   |                  |            | —             | —            |              |
| <b><u>In Fully Paid Equity Shares - Quoted</u></b>     |                                   |                           |                   |                  |            |               |              |              |
| Punjab National Bank                                   | Equity Share                      | Rs. 10/-                  | 0.00%             | 110              | —          | 0.43          | 0.429        |              |
| Other Investment Rich Rice Raisers                     |                                   |                           |                   |                  |            | 317.77        | 80.64        |              |
|  |                                   |                           |                   |                  |            | <u>318.20</u> | <u>81.07</u> |              |

| INVENTORIES  |          |          |                 |          |                 |  | SCHEDULE-G |
|--|----------|----------|-----------------|----------|-----------------|--|------------|
| P A R T I C U L A R S  | Schedule | 2007     |                 | 2006     |                 |  |            |
|  |          | Rs. Lacs | Rs. Lacs        | Rs. Lacs | Rs. Lacs        |  |            |
| (AS CERTIFIED AND VALUED BY THE MANAGEMENT AT COST OR MARKET VALUE WHICHEVER IS LOWER) |          |          |                 |          |                 |  |            |
| RICE & PADDY   |          |          | 39886.11        |          | 32120.29        |  |            |
| PULSES   |          |          | 0.00            |          | 0.00            |  |            |
| FOOD PRODUCTS  |          |          | 292.39          |          | 0.00            |  |            |
| PACKING MATERIALS  |          |          | 1611.86         |          | 1338.99         |  |            |
| WORK IN PROGRESS   |          |          | 8.62            |          |                 |  |            |
| STOCK IN TRANSIT   |          |          | 543.85          |          |                 |  |            |
|  |          |          | <u>42342.83</u> |          | <u>33459.28</u> |  |            |

| SUNDRY DEBTORS                                      |  |                |         |                | SCHEDULE-H |
|---|--|----------------|---------|----------------|------------|
| Debts outstanding for a period exceeding six months |  | 216.06         |         | 171.32         |            |
| Others  |  | <u>8750.74</u> |         | <u>5566.45</u> |            |
|   |  |                | 8966.80 |                | 5737.77    |

(Debts considered good for which the company holds no security other than the debtor's personal security).

## Consolidated Kohinoor Foods Limited

| <b>CASH AND BANK BALANCES</b>  |                 | <b>SCHEDULE-I</b>   |                 |               |                 |
|--|-----------------|---------------------|-----------------|---------------|-----------------|
| <b>PARTICULARS</b>   | <b>Schedule</b> | <b>2007</b>         |                 | <b>2006</b>   |                 |
|  |                 | Rs. Lacs            | Rs. Lacs        | Rs. Lacs      | Rs. Lacs        |
| Cash in hand   |                 | 280.40              |                 | 261.55        |                 |
| Balances with scheduled banks:   |                 |                     |                 |               |                 |
| Current Account  |                 | 477.07              |                 | 3094.55       |                 |
| Deposit Account  |                 | <u>78.86</u>        |                 | <u>0.00</u>   |                 |
|  |                 |                     | 836.33          |               | 3356.10         |
| <b>OTHER CURRENT ASSETS</b>  |                 | <b>SCHEDULE - J</b> |                 |               |                 |
| Security Deposits  |                 | 73.34               |                 | 64.98         |                 |
| Interest accrued   |                 | <u>2.07</u>         |                 | <u>1.85</u>   |                 |
|  |                 |                     | 75.42           |               | 66.83           |
| <b>LOANS AND ADVANCES</b>  |                 | <b>SCHEDULE - K</b> |                 |               |                 |
| (Considered good otherwise where provided)   |                 |                     |                 |               |                 |
| Advance recoverable in cash or in kind or for value to be received                   |                 |                     |                 |               |                 |
| Advance Tax  |                 | 3225.67             |                 | 2203.09       |                 |
| Prepaid Expenses   |                 | 100.18              |                 | 102.45        |                 |
| Staff Advance  |                 | 4.90                |                 | 2.97          |                 |
| Advance against Purchases  |                 | 219.83              |                 | 36.06         |                 |
| Others   |                 | <u>2117.74</u>      |                 | <u>592.27</u> |                 |
|  |                 |                     | 5668.32         |               | 2936.85         |
| Loans given to Subsidiaries & Joint Venture  |                 |                     |                 |               |                 |
| Subsidiary Company (India)   |                 | 0.00                |                 | 0.00          |                 |
| Joint Venture Company (Dubai)  |                 | 1049.46             |                 | 248.83        |                 |
| Wholly owned Subsidiary - U.K  |                 | 0.00                |                 | 0.00          |                 |
| Wholly owned Subsidiary - U.S.A  |                 | <u>0.00</u>         |                 | <u>0.00</u>   |                 |
|  |                 |                     | <u>1049.46</u>  |               | <u>248.83</u>   |
|  |                 |                     | <u>6717.78</u>  |               | <u>3185.68</u>  |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>  |                 | <b>SCHEDULE - L</b> |                 |               |                 |
| <b>CURRENT LIABILITIES</b>   |                 |                     |                 |               |                 |
| Trade  |                 | 1461.54             |                 | 1511.75       |                 |
| Others   |                 | <u>2241.17</u>      |                 | <u>588.09</u> |                 |
|  |                 |                     | 3702.70         |               | 2099.84         |
| <b>PROVISIONS</b>  |                 |                     |                 |               |                 |
| Gratuity   |                 | 62.45               |                 | 62.07         |                 |
| Taxation   |                 | 3205.76             |                 | 2251.76       |                 |
| Dividend   |                 | 196.00              |                 | 431.20        |                 |
| Tax on Dividend  |                 | <u>33.31</u>        |                 | <u>60.48</u>  |                 |
|  |                 |                     | 3497.52         |               | 2805.50         |
| <b>MISCELLANEOUS EXPENDITURE</b>   |                 | <b>SCHEDULE - M</b> |                 |               |                 |
| Development Expenditure<br>(FCCB expenses to the extent not written off or adjusted) |                 |                     | 1905.74         |               | 1907.88         |
| <b>SALES &amp; OTHER INCOMES</b>   |                 | <b>SCHEDULE - N</b> |                 |               |                 |
| Sales  |                 |                     | 62486.89        |               | 55565.42        |
| Income from Sale of Licences   |                 |                     | 246.08          |               | 191.23          |
| Profit on sale of assets   |                 |                     | 1.12            |               | 14.75           |
| Miscellaneous and other Income   |                 |                     | 10.32           |               | 81.07           |
| Foreign Exchange Reserve   |                 |                     | (95.08)         |               | 120.33          |
|  |                 |                     | <u>62649.33</u> |               | <u>55972.80</u> |

## Consolidated Kohinoor Foods Limited

| P A R T I C U L A R S   | Schedule | 2007                |                 | 2006     |                 |
|---|----------|---------------------|-----------------|----------|-----------------|
|   |          | Rs. Lacs            | Rs. Lacs        | Rs. Lacs | Rs. Lacs        |
| <b>MANUFACTURING AND OTHER EXPENSES</b>   |          | <b>SCHEDULE-O</b>   |                 |          |                 |
| <b>A. Materials</b>   |          |                     |                 |          |                 |
| Consumption of raw materials and components-net                                     |          |                     | 50335.12        |          | 44233.29        |
| <b>B. Employees remuneration and benefits</b>                                       |          |                     |                 |          |                 |
| Salaries, wages and bonus   |          | 2244.10             |                 | 1371.11  |                 |
| Contribution to provident, gratuity and other funds                                 |          | 69.52               |                 | 55.27    |                 |
| Welfare Expenses  |          | 101.22              | 2414.84         | 67.96    | 1494.34         |
| <b>C. Other Expenses</b>  |          |                     |                 |          |                 |
| Packing Material Consumed   |          | 2703.21             |                 | 2012.20  |                 |
| Brokerage & Commission on Purchase  |          |                     | 165.84          |          | 114.38          |
| Freight & Octroi  |          | 792.46              |                 | 336.15   |                 |
| Loading & Unloading Exp.  |          | 209.00              |                 | 213.91   |                 |
| Power & Fuel  |          | 796.28              |                 | 745.73   |                 |
| Processing Charges  |          | 135.69              |                 |          |                 |
| Repair & Maintenance  |          |                     |                 |          |                 |
| Building  |          | 77.08               |                 | 32.87    |                 |
| Machinery   |          | 164.10              |                 | 250.57   |                 |
| General   |          | 93.49               |                 | 76.35    |                 |
| Rent  |          | 362.14              |                 | 110.55   |                 |
| Rates and Taxes   |          | 471.66              |                 | 294.79   |                 |
| Insurance   |          | 210.35              |                 | 150.46   |                 |
| Research & development  |          | 33.80               |                 | 14.40    |                 |
| Postage, Telegram and Telephone   |          | 158.59              |                 | 157.75   |                 |
| General Expenses  |          | 303.87              |                 | 151.97   |                 |
| Legal and Professional Charges  |          | 145.45              |                 | 135.70   |                 |
| Charity and Donation  |          | 10.73               |                 | 11.65    |                 |
| Vehicle Maintenance   |          | 193.10              |                 | 116.23   |                 |
| Printing and Stationery   |          | 50.43               |                 | 36.35    |                 |
| Staff Recruitment Expenses  |          | 7.26                |                 | 5.14     |                 |
| <b>Payment to Auditors</b>  |          |                     |                 |          |                 |
| Audit Fees  |          | 17.12               |                 | 15.03    |                 |
| Other Capacity  |          | —                   |                 | 0.00     |                 |
| Conveyance  |          | 92.61               |                 | 95.67    |                 |
| Membership & subscription   |          | 8.79                |                 | 10.20    |                 |
| <b>Selling and Distribution Expenses</b>  |          |                     |                 |          |                 |
| Advertisement and Publicity   |          | 995.63              |                 | 456.96   |                 |
| Business Promotion  |          | 591.21              |                 | 415.74   |                 |
| Travelling Expenses   |          | 261.64              |                 | 186.17   |                 |
| Rebate & Discount   |          | 51.45               |                 | 101.87   |                 |
| Ocean Freight   |          | 1748.39             |                 | 1519.29  |                 |
| Expenses Against Export   |          | 33.34               |                 | 59.89    |                 |
| Brokerage & Commission  |          | 53.68               |                 | 95.30    |                 |
| Clearing and Forwarding   |          | 1215.72             |                 | 920.31   |                 |
|   |          |                     | <u>12154.10</u> |          | <u>8843.59</u>  |
|   |          |                     | 64904.06        |          | 54571.22        |
| <b>D. Movement in value of stock of finished/trading goods and work in progress</b> |          |                     |                 |          |                 |
| Opening Stock   |          | 32120.29            |                 | 28628.14 |                 |
| Closing Stock   |          | 40730.97            |                 | 32120.29 |                 |
| (Increase)/Decrease   |          |                     | (8610.69)       |          | (3492.15)       |
|   |          |                     | <u>56293.37</u> |          | <u>51079.07</u> |
| <b>FINANCIAL CHARGES</b>  |          | <b>SCHEDULE - P</b> |                 |          |                 |
| Bank Charges  |          |                     | 255.85          |          | 284.60          |
| Interest Paid on Working Capital Loan   |          |                     | 1665.90         |          | 1186.66         |
| Interest Paid on Term Loan  |          |                     | 146.05          |          | 69.35           |
|   |          |                     | <u>2067.80</u>  |          | <u>1540.61</u>  |

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**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS      SCHEDULE- S**

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**1) Principles of consolidation**

The consolidated financial statements relate to Kohinoor Foods Limited (Formerly known as Satnam Overseas Limited) and its subsidiary companies "Indo European Foods Ltd.", "Satnam Overseas Ltd. Inc.", Sachdeva Brothers Ltd. And its Joint Venture Company Rich Rice Raisers. The Consolidated financial statements have been prepared in Indian Rupees (Rs.) the national currency of parent company . The consolidated financial statements have been prepared on the following basis:-

- i. The financial statements of the Company and its subsidiary companies are combined on line by line basis by adding together book values of the like items of the assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS-21) on consolidated financial statement issued by the Institute of Chartered Accountants of India.
- ii. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in the similar circumstances and are presented in the same manner as the Company's separate financial statements.
- iii) In accordance with AS-27 issued by ICAI, Kohinoor Foods Ltd has accounted for its proportionate share of Interest in the Joint Venture by proportionate consolidation method.

**2. Basis of Presentation**

The consolidated financial statements are prepared on historical cost convention basis using accounting policies of the parent company and comply in all material aspects with applicable accounting principles and standards in India.

**3. Revenue Recognition**

The company follows the mercantile system of accounting and recognises the income and expenditures on accrual basis except in case of significant uncertainties. Certain items of income such as insurance claim, market fees refund overdue interest from customers etc have been considered to the extent the amount is accepted by the parties. The principles of the revenue recognition are given below:-

- (I) Sales are recognised as follows :
- |                |   |  |
|----------------|---|--|
| Domestic Sales | - | At the point of despatches to customers. |
| Export Sales   | - | At the time of issue of Bill of Lading.  |

There are some instances of deviation where sales have been booked on the date of negotiation. The deviation is as much as 3 days. The differences arising out of these deviations are not material. Sales are recorded net off trade discount and sales tax.

- (II) Sale of licence is recognised on realisation basis.

**4. Fixed Assets**

- (i) Fixed Assets are stated at cost less accumulated depreciation.
- (ii) Capital Work in Progress is stated at cost.

**5. Inventories**

Inventories are valued at cost or net realisable value which is lower, as taken, valued and certified by the management. The basis for determining cost for various categories of inventories are as under:

- |                  |   |   |
|------------------|---|---|
| Finished Stock   | - | At material cost + appropriate share of production overhead.<br>(On weighted average cost basis). |
| Raw Material     | - | At cost on FIFO Basis   |
| Packing Material | - | At Cost   |

Stores & spares are charged to profit & Loss A/c in the year of purchase.

**6. Investments**

Investments are stated at cost.

**Investments in Joint Venture Company:**

Investment in the Joint Venture Company has been stated at cost. No profit/loss of Joint Venture Company on account of appreciation/ diminution in value of Investment has been made in the accounts.

Interest in Joint Venture company is accounted for using proportionate consolidation method.

**7. Foreign Exchange Translations**

For the purpose of preparation of consolidated financial statements, assets and liabilities have been translated at the rates of exchange prevailing on the date of balance sheet and All items of the profit and loss account have been translated at average exchange rate for the year and the resultant difference is carried as "Translation reserve or loss" under " Reserve and surplus".

The functional currency of the subsidiaries and the joint venture are there respective local currencies.

**8. Taxes on Income**

Provision for tax for the year comprises current income-tax determined to be payable in respect of taxable income and deferred tax being the tax effect of timing differences representing the differences between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent periods.

**9. Retirement benefits**

- a) Contributions to specific schemes are charged to the profit and loss account for the year in which paid.
- b) Provisions for future liabilities in respect of gratuity benefits are made on the basis of actuarial valuation.

**10. Research & Development**

Revenue Expenditure on Research & Development is charged as an expense in the year in which it is incurred.

**11. Miscellaneous Expenditure**

Development expenditure is being written off over a period of ten years by the parent company KFL(SOL) and over a period of 5 years by subsidiary company IEFL and USA subsidiary (Satnam Overseas Limited Inc.)

**12 Consolidated financial statements comprise the financial statements of SOL its subsidiaries and its joint venture companies listed below:-**

| Subsidiary                     | Country of incorporation | % of Ownership Interest |
|--------------------------------|--------------------------|-------------------------|
| <b>Wholly Owned Subsidiary</b> |                          |                         |
| <b>Domestic :</b>              |                          |                         |
| Sachdeva Brothers Pvt. Ltd     | India                    | 100.00                  |
| <b>Overseas :</b>              |                          |                         |
| Satnam Overseas Limited Inc.   | U.S.A                    | 100.00                  |
| Indo European Foods Limited    | U.K                      | 100.00                  |
| <b>Joint Venture</b>           |                          |                         |
| Rich Rice Raisers Factory LLC. | U.A.E                    | 25.00                   |

| <b>13) Contingent Liabilities</b>  | 2006-2007                       | 2005-2006                       |
|--|---------------------------------|---------------------------------|
| a) Corporate Guarantee given by the Co.  | 878,415,000.00                  | 791,250,350.00                  |
| b) Sales Tax   | 12,200,000.00                   | 12,200,000.00                   |
| c) Letter of Credit  | 16,692,730.00                   | 5,807,642.00                    |
| d) Surety Bonds issued to Govt.Agencies  | 3,452,775.00                    | 3,452,775.00                    |
| e) Duty fore gone against Capital Goods imported and procured from the domestic market for Export Oriented Unit. | 25,908,172.69<br>936,668,677.69 | 23,778,326.50<br>836,489,093.50 |

## Consolidated Kohinoor Foods Limited

|  |               |               |
|--|---------------|---------------|
| 14) Capital Expenditure Commitment (Net of advances)   | 49,696,375.40 | 31,322,135.40 |
| 15) Bank Guarantee given by Bankers on behalf of the Company   | 975,000.00    | 725,000.00    |
| 16) Customs Duty against un exported against advance licenses.   | 2,129,056.50  | 2,129,056.50  |
| 17) Some Debtors and Creditors are subject to confirmation.  |               |               |
| 18) Previous year figures have been regrouped/rearranged, wherever necessary, for comparison purposes.                               |               |               |
| 19) The consolidated financial statement have been prepared in compliance of clause 32 of the listing agreement with stock exchanges |               |               |

FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS

(MAYUR BATRA)  
PROPRIETOR

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi  
Dated :- 11.08.2006

# Consolidated Kohinoor Foods Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in Lacs)

| P A R T I C U L A R S                                    | YEAR ENDED<br>31-03-2007 | YEAR ENDED<br>31-03-2006 |
|--|--------------------------|--------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>            |                          |                          |
| — Net Profit before interest, tax & extra ordinary items | 5,069.05                 | 3,970.96                 |
| — Adjustments for :-                                     |                          |                          |
| Depreciation   | 1,196.36                 | 899.44                   |
| Foreign exchange   | —                        | —                        |
| Interest / Dividend                                      | —                        | —                        |
| Deferred Revenue Expenditure                             | 90.19                    | 21.48                    |
| — Operating profit before working capital changes        | 6,355.60                 | 4,891.88                 |
| — Adjustments for :-                                     |                          |                          |
| Trade & other receivables                                | (4,469.09)               | (1,551.27)               |
| Inventories  | (8,883.55)               | (3,912.78)               |
| Trade payables   | 2,214.88                 | 50.88                    |
| Deferred Expenditure                                     | (33.43)                  | (1,491.03)               |
| — Cash generated from operations                         | (4,815.59)               | (2,012.30)               |
| — Interest paid  | 2,067.80                 | 1,540.61                 |
| — Direct taxes   | 955.00                   | 762.00                   |
| Profit & Loss Account                                    | —                        | —                        |
| Deferred Expenditure W/Off                               | 90.19                    | 21.48                    |
| Transalation Reserve                                     | (254.42)                 | (160.99)                 |
| Deferred Taxes   | (80.00)                  | (72.00)                  |
| — Cash flow before extra ordinary items                  | (7,594.16)               | (4,103.40)               |
| — Extra ordinary items                                   | -                        | -                        |
| — Net cash from operating activities                     | (7,594.16)               | (4,103.40)               |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>            |                          |                          |
| — Purchase of fixed assets                               | (2,777.67)               | (2,830.68)               |
| — Sale of fixed assets                                   | -                        | -                        |
| — Acquisition of companies                               | -                        | -                        |
| — Purchase of investments & Loans                        | (2,537.76)               | (54.83)                  |
| — Loans to J.V companies & WOS                           | -                        | -                        |
| — Interest received                                      | -                        | -                        |
| — Dividend received                                      | -                        | -                        |
| — Net cash flow from investing activities                | (5,315.43)               | (2,885.51)               |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>            |                          |                          |
| — Proceeds from issue of share capital / share premium   | -                        | -                        |
| — Proceeds from borrowings                               | 10,619.12                | 10,302.67                |
| — Repayment of finance, lease liabilities                | -                        | -                        |
| — Dividends / purchase tax                               | (229.31)                 | (491.68)                 |
| — Net cash flow from financing activities                | 10,389.81                | 9,811.00                 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                | (2,519.77)               | 2,822.07                 |
| — Cash & Cash equivalent as at opening                   | 3,356.10                 | 534.03                   |
| — Cash & Cash equivalent as at closing                   | 836.33                   | 3,356.10                 |

In terms of our separate report of even date attached

FOR AND ON BEHALF OF THE BOARD

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANTS**

(MAYUR BATRA)

(SATNAM ARORA)  
JT. MG. DIRECTOR

(GURNAM ARORA)  
JT. MG. DIRECTOR

(KANIKA VERMA)  
COMPANY SECRETARY

New Delhi

Dated :- 30.06.2007

### AUDITOR'S REPORT

We have examined the attached cash flow statement of Satnam Overseas Limited for the year ended March 31, 2007. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the listing agreement with stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our report of June 30, 2007 to the members of the company.

**FOR MAYUR BATRA & COMPANY  
CHARTERED ACCOUNTANT**

New Delhi

(MAYUR BATRA)  
PROPRIETOR

**AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF KOHINOOR FOODS LIMITED FORMERLY KNOWN AS SATNAM OVERSEAS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KOHINOOR FOODS LIMITED, ITS SUBSIDIARIES AND ITS PROPORTIONATE SHARE IN JOINT VENTURE COMPANIES**

We have audited the attached consolidated Balance Sheet of Kohinoor Foods Limited as at 31st March 2006, and Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Kohinoor Foods Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards required that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries and joint venture company, abroad, whose financial statements reflect total Assets of Rs. 823.91 million as at March 31', 2006, the total revenue of Rs. 630.00 million and cash flows amounting to Rs.25.04 million for the year then ended .. The financial statements of these subsidiaries and joint venture companies have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of the management.

We report that the consolidated financial statements have been prepared by the management of Kohinoor Foods Limited in accordance with the requirements of Accounting Standards (AS 21), Consolidated financial statements, (Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of interests in Joint Ventures) issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) the consolidated balance sheet of the consolidated state of affairs of the group as on March 31, 2006; and
- (b) the consolidated profit and loss account of the consolidated results of operation of the group for the year on that date.
- (c) the Consolidated Cash Flow Statement of the group for the year ended on that date.

**for Mayur Batra & Co.  
Chartered Accountants**

**Place : NEW DELHI  
Dated :**

**(Mayur Batra)  
Proprietor  
Membership No. 096613**

**DIRECTORS' REPORT**

Your directors present their Annual Report on the working of the Company together with the audited accounts for the year ended 31st March, 2007 alongwith Auditors Report thereon.

**FINANCIAL RESULTS**

The financial results of the Company as disclosed in the said accounts are summarised below :

|  | (Rs. in Lacs)  |                |
|--|----------------|----------------|
|  | 2006-07        | 2005-06        |
| Profit/(Loss) before depreciation & taxation | (0.012)        | (0.09)         |
| Less : Depreciation                          | <u>Nil</u>     | <u>Nil</u>     |
| Profit /(Loss) before taxation               | (0.012)        | (0.09)         |
| Less : Provision for taxation                | <u>Nil</u>     | <u>Nil</u>     |
| Profit/(Loss) after taxation                 | (0.012)        | (0.09)         |
| Less : Brought forward losses                | <u>(35.56)</u> | <u>(35.47)</u> |
| Amount available for appropriation           | <u>(35.57)</u> | <u>(35.56)</u> |

The company is not functioning presently.

**DIVIDEND**

Your directors do not recommend any dividend in respect of the financial year 2006-2007

**AUDITORS**

You are requested to appoint the auditors for the ensuing year. The retiring auditors of the Company M/s.Jain Mahajan & Co. Chartered Accountants, being eligible for reappointment have expressed their willingness to be re-appointed.

**AUDITORS' REPORT**

The Auditors' report does not contain any adverse comments requiring clarification / explanation by the Board.

**PARTICULARS OF EMPLOYEES**

The company did not employ any person during the year who was in receipt of remuneration aggregating Rs.24,00,000 or more per annum and / or Rs.2,00,000 or more per month as the case may be.

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

As the Company did not undertake any commercial, trading or manufacturing activity during the year under review therefore section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 is not applicable.

**FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The Company is not functional and therefore no prospects for exports are there.

Total foreign exchange used and earned

Foreign exchange spent : Nil

Foreign exchange earned : Nil

**PUBLIC DEPOSIT**

The Company has not accepted any deposits from the Public during the year under review.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of Companies Act, the Directors confirm that :

- in the preparation of the annual accounts, the applicable accounting statements have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31st March, 2007 and the profit & loss account for the year ended 31st March, 2007.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

**FOR AND ON BEHALF OF THE BOARD**

**New Delhi  
24th July, 2007**

**(SATNAM ARORA)  
Director**

**(GURNAM ARORA)  
Director**

## AUDITORS' REPORT

Ladies & Gentlemen,

We have audited the attached Balance Sheet of M/s Sachdeva Brothers Limited, as at March 31, 2007 and the Profit and Loss account for the year ended on that date annexed thereto and report thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order to the extent applicable

- (i) There were no fixed assets during the year and as such Clause (i) is not applicable.
- (ii) Since there were no finished goods, spare parts and raw materials at any time during the year, there is nothing to report on Clause (ii).
- (iii) The Company has not taken/granted any loans, secured or unsecured, from/to companies, firms, or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence Clauses 4 (iii) (b), (c), (d) of the Order regarding rate of interest, terms & conditions of loans, payment of principal etc. are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business.
- (v) Based on audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301.
- (vi) The company has not accepted any loans or deposits which are 'deposits' within the meaning Rule 2(b) of the Companies (Acceptance of Deposits) Rules, 1975.
- (vi) The company is not required to have an internal audit system considering the requirement of the Companies Act 1956.
- (viii) Cost records under section 209(1) (d) of the Companies Act, 1956 are not required to be maintained by the company.
- (ix) (a) There were no undisputed amounts payable in respect of Income-tax, Wealth tax, Sales tax, Custom Duty and Excise Duty were outstanding, as at the last day of the financial year concerned, for a period of more than six months from the date they became payable.  
(b) There were no disputed amounts payable in respect of Income-tax, Wealth tax, Sales tax, Custom Duty and Excise Duty were outstanding, as at the last day of the financial year concerned.
- (x) The Company has accumulated losses at the end of the year which is more than fifty percent of its net worth. The Company has incurred cash losses during the financial covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us the Company has no dues to payable to any financial institution or banks.
- (xii) According to the records of the company, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

- xiii) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the company is neither a Chit fund nor a nidhi/mutual benefit society. Hence, in our opinion, the requirements of Clause 4 (xiii) of the Order do not apply to the company.
- (xiv) As per records of the company and the information and explanations given to us by the management, Company is not dealing or trading in shares, securities, and debentures and other investments.
- (xv) According to the information and explanation given to us the Company has not given any guarantee to for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the Company.
- (xvi) No terms loans have been taken during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term assets. No long term funds have been used to finance short term assets.
- (xviii) According to the records of the company and the information and explanations given to us by the management, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) According to the records of the company, the company has not issued any debentures and therefore the question of creating securities does not arise.
- (xx) During the year the Company has not raised any money by public issue.
- (xxi) Based on audit procedures performed and information and explanations given by management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

We further report that:-

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;
- (c) the Balance Sheet & Profit & Loss Alc referred to in this report are in agreement with the books of accounts;
- (d) in our opinion, the Balance-Sheet and Profit & Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) on the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the director is disqualified as on 31st March, 2007 from being appointed as director in terms of clause (g) of section 274(1) of the Companies Act, 1956;
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2007;
  - ii) in the case of the Profit & Loss Account, of the loss of the company for the year ended on that date; and

**for JAIN MAHAJAN & CO.**

**Chartered Accountants**

**(Pradip Jain)**

**Partner**

**Membership No. 83017**

**Place : New Delhi**

**Dated : 24th July, 2007**

**SACHDEVA BROTHERS LIMITED.**

**BALANCE SHEET AS AT 31ST MARCH 2007**

(Figures in Lacs)

| P A R T I C U L A R S                                    | Schedule<br>Number | FOR THE YEAR<br>ENDED 31.03.2007<br>Amount | FOR THE YEAR<br>ENDED 31.03.2006<br>Amount |
|--|--------------------|--|--|
| <b><u>SOURCES OF FUNDS</u></b>                           |                    |  |  |
| <b>1. <u>SHAREHOLDERS' FUNDS</u></b>                     |                    |  |  |
| A) Share Capital   | A                  | 15.84                                      | 15.84                                      |
| B) Reserves and Surplus                                  | B                  | 18.70                                      | 18.70                                      |
|  |                    | <u>34.54</u>                               | <u>34.54</u>                               |
| <b><u>APPLICATION OF FUNDS</u></b>                       |                    |  |  |
| <b>2. <u>CURRENT ASSETS, LOANS AND ADVANCES</u></b>      |                    |  |  |
| C) Loans and Advances                                    | C                  | 0.21                                       | 0.21                                       |
|  |                    | <u>0.21</u>                                | <u>0.21</u>                                |
| <b><u>LESS: CURRENT LIABILITIES &amp; PROVISIONS</u></b> |                    |  |  |
| A) Liabilities   | D                  | 1.25                                       | 1.24                                       |
| NET CURRENT ASSETS                                       |                    | (1.04)                                     | (1.03)                                     |
| <b><u>MISCELLANEOUS EXPENDITURE</u></b>                  |                    |  |  |
| Profit & Loss Account                                    | E                  | 35.58                                      | 35.56                                      |
| <b>TOTAL</b>   |                    | <u><b>34.54</b></u>                        | <u><b>34.54</b></u>                        |
| NOTES TO THE ACCOUNTS                                    | F                  |  |  |

In terms of our separate report of even date attached

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(Figures in Lacs)

| P A R T I C U L A R S                 | FOR THE<br>YEAR ENDED<br>31.03.2007 | FOR THE<br>YEAR ENDED<br>31.03.2006 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>EARNINGS</u></b>                |                                     |                                     |
| Net Loss                              | 0.01                                | 0.09                                |
|                                       | <u><b>0.01</b></u>                  | <u><b>0.09</b></u>                  |
| <b><u>OUTGOINGS</u></b>               |                                     |                                     |
| General Expenses                      | 0.00                                | 0.08                                |
| <b><u>Auditor's Remunerations</u></b> |                                     |                                     |
| Audit Fees                            | 0.01                                | 0.01                                |
|                                       | <u><b>0.01</b></u>                  | <u><b>0.09</b></u>                  |

Annexure to the Balance Sheet of even date

**FOR JAIN MAHAJAN & CO.**

**(PRADIP JAIN)  
PARTNER**

**(JUGAL KISHORE ARORA)  
CHAIRMAN**

**FOR AND ON BEHALF OF THE BOARD**

**(GURNAM ARORA)  
JT. MG. DIRECTOR**

New Delhi  
Dated : 24th July, 2007

# SACHDEVA BROTHERS LIMITED

(Figures in Lacs)

| P A R T I C U L A R S   | FOR THE YEAR<br>ENDED 31.03.2007 | FOR THE YEAR<br>ENDED 31.03.2006 |
|---|----------------------------------|----------------------------------|
| <b>SHARE CAPITAL</b>  |                                  |                                  |
| <b>SCHEDULE - A</b>   |                                  |                                  |
| <b>AUTHORISED CAPITAL</b>   |                                  |                                  |
| 20,000 Equity shares of Rs. 100 each  | 20.00                            | 20.00                            |
| <b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>                               |                                  |                                  |
| 15,835 Equity Shares of Rs. 100/- each. Fully paid                          | 15.84                            | 15.84                            |
|   | <u>15.84</u>                     | <u>15.84</u>                     |
| <b>RESERVE AND SURPLUS</b>  |                                  |                                  |
| <b>SCHEDULE - B</b>   |                                  |                                  |
| Investment Allowance Reserve  | 3.59                             | 3.59                             |
| Amalgamation Reserve  | 15.11                            | 15.11                            |
|   | <u>18.70</u>                     | <u>18.70</u>                     |
| <b>LOAN AND ADVANCES</b>  |                                  |                                  |
| <b>SCHEDULE - C</b>   |                                  |                                  |
| <b>ADVANCES RECOVERABLE IN CASH OR IN KIND, OR FOR VALUE TO BE RECEIVED</b> |                                  |                                  |
| <b>Advances</b>   |                                  |                                  |
| a) Income Tax   | 0.21                             | 0.21                             |
| Total   | <u>0.21</u>                      | <u>0.21</u>                      |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                                   |                                  |                                  |
| <b>SCHEDULE - D</b>   |                                  |                                  |
| <b>CURRENT LIABILITIES</b>  |                                  |                                  |
| Others Creditors  | 1.25                             | 1.24                             |
| Total   | <u>1.25</u>                      | <u>1.24</u>                      |
| <b>MISCELLANEOUS EXPENDITURE</b>  |                                  |                                  |
| <b>SCHEDULE - E</b>   |                                  |                                  |
| <b>PROFIT &amp; LOSS A/C</b>  |                                  |                                  |
| Balance b/f   | 35.56                            | 35.48                            |
| Loss during the year  | 0.01                             | 0.09                             |
| Total   | <u>35.57</u>                     | <u>35.56</u>                     |
| <b>NOTES TO THE ACCOUNTS</b>  |                                  |                                  |
| <b>SCHEDULE - F</b>   |                                  |                                  |

Previous year's figures have been regrouped and/or rearranged wherever necessary for presentation purpose.

No deferred tax assets has been recognised as there is no virtual certainty supported with convincing evidence regarding future taxable income against which such assets would be realised.

Annexure to the Balance Sheet of even date

**FOR JAIN MAHAJAN & CO.**

**FOR AND ON BEHALF OF THE BOARD**

**(PRADIP JAIN)**  
PARTNER

**(JUGAL KISHORE ARORA)**  
CHAIRMAN

**(GURNAM ARORA)**  
JT. MG. DIRECTOR

New Delhi

Dated : 24th July, 2007

**Directors' Report**

Your Directors present their Annual Report and accounts for the year ended 31st March 2007.

|                          | (Figures in US\$) |                  |
|--------------------------|-------------------|------------------|
|                          | <b>31.3.2007</b>  | <b>31.3.2006</b> |
| Sales                    | 11,101,736        | 3,614,789        |
| Gross Profit             | 2,886,480         | 207,562          |
| Profit/(Loss) Before Tax | (1,980)           | (658,873)        |
| Other Income             | 8,385             | 9,397            |
| Net Profit / (Loss)      | 6,396             | (649,476)        |

**PRINCIPAL ACTIVITIES**

The Company's Principal activities during the year 2007 continued to be trading and marketing of Basmati rice, Ready to Eat and other food products. The company has also started to trade and market Frozen food items which has a very big market in USA.

**REVIEW OF BUSINESS**

Set up in the financial year 2001, your company is an upcoming company engaged in the processing and marketing of agro food products. Since its inception, the company has brought qualitative changes to the marketing of its premium agro products. During the year, your company has spent considerable amount on advertising and promotion of its product. The Company has launched a strategic media campaign covering electronic media, print media, radio and outdoor media and has also appointed advertising agencies to take care of promotional requirements of its products. The Company has opened four new distribution centres accross the United States namely Chicago, Houston, Hayward (California) and Maryland in addition to the existing New Jersey warehouse. With the new system company approaches retailers directly than through distributors who are more interested in establishing and promoting their own brands. The Company has also set up a different cell to get the big retail outlets. At present, company's products are available in stores like BJ's, Whole Foods, Ocean State Jobbers and Costco.

The business of the Company is expected to grow substantially and the Company is looking forward to generate excellent results in the second half of the coming year.

**KAMAL NATH SHARMA**

New Jersey  
July 06, 2007

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the Stockholders  
Satnam Overseas Limited, Inc.  
New Jersey

I have compiled the accompanying consolidated balance sheet of Satnam Overseas Limited, Inc. as of March, 31, 2007, and related statements of income and retained earnings and statement of cash flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or anyother form of assurance on them.

Jayanta K Ghosh  
Certified Public Accountant  
Plainsboro, New Jersey

July 06, 2007

**BALANCE SHEET AS AT 31ST MARCH 2007**

(Figures in \$.)

| P A R T I C U L A R S  | Schedule<br>Number | FOR THE PERIOD<br>ENDED 31.03.2007 | FOR THE PERIOD<br>ENDED 31.03.2006 |
|--|--------------------|------------------------------------|------------------------------------|
| <b>1. SHAREHOLDERS' FUNDS</b>  |                    |                                    |                                    |
| A) Share Capital   |                    | 3,500,000.00                       | 1,000,000.00                       |
| <b>2. LOAN FUNDS</b>   |                    |                                    |                                    |
|  | <b>A</b>           | 6,330,445.43                       | 2,009,063.60                       |
| A) secured Loans   |                    | <u>9,830,445.43</u>                | <u>3,009,063.60</u>                |
| <br><b>APPLICATION OF FUNDS</b>                                      |                    |                                    |                                    |
| <b>1. FIXED ASSETS</b>   |                    |                                    |                                    |
|  | <b>B</b>           |                                    |                                    |
| Gross Block  |                    | 1,656,982.52                       | 144,345.00                         |
| Less : Depreciation  |                    | 233,785.35                         | 111,898.00                         |
| Net Block  |                    | 1,423,197.17                       | 32,447.00                          |
| <b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>                         |                    |                                    |                                    |
| A) Inventories   |                    | 6,511,739.68                       | 888,777.00                         |
| B) Trade Debtors   |                    | 3,767,708.65                       | 932,095.00                         |
| C) Cash and Bank Balances  |                    | 256,792.68                         | 283,439.00                         |
| D) Loans and Advances  |                    | 413,343.50                         | 356,529.00                         |
|  |                    | <u>10,949,584.51</u>               | <u>2,460,840.00</u>                |
| <b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>                    |                    |                                    |                                    |
| A) Liabilities   | <b>C</b>           | <u>4,652,764.75</u>                | <u>1,507,790.00</u>                |
| <b>NET CURRENT ASSETS</b>  |                    | 6,296,819.76                       | 953,050.00                         |
| <b>DEFERRED EXPENDITURE NOT ADJUSTED</b>                             |                    | 684,597.09                         | 591,339.00                         |
| <b>MISCELLANEOUS EXPENDITURE</b>                                     |                    | 1,425,831.41                       | 1,432,227.60                       |
| <b>TOTAL</b>   |                    | <u>9,830,445.43</u>                | <u>3,009,063.60</u>                |
| <b>SIGNIFICANT ACCOUNTING POLICIES<br/>AND NOTES TO THE ACCOUNTS</b> | <b>D</b>           |                                    |                                    |

**SATNAM OVERSEAS LIMITED INC.**

**MANUFACTURING AND TRADING ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

(Figures in \$.)

| <b>PARTICULARS</b>                      | <b>FOR THE PERIOD<br/>ENDED 31.03.2007</b> | <b>FOR THE PERIOD<br/>ENDED 31.03.2006</b> |
|---|--|--|
| <b><u>EARNINGS</u></b>                  |  |  |
| Sales/Income from Operations            | 11,101,736.66                              | 3,614,789.00                               |
| Closing Stock                           | 6,511,739.68                               | 888,777.00                                 |
|   | <u>17,613,476.34</u>                       | <u>4,503,566.00</u>                        |
| <b><u>OUTGOINGS</u></b>                 |  |  |
| Opening Stock                           | 888,777.00                                 | 357,522.00                                 |
| Purchases                               | 12,767,971.22                              | 3,780,122.60                               |
| Sampling Expenses                       | 1,236.00                                   | —  |
| Warehouse Rent & Supplies & Electricity | 155,633.58                                 | 154,529.00                                 |
| Freight and Octroi                      | 913,378.05                                 | —  |
| Damaged Goods                           | —  | 3,830.00                                   |
| Gross Profit                            | 2,886,480.49                               | 207,562.40                                 |
|   | <u>17,613,476.34</u>                       | <u>4,503,566.00</u>                        |

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

|                                   |                     |                   |
|-----------------------------------|---------------------|-------------------|
| <b><u>EARNINGS</u></b>            |                     |                   |
| Other Income                      | 8,384.57            | 9,397.00          |
| Gross Profit Brought Forward      | 2,886,480.49        | 207,562.40        |
|                                   | <u>2,894,865.06</u> | <u>216,959.40</u> |
| <b><u>OUTGOINGS</u></b>           |                     |                   |
| Employees Remuneration & Benefits | 1,024,087.66        | 366,799.00        |
| Administrative Expenses           | 1,472,650.14        | 199,361.00        |
| Selling and Distribution Expenses | 324,009.85          | 278,598.00        |
| Depreciation                      | 67,721.22           | 21,677.00         |
| Net Profit                        | 6,396.19            | (649,475.60)      |
|                                   | <u>2,894,865.06</u> | <u>216,959.40</u> |

**PROFIT & LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

|                                      |                 |                     |
|--------------------------------------|-----------------|---------------------|
| Balance Brought Forward              | —               | —                   |
| Add: Profit for The Year             | <u>6,396.19</u> | <u>(649,475.60)</u> |
|                                      | 6,396.19        | (649,475.60)        |
| Less: Provision for Income Tax       | —               | —                   |
| Less: Transferred to General Reserve | <u>6,396.19</u> | <u>(649,475.60)</u> |
|                                      | <u>—</u>        | <u>—</u>            |

## SATNAM OVERSEAS LIMITED INC.

(Figures in \$.)

| P A R T I C U L A R S  | FOR THE PERIOD<br>ENDED 31.03.2007 | FOR THE PERIOD<br>ENDED 31.03.2006 |
|--|------------------------------------|------------------------------------|
| <b>LOAN FUND</b>   |                                    | <b>SCHEDULE - A</b>                |
| <b>Secured loans</b>   |                                    |                                    |
| North Houston Bank   | 5,02,725.00                        | —                                  |
| Others (against equipment and turck acquisition and leasing) | 327,720.43                         | 11,010.69                          |
|  | 830,445.43                         | 11,010.69                          |
| <b>Unsecured loans</b>                                       |                                    |                                    |
| Kohinoor Foods Limited- India                                | 5,000,000.00                       | 1,500,000.00                       |
| Demand Loan  | 500,000.00                         | 498,052.91                         |
|  | 5,500,000.00                       | 1,998,052.91                       |
| Total  | 6,330,445.43                       | 2,009,063.60                       |
| <b>SCHEDULE OF FIXED ASSETS</b>                              |                                    | <b>SCHEDULE - B</b>                |
| Furniture & Fixtures   | 188,064.00                         | 20,082.00                          |
| Office Equipments  | 26,116.37                          | 9,863.00                           |
| Computer & Printers  | 79,334.73                          | 21,308.00                          |
| Fork Lift  | 136,102.17                         | 7,314.00                           |
| Vehicles   | 247,276.72                         | 85,778.00                          |
| Land   | 980,088.53                         | —                                  |
| Total  | 1,656,982.52                       | 144,345.00                         |
| Less   |                                    |                                    |
| Accumulated Depreciation                                     | 233,785.35                         | 111,898.00                         |
| Net  | 1,423,197.17                       | 32,447.00                          |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                    |                                    | <b>SCHEDULE - C</b>                |
| <b>CURRENT LIABILITIES</b>                                   |                                    |                                    |
| Sundry Creditors   |                                    |                                    |
| A) Trade   | 4,602,764.38                       | 1,502,945.00                       |
| Expenses Payable   | 50,000.37                          | 4,845.00                           |
|  | 4,652,764.75                       | 1,507,790.00                       |

# SATNAM OVERSEAS LIMITED INC.

## ANNEXURE TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31ST, 2007

(Figures in \$.)

| P A R T I C U L A R S  | FOR THE PERIOD<br>ENDED 31.03.2007 | FOR THE PERIOD<br>ENDED 31.03.2006 |
|--|------------------------------------|------------------------------------|
| <b><u>DETAILS OF EMPLOYEES REMUNERATION &amp; BENEFITS</u></b> |                                    |                                    |
| To Staff Salaries  | 1,024,087.66                       | 366,799.00                         |
|  | 1,024,087.66                       | 366,799.00                         |
| <b><u>DETAILS OF ADMINISTRATIVE EXPENSES</u></b>               |                                    |                                    |
| To Rates and Taxes   | 185,916.55                         | —                                  |
| To Postage, Telegram and Telephone                             | 47,504.98                          | 16,717.00                          |
| To General Expenses  | 123,216.47                         | —                                  |
| To Bank Charges  | 4,931.25                           | 1,149.00                           |
| To Interest Paid   | 81,451.18                          | 21,392.00                          |
| To Legal and Professional Charges                              | —                                  | 9,815.00                           |
| To Vehicle Maintenance   | 139,876.30                         | —                                  |
| To Printing and Stationery                                     | —                                  | 455.00                             |
| To Insurance Charges (General)                                 | 117,950.88                         | 49,086.00                          |
| To Rent  | 499,093.40                         | —                                  |
| To Office Expenses   | 59,326.46                          | 16,217.00                          |
| To Amortization of Deferred Mkt Expenses                       | 114,976.00                         | —                                  |
| To Dues & Subscription   | —                                  | 178.00                             |
| To Trucking Expenses   | 8,880.40                           | —                                  |
| To Utilities   | 53,854.57                          | 17,222.00                          |
| To Auto Expenses   | —                                  | 51,705.00                          |
| To Miscellaneous   | —                                  | 2,797.00                           |
| To Repairs & Maintenance (General)                             | 19,708.59                          | 12,628.00                          |
| To Profit & Loss in Foreign Exchange                           | 15,963.11                          | —                                  |
|  | 1,472,650.14                       | 199,361.00                         |
| <b><u>DETAILS OF SELLING AND DISTRIBUTION EXPENSES</u></b>     |                                    |                                    |
| To Business Promotion  | 77,565.48                          | 194,077.00                         |
| To Travelling Expenses   | 62,447.30                          | 54,712.00                          |
| To Rebate & Discount   | 8,942.37                           | 10,855.00                          |
| To Brokerage & Commission                                      | 49,647.59                          | 18,810.00                          |
| To Free Samples  | —                                  | 144.00                             |
| To Clearing and Forwarding                                     | 125,407.11                         | —                                  |
|  | 324,009.85                         | 278,598.00                         |

**SATNAM OVERSEAS LIMITED INC.**

(Figures in \$.)

| P A R T I C U L A R S  | FOR THE PERIOD<br>ENDED 31.03.2007 | FOR THE PERIOD<br>ENDED 31.03.2006 |
|--|------------------------------------|------------------------------------|
| <b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007</b> |                                    |                                    |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                                    |                                    |
| — Net Profit before interest, tax & extra ordinary items       | 87,847.37                          | (628,083.60)                       |
| — Adjustments for :-   |                                    |                                    |
| Depreciation   | 121,887.35                         | 21,677.00                          |
| Deffered Revenue Expenditure                                   | 114,976.00                         | (147,891.00)                       |
| Foreign exchange   | —                                  | —                                  |
| Interest / Dividend  | —                                  | —                                  |
| Deferred Revenue Expenditure                                   | —                                  | —                                  |
| — Operating profit before working capital changes              | 324,710.72                         | (754,297.60)                       |
| — Adjustments for :-   |                                    |                                    |
| Trade & other receivables                                      | (2,985,686.13)                     | (406,082.00)                       |
| Inventories  | (5,622,962.68)                     | (531,255.00)                       |
| Trade payables   | 3,144,974.75                       | 315,014.00                         |
| — Cash generated from operations                               | (5,138,963.34)                     | (1,376,620.60)                     |
| Interest paid  | 81,451.18                          | 21,392.00                          |
| Direct taxes   | —                                  | —                                  |
| Deferred Marketing Expenses                                    | 114,976.00                         | —                                  |
| — Cash flow before extra ordinary items                        | (5,335,390.52)                     | (1,398,012.60)                     |
| Extra ordinary items   | —                                  | —                                  |
| Net cash from operating activities                             | (5,335,390.52)                     | (1,398,012.60)                     |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                  |                                    |                                    |
| — Purchase of fixed assets                                     | (1,512,637.52)                     | 3,019.00                           |
| — Sale of fixed assets   | —                                  | —                                  |
| — Acquisition of companies                                     | —                                  | —                                  |
| — Purchase of investments                                      | —                                  | —                                  |
| — Sale of investments  | —                                  | —                                  |
| — Interest received  | —                                  | —                                  |
| — Dividend received  | —                                  | —                                  |
| — Net cash flow from investing activities                      | (1,512,637.52)                     | 3,019.00                           |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                  |                                    |                                    |
| — Proceeds from issue of share capital / share premium         | 2,500,000.00                       | —                                  |
| — Proceeds from borrowings                                     | 4,321,381.83                       | 1,587,261.60                       |
| — Repayment of finance, lease liabilities                      | —                                  | —                                  |
| — Dividends / purchase tax                                     | —                                  | —                                  |
| — Net cash flow from financing activities                      | 6,821,381.83                       | 1,587,261.60                       |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>               | <b>(26,646.21)</b>                 | <b>192,268.00</b>                  |
| — Cash & Cash equivalent as at opening                         | 283,439.00                         | 91,171.00                          |
| — Cash & Cash equivalent as at closing                         | 256,792.68                         | 283,439.00                         |

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Business**

Satnam Overseas Limited Inc. was incorporated in the State of New Jersey, USA in the year 2000. The company is a wholesaler of fine rice and other prepared Indian food items imported from India. The corporation serves the entire continental United States and Canada. The company uses accrual method of accounting for both financial reporting and income tax purposes. The corporation submits its US tax return on a calendar year basis. This subsidiary deals with the same product line with different target clients. The subsidiary opened branches in the states of California, Illinois, Maryland and New Jersey. These financial statements include results of the operations of Kohinoor Foods Inc.

**Accounting Policy**

The company adopted accrual method of accounting, income is recognised when invoices are mailed and expenses are recognised when incurred. The financial records of the company are maintained on a fiscal year basis. These financial statements have been compiled for the twelve month period ending March 31, 2007, to facilitate consolidation with the accounts of the parent company, whose financial year ends on March 31st. However, the US tax returns are currently submitted on a calendar year basis. A request has been made with the Internal Revenue Service to permit change of tax year from calendar to fiscal year. Approval is currently pending for fiscal year 2006-2007, the company management decided to capitalize sales promotion expense amounting to \$ 93,257.89.

**Inventory**

The company values inventory using actual cost method. Inventory items consist of bagged rice spices and packaged food items and include allocated freight and duty charges. The Generally Accepted Accounting Principles require that physical inventory be taken and inventory value determined before it can be represented in the financial statements. For the purpose of these financial statements company management determined the inventory value. I did not take a physical inventory.

**Property and Equipment**

The company records property and equipment at cost. These assets are depreciated over their useful lives using straight-line depreciation method and regulations allowed under the US Income Tax Codes, where applicable. For the purpose of these financial statements simple straight line method was used. Accumulated depreciation number includes \$114976 on account of accumulated amortization of deferred marketing expenses. During 2006-2007, the company invested \$980,088.53 to acquire a land in Texas.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Bad Debts**

A provision for doubtful accounts has not been made in the financial statements for the fiscal year 2006-07. Management feels that all other receivables are recoverable. Some Accounts Receivables were not confirmed.

### **Related Party Transactions**

The company purchases all of their products from their parent company Kohinoor Foods Limited, a company incorporated in India. A major portion of accounts payable is due to the parent company. During the fiscal year company also borrowed an additional \$ 3500000 from Kohinoor Foods Limited. Also about 53.4% percent of total sales represent sales to its subsidiary, Kohinoor Foods Inc., a company formed in the state of Texas. Also Satnam Overseas Limited Inc. translates business with its subsidiary, Kohinoor Food Inc. on a regular basis. Any effect of these transactions has been eliminated in these financial statements.

### **Short and Long Term Debt**

At March 31, 2007 the corporation owed \$ 500000 to State Bank of India, New York on a line of Credit carrying interest note of 8.5% and \$ 502725 to North Houston Bank of Texas carrying interest rate of 8.32%. The Corporation also owed \$ 5000000 to its parent company at this year end. Presently no interest rates is assigned to the loan. In addition the company had various other loans outstanding totalling \$ 327720.43, primarily on account of equipment and truck acquisition & leasing.

### **Lease Obligation**

The corporation's lease for the office and warehouse space at 400 Apgar Drive in Somerset New Jersey ended on June 30, 2007. Monthly rental of the location was \$ 5,568. The company has taken a new office cum warehouse space at 58 Northfield Avenue, Edison, NJ 08837 at a monthly rental of \$ 9,221.00. This lease will expire on May 31, 2011.

The subsidiary, Kohinoor Foods, Inc. operates from a rented space in Houston, Texas. Kohinoor Foods Inc or Satnam Overseas Limited Inc. does not have a duly executed lease in the company name for this location. It is occupying the space under a temporary arrangement. Monthly rental for this location is around \$ 8200. The legal obligations for this arrangement are not clearly defined. The Company plans to move to a new location in November, 2007, for which a lease arrangement has been executed. Chicago, Illinois warehouse pays a monthly rental of \$ 16,857.80, with a provision of 2.5% annual escalation. The lease expires November 8, 2011. The lease for California location expires on August 31, 2011. Current monthly rental is \$ 7900 with a provision for a 3% increase annually. The lease for Maryland location expires on September 30, 2011. Current monthly rental is \$ 5633, with a provision for about three percent increase annually.

### **Deferred Marketing Expense**

At the commencement of the US operation the management decided that the initial expenses for advertising and sales promotion to familiarize its product lines would be capitalized, and subsequently amortized over a period of five years. Marketing expenses in the post incorporation years built up a substantial amount in this category, presently this expenses is being amortized. During the financial year reported, an additional amount of \$93,257.89 was capitalized. As of march 31, 2007 the balance that remains to be amortized was \$684,597 less current year's amortization of \$114,976. The entire expense for media advertisement is categorized as deferred marketing expense.

## DIRECTORS' REPORT

The Directors submit their report together with the financial statements for the year ended 31st March 2007.

### 1. Principal Activities

The Company is engaged in the manufacturing and trading of rice, pulses, ghee, coffee, cashews, milk powder, sugar, spices, coconut powder, wheat and Ready to Eat food products

### 2. Operations

The Company has done excellent business during the year ended 31st March 2007. The profits of the Company as on 31st March 2007 were 596091.25 Dhs. The Company has entered into the market of Iran and has sold quantities of basmati rice under its own brand. The Company is planning to concentrate more on the branded business rather than commodities which shall provide sustainability to the business and generate more profits for the Company

**Pawan Khanna**  
Director

Dubai (U.A.E.)  
14th July, 2007



**MANUFACTURING AND TRADING ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

Figure in Drh.

| <b>PARTICULARS</b>            | <b>FOR THE<br/>YEAR ENDED<br/>31.03.2007</b> | <b>FOR THE<br/>YEAR ENDED<br/>31.03.2006</b> |
|-------------------------------|--|--|
| <b><u>EARNINGS</u></b>        |  |  |
| Sales/Income from Operations  | 40,803,817.42                                | 36,169,306.39                                |
| Closing Stock                 | 5,215,018.34                                 | 2,825,353.95                                 |
|                               | <u>46,018,835.76</u>                         | <u>38,994,660.34</u>                         |
| <b><u>OUTGOINGS</u></b>       |  |  |
| Opening Stock                 | 2,825,353.95                                 | 5,205,745.60                                 |
| Purchases                     | 37,048,344.27                                | 28,335,467.97                                |
| Loading and Unloading Charges | 69,818.00                                    | 64,157.00                                    |
| Packing Materials             | 215,750.37                                   | 320,126.75                                   |
| THC/DPA Charges               | 551,964.60                                   | 369,243.40                                   |
| Wages                         | 253,711.17                                   | 249,879.00                                   |
| Rebate & Discount             | 43,360.56                                    | —  |
| Insurance Charges             | 42,698.00                                    | 12,954.00                                    |
| Freight and Octroi            | 278,793.00                                   | 175,350.00                                   |
| Other Expenses                | 26,636.75                                    | 104,848.50                                   |
| Gross Profit                  | <u>4,662,405.09</u>                          | <u>4,156,888.12</u>                          |
|                               | <u>46,018,835.76</u>                         | <u>38,994,660.34</u>                         |

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

|                                      |                     |                     |
|--------------------------------------|---------------------|---------------------|
| <b><u>EARNINGS</u></b>               |                     |                     |
| Gross Profit Brought Forward         | 4,662,405.09        | 4,156,888.12        |
| Profit on sale of assets             | 7,630.00            | —                   |
| Miscellaneous and other Income       | 455,493.73          | 96,111.67           |
|                                      | <u>5,125,528.82</u> | <u>4,252,999.79</u> |
| <b><u>OUTGOINGS</u></b>              |                     |                     |
| Employees Remuneration & Benefits    | 931,369.25          | 888,730.00          |
| Administrative Expenses              | 2,564,227.04        | 1,932,966.79        |
| Selling and Distribution Expenses    | 694,388.43          | 691,697.18          |
| Depreciation                         | 339,452.85          | 333,419.00          |
| Net Profit (Trfd to General Reserve) | <u>596,091.25</u>   | <u>406,186.82</u>   |
|                                      | <u>5,125,528.82</u> | <u>4,252,999.79</u> |

**Rich Rice Raisers Factory L.L.C.**  
**P.O. Box 15542, Dubai, (U.A.E )**

| Figure in Drh.                          |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| P A R T I C U L A R S                   | FOR THE<br>YEAR ENDED<br>31.03.2007 | FOR THE<br>YEAR ENDED<br>31.03.2006 |
| <b>SCHEDULE OF FIXED ASSETS</b>         |                                     | <b>SCHEDULE - A</b>                 |
| Office Equipment & Furniture & Fixture  | 260,968.35                          | 255,111.35                          |
| Building                                | 320,457.00                          | 320,457.00                          |
| Plant & Machinery & Electrical Fittings | 936,903.90                          | 913,815.90                          |
| Vehicles                                | 1,032,354.00                        | 1,067,933.00                        |
| Computer                                | 157,147.00                          | 150,142.00                          |
| Total                                   | 2,707,830.25                        | 2,707,459.25                        |
| Less:                                   |                                     |                                     |
| Accumulated Depreciation                | 1,538,153.85                        | 1,301,181.00                        |
| Net                                     | 1,169,676.40                        | 1,406,278.25                        |

| Figure in Drh.                            |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| P A R T I C U L A R S                     | FOR THE<br>YEAR ENDED<br>31.03.2007 | FOR THE<br>YEAR ENDED<br>31.03.2006 |
| <b>CURRENT LIABILITIES AND PROVISIONS</b> |                                     | <b>SCHEDULE - B</b>                 |
| <b>CURRENT LIABILITIES</b>                |                                     |                                     |
| Sundry Creditors                          |                                     |                                     |
| A) Trade                                  | 99,84,200.81                        | 6,945,610.66                        |
| B) Others                                 | 2,999,042.00                        | 170,674.28                          |
| Expenses Payable                          | 117,915.00                          | 67,620.00                           |
|   | 13,101,157.81                       | 7,183,904.94                        |

**Rich Rice Raisers Factory L.L.C.**  
**P.O. Box 15542, Dubai, (U.A.E )**

Figure in Drh.

| P A R T I C U L A R S | FOR THE<br>YEAR ENDED<br>31.03.2007 | FOR THE<br>YEAR ENDED<br>31.03.2006 |
|-----------------------|-------------------------------------|-------------------------------------|
|-----------------------|-------------------------------------|-------------------------------------|

**ANNEXURE TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

**DETAILS OF EMPLOYEES REMUNERATION & BENEFITS**

|                          |            |            |
|--------------------------|------------|------------|
| To Staff Salaries        | 779,633.50 | 818,020.00 |
| To Gratuity for the year | 21,562.00  | 13,312.00  |
| To Bonus                 | —          | 54,000.00  |
| To Staff Welfare         | 130,173.75 | 3,398.00   |
|                          | 931,369.25 | 888,730.00 |

**DETAILS OF ADMINISTRATIVE EXPENSES**

|                                    |              |              |
|------------------------------------|--------------|--------------|
| To Rates and Taxes                 | 131,614.99   | 169,743.97   |
| To Auditor's Remuneration          | 13,000.00    | 11,500.00    |
| To Postage, Telegram and Telephone | 112,697.22   | 101,945.25   |
| To General Expenses                | 121,329.98   | 124,625.86   |
| To Bank Charges                    | 247,745.90   | 208,338.88   |
| To Interest Paid                   | 971,331.58   | 695,407.83   |
| To Legal and Professional Charges  | 165,000.00   | —            |
| To Vehicle Maintenance             | 252,391.25   | 95,796.00    |
| To Printing and Stationery         | 12,834.50    | 11,369.50    |
| To Insurance Charges (General)     | 69,235.75    | 34,130.00    |
| To Conveyance                      | 4,545.87     | 132,596.50   |
| To Rent                            | 462,500.00   | 347,513.00   |
|                                    | 2,564,227.04 | 1,932,966.79 |

**DETAILS OF SELLING AND DISTRIBUTION EXPENSES**

|                            |            |            |
|----------------------------|------------|------------|
| To Business Promotion      | 258,252.64 | 204,454.23 |
| To Travelling Expenses     | 91,696.28  | 79,023.00  |
| To Rebate & Discount       | 56,041.50  | 172,921.95 |
| To Brokerage & Commission  | 253,247.42 | 215,795.00 |
| To Freight Outward         | —          | 1,470.00   |
| To Clearing and Forwarding | 35,150.59  | 18,033.00  |
|                            | 694,388.43 | 691,697.18 |

**STATUS**

The company was established in Dubai (U.A.E.) as a limited company on 15th July, 2000.

**ACITIVITY**

The company is engaged in the business of trading of Rice, Coffee, Milk Powder, Dal, Ghee, Sugar, Spices, Tea, Cashew, Heat & Eat, wheat and coconut powder.

**FIXED ASSETS & DEPRECIATION**

Depreciation of fixed assets is charged using the straight-line method so as to provide for the full cost of assets over their estimated useful lives. The principal categories of assets and their estimated useful lives are as follows:-

|  | <b>Years</b> |
|--|--------------|
| Building Improvements                    | 10           |
| Office Equipment, Furniture's & Fixtures | 5            |
| Plant & Machinery                        | 10           |
| Vehicles                                 | 5            |

**INVENTORIES**

Inventories are valued on a first in first out basis at the lower of cost and net realizable value. Cost comprises all expenditure required to bring the inventories to their present location and condition. The inventories are certified and valued by the management.

**RATE OF EXCHANGE**

Assets and liabilities in foreign currencies and transactions during the year are stated and translated at the company's standard rates of exchange. Profit/Loss on these transactions is booked on realization basis only.

**Rich Rice Raisers Factory L.L.C.**  
**P.O. Box 15542, Dubai, (U.A.E )**

| <b>PARTICULARS</b>                                       | <b>Figure in Drh.</b>                        |  |
|--|--|--|
|  | <b>FOR THE<br/>YEAR ENDED<br/>31.03.2007</b> | <b>FOR THE<br/>YEAR ENDED<br/>31.03.2006</b> |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>            |  |  |
| — Net Profit before interest, tax & extra ordinary items | 1,567,422.83                                 | 1,101,594.65                                 |
| — Adjustments for :-                                     |  |  |
| Depreciation   | 339,452.85                                   | 333,419.00                                   |
| Deffered Revenue Expenditure                             | —  | —  |
| Foreign exchange   | —  | —  |
| — Interest / Dividend                                    | —  | —  |
| Deffered Revenue Expenditure                             | —  | —  |
| — Operating profit before working capital changes        | 1,906,875.68                                 | 1,435,013.65                                 |
| — Adjustments for :-                                     |  |  |
| Trade & other receivables                                | (10,070,010.15)                              | 1,344,693.40                                 |
| Inventories  | (2,389,664.39)                               | 2,380,391.65                                 |
| Trade payables   | 5,917,252.87                                 | (2,176,679.36)                               |
| — Cash generated from operations                         | (4,635,545.99)                               | 2,983,419.34                                 |
| Interest paid  | 971,331.58                                   | 695,407.83                                   |
| Direct taxes   | —  | —  |
| Deffered Marketing Expenses                              | —  | —  |
| — Cash flow before extra ordinary items                  | (5,606,877.57)                               | 2,288,011.51                                 |
| Extra ordinary items                                     | —  | —  |
| Net cash from operating activities                       | (5,606,877.57)                               | 2,288,011.51                                 |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>            |  |  |
| — Purchase of fixed assets                               | (102,851.00)                                 | (852,194.00)                                 |
| — Sale of fixed assets                                   | —  | —  |
| — Acquisition of companies                               | —  | —  |
| — Purchase of investments                                | (8,089,745.51)                               | (1,785,683.00)                               |
| — Sale of investments                                    | —  | —  |
| — Interest received                                      | —  | —  |
| — Dividend received                                      | —  | —  |
| — Net cash flow from investing activities                | (8,192,596.51)                               | (2,637,877.00)                               |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>            |  |  |
| — Proceeds from issue of share capital / share premium   | —  | —  |
| — Proceeds from borrowings                               | 12,070,570.97                                | 853,555.00                                   |
| — Repayment of finance, lease liabilities                | —  | —  |
| — Dividends / purchase tax                               | —  | —  |
| — Net cash flow from financing activities                | 12,070,570.97                                | 853,555.00                                   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>         | <b>(1,728,903.11)</b>                        | <b>503,689.51</b>                            |
| — Cash & Cash equivalent as at opening                   | 3,235,482.91                                 | 2,731,793.40                                 |
| — Cash & Cash equivalent as at closing                   | 1,506,579.80                                 | 3,235,482.91                                 |

## **DIRECTORS' REPORT**

The directors present their report and the financial statements of the company for the year ended 31 March 2007.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was the manufacture and wholesale of food products.

### **DIRECTORS**

The directors who served the company during the year were as follows:

Mr Jugal Kishore Arora  
Mr Gurnam Arora  
Mr Sumit Arora

### **DONATIONS**

During the year the company made the following contributions:

|            | 2007 | 2006 |
|------------|------|------|
|            | £    | £    |
| Charitable | 300  | —    |

### **SMALL COMPANY PROVISIONS**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors

**MR SUMIT ARORA**  
Director

Approved by the directors on 27 July 2007

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

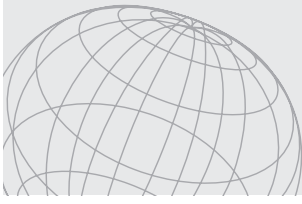
The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.



## **INDEPENDENT AUDITOR'S REPORT**

We have audited the financial statements of Indo European Foods Limited for the year ended 31 March 2007 on pages 5 to 11, which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on pages 7 to 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **OPINION**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended.

the financial statements have been properly prepared in accordance with the Companies Act 1985.

The information given in the Directors' Report is consistent with the financial statements for the year ended 31 March 2007.

Without qualifying our opinion we draw attention to note 1(i) to the financial statements which deals with the treatment of certain expenses.

7 Redbridge Lane East  
Redbridge, Ilford  
Essex IG4 5ET

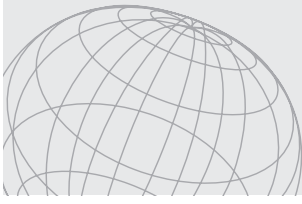
INGER & COMPANY  
Chartered Accountants  
& Registered Auditors



**PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2007**

(Figures in £)

| P A R T I C U L A R S                              | Notes | YEAR ENDED<br>31.03.2007 | YEAR ENDED<br>31.03.2006 |
|--|-------|--------------------------|--------------------------|
| <b>TURNOVER</b>                                    | 2     | 5,960,852                | 4,594,127                |
| Cost of sales                                      |       | <u>3,789,877</u>         | <u>3,102,149</u>         |
| <b>GROSS PROFIT</b>                                |       | 2,170,975                | 1,491,978                |
| Administrative expenses                            |       | 1,881,862                | 1,335,797                |
| Other operating income                             | 3     | (873)                    | (1,010)                  |
| <b>OPERATING PROFIT</b>                            | 4     | 289,986                  | 157,191                  |
| Interest payable and similar charges               |       | <u>408,434</u>           | <u>236,648</u>           |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |       | (118,448)                | (79,457)                 |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                 |       | (118,448)                | (79,457)                 |
| Balance brought forward                            |       | <u>(159,521)</u>         | <u>(80,064)</u>          |
| Balance carried forward                            |       | <u><u>(277,969)</u></u>  | <u><u>(159,521)</u></u>  |



BALANCE SHEET 31 MARCH 2007

|  |       |                          |                          | (Figures in £) |  |
|--|-------|--------------------------|--------------------------|----------------|--|
| P A R T I C U L A R S  | Notes | YEAR ENDED<br>31.03.2007 | YEAR ENDED<br>31.03.2006 |                |  |
| <b>FIXED ASSETS</b>  |       |                          |                          |                |  |
| Intangible assets  | 5     | 10,400                   | —                        |                |  |
| Tangible assets  | 6     | 4,724,355                | 4,682,913                |                |  |
|  |       | <u>4,734,755</u>         | <u>4,682,913</u>         |                |  |
| <b>CURRENT ASSETS</b>  |       |                          |                          |                |  |
| Stocks   |       | 3,872,772                | 2,758,610                |                |  |
| Debtors due within one year                                    | 7     | 3,024,361                | 2,815,303                |                |  |
| Cash at bank and in hand                                       |       | 103,572                  | 685                      |                |  |
|  |       | <u>7,000,705</u>         | <u>5,574,598</u>         |                |  |
| <b>CREDITORS:</b> Amounts falling due within one year          | 8     | <u>4,796,316</u>         | <u>3,965,503</u>         |                |  |
| <b>NET CURRENT ASSETS</b>                                      |       | <u>2,204,389</u>         | <u>1,609,095</u>         |                |  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 6,939,144                | 6,292,008                |                |  |
| <b>CREDITORS:</b> Amounts falling due after more than one year | 9     | 5,217,113                | 4,451,529                |                |  |
|  |       | <u>1,722,031</u>         | <u>1,840,479</u>         |                |  |
| <b>CAPITAL AND RESERVES</b>                                    |       |                          |                          |                |  |
| Called-up equity share capital                                 | 11    | 2,000,000                | 2,000,000                |                |  |
| Profit and loss account  |       | (277,969)                | (159,521)                |                |  |
| <b>SHAREHOLDERS' FUNDS</b>                                     |       | <u>1,722,031</u>         | <u>1,840,479</u>         |                |  |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on the 26th July, 2007 and are signed on their behalf by:

**MR S ARORA**  
Director

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2007

### 1. ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

#### (b) Turnover

The turnover shown in the profit and loss account represents the amounts receivable for goods supplied and is stated net of Value Added Tax

#### (c) Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Website - 7.5 years

#### (d) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                     |   |                                 |
|---------------------|---|---------------------------------|
| Plant & Machinery   | — | Over estimated useful life      |
| Fixtures & Fittings | — | 15% p.a. reducing balance basis |
| Motor Vehicles      | — | 20% p.a. reducing balance basis |

#### (e) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### (f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### (g) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### (h) Deferred expenditure

In line with Group Accounting Policy on product entry costs, the company has carried forward, as deferred expenditure, certain costs relating to the introduction of various branded products into the United Kingdom market.

Deferred expenditure is that which, when incurred, will not produce an immediate return and which may be expected to accrue economic benefit over a future period.

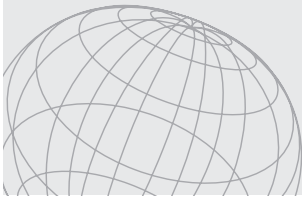
Promotional expenditure (such as expenditure incurred to introduce a new brand name to, and increase awareness among, consumers) may be deferred over a period. Promotional expenditure following the introduction of a new sales product is carried forward and written off over a period not exceeding ten years provided, in the opinion of the directors, such expenditure is separately identifiable and the future product sales are reasonably expected to benefit from such expenditure. The future benefit is kept under constant review and the rate of write off adjusted accordingly.

#### (i) Going concern

The financial statements have been prepared on the going concern basis which assumes continuing financial support from the company's parent undertaking.

### 2. TURNOVER

Overseas turnover amounted to 5.58% (To 31 March 2006 - 5.78%) of the total turnover for the year.



**3. OTHER OPERATING INCOME**

|                        | 2007<br>£  | 2006<br>£    |
|------------------------|------------|--------------|
| Other operating income | <u>873</u> | <u>1,010</u> |

**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

|   | 2007<br>£        | 2006<br>£     |
|---|------------------|---------------|
| Directors' emoluments                             | 40,500           | 40,500        |
| Amortisation                                      | 1,600            | —             |
| Depreciation of owned fixed assets                | 131,365          | 95,209        |
| Loss/(Profit) on disposal of fixed assets         | 4,959            | (8,651)       |
| Auditor's fees                                    | 8,089            | 7,210         |
| Net (profit)/loss on foreign currency translation | <u>(444,224)</u> | <u>24,620</u> |

**5. INTANGIBLE FIXED ASSETS**

|                       | Website<br>£  |
|-----------------------|---------------|
| <b>COST</b>           |               |
| Additions             | <u>12,000</u> |
| At 31 March 2007      | <u>12,000</u> |
| <b>AMORTISATION</b>   |               |
| Charge for the year   | <u>1,600</u>  |
| At 31 March 2007      | <u>1,600</u>  |
| <b>NET BOOK VALUE</b> |               |
| At 31 March 2007      | <u>10,400</u> |
| At 31 March 2006      | <u>—</u>      |

**6. TANGIBLE FIXED ASSETS**

|                         | Freehold<br>Property<br>£ | Plant &<br>Machinery<br>£ | Fixtures &<br>Fittings<br>£ | Motor<br>Vehicles<br>£ | Total<br>£              |
|-------------------------|---------------------------|---------------------------|-----------------------------|------------------------|-------------------------|
| <b>COST</b>             |                           |                           |                             |                        |                         |
| At 1 April 2006         | 3,224,207                 | 1,383,954                 | 101,629                     | 131,496                | 4,841,286               |
| Additions               | —                         | 105,776                   | 49,314                      | 34,976                 | 190,066                 |
| Disposals               | —                         | —                         | —                           | (42,088)               | (42,088)                |
| <b>At 31 March 2007</b> | <u><b>3,224,207</b></u>   | <u><b>1,489,730</b></u>   | <u><b>150,943</b></u>       | <u><b>124,384</b></u>  | <u><b>4,989,264</b></u> |
| <b>DEPRECIATION</b>     |                           |                           |                             |                        |                         |
| At 1 April 2006         | —                         | 65,353                    | 31,302                      | 61,718                 | 158,373                 |
| Charge for the year     | —                         | 95,789                    | 17,946                      | 17,630                 | 131,365                 |
| On disposals            | —                         | —                         | —                           | (24,829)               | (24,829)                |
| <b>At 31 March 2007</b> | <u><b>—</b></u>           | <u><b>161,142</b></u>     | <u><b>49,248</b></u>        | <u><b>54,519</b></u>   | <u><b>264,909</b></u>   |
| <b>NET BOOK VALUE</b>   |                           |                           |                             |                        |                         |
| <b>At 31 March 2007</b> | <u><b>3,224,207</b></u>   | <u><b>1,328,588</b></u>   | <u><b>101,695</b></u>       | <u><b>69,865</b></u>   | <u><b>4,724,355</b></u> |
| At 31 March 2006        | <u>3,224,207</u>          | <u>1,318,601</u>          | <u>70,327</u>               | <u>69,778</u>          | <u>4,682,913</u>        |

No depreciation is charged on assets not in use at the balance sheet date.

No depreciation is charged on the company's freehold building. It is the company's policy to maintain its assets in a continuous state of good repair. The directors consider that the life of the freehold property is so long and the residual value so high that any depreciation is insignificant.

## 7. DEBTORS

|                                | 2007<br>£        | 2006<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | 1,322,499        | 1,009,146        |
| Other debtors                  | 141,730          | 101,322          |
| Prepayments and accrued income | 1,560,132        | 1,704,835        |
|                                | <u>3,024,361</u> | <u>2,815,303</u> |

Prepayments include deferred expenditure of £1,522,814 (2006 - £1,677,814).

## 8. CREDITORS: Amounts falling due within one year

|                                    | 2007<br>£        | 2006<br>£        |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts          | 3,075,887        | 3,059,234        |
| Trade creditors                    | 1,329,974        | 878,209          |
| Other taxation and social security | -                | 13,696           |
| Other creditors                    | 390,455          | 14,364           |
|                                    | <u>4,796,316</u> | <u>3,965,503</u> |

Trade creditors include £1,174,196 (2006 - £784,801) due to Kohinoor Foods Limited, the parent undertaking.

Other creditors includes £350,000 received from Kohinoor Foods Limited in connection with an application for issue of new shares.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

|                           | 2007<br>£ | 2006<br>£ |
|---------------------------|-----------|-----------|
| Bank loans and overdrafts | 3,075,887 | 3,059,234 |

## 9. CREDITORS: Amounts falling due after more than one year

|                           | 2007<br>£        | 2006<br>£        |
|---------------------------|------------------|------------------|
| Bank loans and overdrafts | 1,900,199        | 2,839,450        |
| Trade creditors           | 1,092,132        | -                |
| Other creditors           | 2,224,782        | 1,612,079        |
|                           | <u>5,217,113</u> | <u>4,451,529</u> |

Trade creditors include £1,092,132 (2006 - £Nil) due to Kohinoor Foods Limited, the parent undertaking.

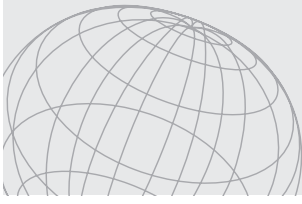
Other creditors include £2,224,782 (2006 - £1,603,454) due to shareholders.

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

|                           | 2007<br>£        | 2006<br>£        |
|---------------------------|------------------|------------------|
| Bank loans and overdrafts | <u>1,900,199</u> | <u>2,839,450</u> |

## 10. RELATED PARTY TRANSACTIONS

During the year the company purchased goods to the value of £3,807,000 (2006 - £3,106,000) from Kohinoor Foods Limited.



**11. SHARE CAPITAL**

Authorised share capital:

|   | 2007<br>£        | 2006<br>£        |
|---|------------------|------------------|
| 2,000,000 Ordinary shares of £1 each            | 2,000,000        | 1,000,000        |
| 1,000,000 Redeemable Ordinary shares of £1 each | 1,000,000        | 1,000,000        |
|   | <u>3,000,000</u> | <u>2,000,000</u> |

Allotted, called up and fully paid:

|                                       | 2007             |                  | 2006             |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | No               | £                | No               | £                |
| Ordinary shares of £1 each            | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        |
| Redeemable Ordinary shares of £1 each | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        |
|                                       | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> |

The authorised share capital of the company was increased to £3,000,000 on 16 March 2007 by the creation of new 1,000,000 ordinary shares of £1 each.

**12. ULTIMATE PARENT COMPANY**

The company's ultimate holding company is Kohinoor Foods Limited, a company incorporated in India.



**DETAILED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2007**

|                                    | No          | 2007<br>£            | 2006<br>£            |
|------------------------------------|-------------|----------------------|----------------------|
| <b>TURNOVER</b>                    |             | 5,960,852            | 4,594,127            |
| <b>COST OF SALES</b>               |             |                      |                      |
| Opening stock                      | 2,758,610   |                      | 2,509,917            |
| Purchases                          | 4,904,039   |                      | 3,350,842            |
|                                    |             | <u>7,662,649</u>     | <u>5,860,759</u>     |
| Closing stock                      | (3,872,772) |                      | (2,758,610)          |
|                                    |             | <u>3,789,877</u>     | <u>3,102,149</u>     |
| <b>GROSS PROFIT</b>                |             | <u>2,170,975</u>     | <u>1,491,978</u>     |
| <b>OVERHEADS</b>                   |             |                      |                      |
| Administrative expenses            |             | <u>1,881,862</u>     | <u>1,335,797</u>     |
|                                    |             | 289,113              | 156,181              |
| <b>OTHER OPERATING INCOME</b>      |             |                      |                      |
| Other income                       |             | <u>873</u>           | <u>1,010</u>         |
| <b>OPERATING PROFIT</b>            |             |                      |                      |
| Bank interest payable              |             | 289,986<br>(408,434) | 157,191<br>(236,648) |
| <b>LOSS ON ORDINARY ACTIVITIES</b> |             | (118,448)            | (79,457)             |



**NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2007**

|  | No        | 2007<br>£        | 2006<br>£        |
|--|-----------|------------------|------------------|
| <b>ADMINISTRATIVE EXPENSES</b>             |           |                  |                  |
| <b>Personnel costs</b>                     |           |                  |                  |
| Directors salaries                         | 40,500    |                  | 40,500           |
| Directors national insurance contributions | 4,540     |                  | 4,244            |
| Wages and salaries                         | 875,617   |                  | 506,535          |
|  |           | 920,657          | 551,279          |
| <b>Establishment expenses</b>              |           |                  |                  |
| Rent, rates and water                      | 234,070   |                  | 174,699          |
| Light and heat                             | 48,174    |                  | 28,372           |
| Insurance                                  | 53,168    |                  | 38,435           |
| Repairs and maintenance                    | 61,653    |                  | 31,460           |
|  |           | 397,065          | 272,966          |
| <b>General expenses</b>                    |           |                  |                  |
| Motor expenses                             | 40,536    |                  | 39,457           |
| Travel and subsistence                     | 31,823    |                  | 14,986           |
| Telephone                                  | 29,447    |                  | 27,094           |
| Hire of equipment                          | 42,230    |                  | 2,721            |
| Printing, stationery and postage           | 18,344    |                  | 12,324           |
| Staff welfare                              | 5,928     |                  | 4,554            |
| Sundry expenses                            | 53,667    |                  | 74,028           |
| Laundry and cleaning                       | 2,518     |                  | 2,853            |
| Donations                                  | 300       |                  | -                |
| Office expenses                            | 9,238     |                  | 2,656            |
| Advertising                                | 520,090   |                  | 73,890           |
| Entertaining                               | 20,438    |                  | 7,336            |
| Legal and professional fees                | 30,360    |                  | 51,719           |
| Auditors remuneration                      | 8,089     |                  | 7,210            |
| Amortisation                               | 1,600     |                  | -                |
| Depn of plant and machinery                | 95,789    |                  | 65,353           |
| Depreciation of fixtures and fittings      | 17,946    |                  | 12,411           |
| Depreciation of motor vehicles             | 17,630    |                  | 17,445           |
| Loss/(Profit) on disposal of fixed assets  | 4,959     |                  | (8,651)          |
|  |           | 950,932          | 407,386          |
| <b>Financial costs</b>                     |           |                  |                  |
| Bad debts written off                      | 22,963    |                  | 14,544           |
| Bank charges                               | 34,469    |                  | 65,002           |
| Foreign currency gains/losses              | (444,224) |                  | 24,620           |
|  |           | (386,792)        | 104,166          |
|  |           | <u>1,881,862</u> | <u>1,335,797</u> |