



KMG MILK FOOD LIMITED

21st ANNUAL REPORT 2012 - 2013

REGISTERED OFFICE & WORKS:

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

HEAD OFFICE:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sh. Basudev Garg	Chairman & Whole time Director
Sh. B. B. Raina	Executive Director
Sh. Mahesh Chandra Saxena	Independent Director
Sh. M. S. Venkateswaran	Independent Director
Sh. R. Sundra Raj	Independent Director

REGISTERED OFFICE & WORKS

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

AUDITORS

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

BANKERS

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

LISTED AT

BSE Limited
Delhi Stock Exchange Limited
Ludhiana Stock Exchange Limited
Jaipur Stock Exchange Limited
Ahmedabad Stock Exchange Limited

HEAD OFFICE

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

REGISTRAR & TRANSFER AGENT

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

ADVISORS

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

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Aditya Kumar Dwivedi

EMAIL ID & WEBSITE

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

21st ANNUAL GENERAL MEETING

Date: 30th September, 2013
Day: Monday
Time: 1.00 PM

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st Annual General Meeting of the members of the Company will be held on Monday, the 30th September, 2013 at 13.00 hrs. at the Registered Office of the Company at 9th K.M. Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt. Kurukshetra, Haryana - 132 118 to transact the following business:

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013, the statement of Profit and Loss Account for the year ended on that date together with reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. R. Sundra Raj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. B. Raina, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration. M/s Rajan K Gupta & Co., Chartered Accountants, the retiring Auditor are eligible for re-appointment.

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

**By Order of the Board of Directors
For KMG Milk Food Limited**

Sd/-
**Aditya Kumar Dwivedi
Company Secretary**

Dated: 26.08.2013
Place: Kurukshetra (Haryana)

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN TERMS OF THE ENCLOSED FORM DULY EXECUTED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. Copies of the relevant Directors' Report, Auditors' Report, Profit & Loss Account and Balance Sheet of the Company are enclosed.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 26.09.2013 to 30.09.2013 (both days inclusive).
4. Corporate members are requested to send the Company a duly certified copy of the Board Resolution, pursuant to section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
5. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of Notice/ documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative of the Government in full measure, members are requested to register their e-mail with M/s Skyline Financial Services Private Limited. Your Company intends to send Annual Report by electronics mode from next year.
6. As a measure of economy and a step toward green initiative, Members are requested to bring their copy of Annual Report to the meeting. Members/ Proxies should bring the attendance slip duly filled in and signed for attending the meeting.
7. Members who hold shares in demat form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
8. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Registrars and Transfer Agents the details as required in Form 2B.
9. Members are requested to: notify to the Company change in their addresses immediately,

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

Name of the Director	Mr. R. Sundra Raj	Mr. B. B. Raina
Date of Birth	07.09.1945	12.09.1948
Age	68	65
Date of Appointment	06.10.2006	30.06.2008
Qualification	Graduate by Qualification	B. Tech (Dairy Technology)
Expertise in Specific functional areas	Retired government officer. Good amount of experience in legal field.	30 years of experience in Milk Procurement on cooperatives lines and running of dairy plant project & implementation of same
Directorship held in Other Companies as on date	NIL	NIL
Committee Positions in KMG Milk Food Limited*	1, Member in Remuneration committee	NIL
Committee Positions in Other Public Companies*	NIL	NIL
No of Shares held	NIL	279600

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

DIRECTORS' REPORT

The Directors hereby present their 21st Annual Report on the business and operations of the company and financial results for the year ended 31st March 2013.

01. FINANCIAL HIGHLIGHTS:*(Rs. In lacs)*

Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
Total Revenue	203.80	121.89
Total Expenditure excluding Depreciation, Amortization Expenses and Financial Charges	68.81	66.78
Depreciation and Amortization Expenses	49.97	53.56
Financial Charges	0.05	0.03
Profit/(Loss) before Extraordinary Item	84.97	1.52
Extraordinary Item	189.70	0.00
Profit/(Loss) before Tax	(104.72)	1.52
Tax Expenses	(14.36)	(6.08)
Net Profit/(Loss) after Tax	(90.36)	7.60

02. PERFORMANCE:

With continuous efforts of the management of the Company during the period under report the Company achieved a turnover of Rs 203.60 lacs as compared to Rs. 121.88 Lacs for the previous year.

Your Company performed good during the year, however your Company could not earn much profit due to imposition of cess as at 31.03.2013 except the milk cess of Rs 1,50,84,375/- against the supreme court order dated 07-09-2012. Your Directors is of the opinion that the company has the immense potential and adequate resources to achieve the rapid rate of growth in the coming years.

03. DIVIDEND:

As the Company is suffering from loss, your Directors do not recommend any dividend for the period under report.

04. MANAGEMENT DISCUSSION AND ANALYSIS

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

05. DIRECTORS:

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

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

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

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

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

07. PARTICULARS OF EMPLOYEES:

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

08. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts for the year ended 31.03.2013, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- that the Directors have selected and applied such accounting policies consistently.
- that the Directors have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- that the Directors have prepared the annual accounts on a going concern basis.

09. CORPORATE GOVERNANCE

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

10. AUDITORS

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

The Board recommends the appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, the Statutory Auditors of the Company for the Financial Year 2013-14.

11. AUDITORS' REPORT

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

12. LISTING

The securities of the Company are listed at BSE Limited, Delhi Stock Exchange Limited, Ludhiana Stock Exchange Limited, Jaipur Stock Exchange Limited, and Ahmedabad Stock Exchange Limited. The trading of securities of the Company has been revoked from BSE Limited and trading of Shares have been commenced at BSE trading platform w.e.f 28th September 2012.

13. CLAUSE 5A OF THE LISTING AGREEMENT

In view of newly inserted clause 5A to the Listing Agreement vide circular no. CIR/CFD/DIL/10/2010 dated 16th December, 2010 issued by the Securities and Exchange Board of India (SEBI) introducing uniform procedure

for dealing with the unclaimed shares, the Company will be sending reminder letters to shareholders whose share certificates are still lying with the Company as undelivered/ unclaimed. Members who are yet to claim share certificates in physical mode are requested to claim their share certificates from the R&T Agent of the company viz. M/s Skyline Financial Services Private Limited. We would also like to inform that in case the company is not able to receive any response to the reminder letters the shares lying with the Company as undelivered/ unexchanged shall be transferred to "Unclaimed Suspense Account" and thereafter dematerialised to a specific Demat Account to be opened by the Company for this specific purpose, as stipulated in the above circular of SEBI.

14. GREEN INITIATIVE IN THE CORPORATE GOVERNANCE

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

15. PUBLIC DEPOSIT

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

16. PERSONNEL:

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

17 INVESTOR GRIEVANCES

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

18. ACKNOWLEDGEMENT:

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

**For & On Behalf of Board of Directors
Of KMG Milk Food Limited**

**Sd/-
Basudev Garg
Whole Time Director**

Date: 26.08.2013

Place: Kurukshetra (Haryana)

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the period ended 31st March 2013.

I. CONSERVATION OF ENERGY:

	Year Ended 31-03-2013	Year Ended 31-03-2014
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A. POWER AND FUEL CONSUMPTION

Electricity

(a). Purchase

Units	Nil	Nil
Total Amount (in Rs.)	Nil	Nil
Rate / Unit	Nil	Nil

(b). Own Generation:

(i). Through Diesel Generator

Units	Nil	Nil
Unit per Ltr. of Diesel	Nil	Nil
Cost / Unit (Rs.)	Nil	Nil

(ii). Coal

Quantity (MT)	Nil	Nil
Total Cost	Nil	Nil
Average Rate / MT (Rs)	Nil	Nil

(iii). Husk

Quantity (MT)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate / MT (Rs)	Nil	Nil

B. TOTAL QUANTITY OF MILK PROCESSED*

(i). Electricity (Cost per Kg of Milk Processed)

Nil	Nil
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(ii). Husk/ Coal / Fire Wood (Cost per Kg. of Milk Processed)

Nil	Nil
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II. TECHNOLOGY ABSORPTION

a. Research and Development

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

b. Technology Absorption, Adaptation & Innovation

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

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

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your Directors presents before you the Company's Management Discussion and Analysis Report for the year ended on 31.03.2013.

The management of the company is presenting herein the overview, opportunities and threats, initiatives by the company and overall strategy of the company and its outlook for the future. This outlook is based on management's own assessment and it may differ materially from those expressed or impaired depending upon global and Indian demand- supply conditions, changes in government regulations, tax regimes, economic developments within India and overseas.

INDUSTRY STRUCTURE AND DEVELOPMENT

The Dairy Industry plays an important role in the socio-economic development of India. India's production of milk has strongly increased over time with significant technical, policy and institutional support. This led to significant changes in the Indian dairy sector. In fact, the Indian dairy sector has undergone significant structural changes over time and some interesting patterns are unfolding along the milk value chain.

Dairy industry in India is instrumental in providing cheap nutritional food to the vast population of India and also generates huge employment opportunities for people in the rural places. India's dairy industry is largely traditional, local and informal. Milk production is dominated by smallholders. Approximately 78 percent of milk producers are marginal and small farmers and they together contribute around 68 percent to total milk production. This trend holds true more or less across all the states. A series of efforts have been made to promote organized milk marketing in the country and several policy initiatives have been taken to develop formal milk marketing and processing institutions in the country.

QUALITY & FOOD SAFETY POLICY

The Company's Quality Policy is: -

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

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

OPPORTUNITIES & THREATS

Strengths and Opportunities:

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

Weaknesses and Threats:

- Entry of Multi National Companies manufacturing dairy products in Domestic market.
- Increasing chemical contaminants as well as residual antibiotics in milk.
- Poor microbiological quality of milk.
- Incentive on export of quality feed ingredients particularly cakes.
- Deficiency of molasses, a rich source of energy and binding agent in feed industry and constituent of urea molasses mineral lick.
- Excessive grazing pressure on marginal and small community lands resulting in complete degradation of land.
- Extinction of the indigenous breeds of cattle due to indiscriminate use of crossbreeding programmed to enhance milk production.

KMG Milk Food Ltd.

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

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

SEGMENT WISE/ PRODUCT WISE REPORTING

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

RISK AND CONCERNS

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

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

ADEQUACY OF INTERNAL CONTROL SYSTEMS

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

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

HUMAN RESOURCE DEVELOPMENT

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

INDUSTRIAL RELATIONS

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

DISCLAIMER STATEMENT

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

CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company seeks to focus on enhancement of long-term value creation for all stakeholders without compromising on integrity, social obligations and regulatory compliances. As a responsible corporate citizen, Your Company encourages and recognizes employee participation in environment and social initiatives that contribute to organisational sustainability, training, learning, personal growth, conservation of energy and other scarce resources, promoting safety and health of its employees and of the neighboring communities. Company believes that profitability must go hand in hand with a sense of responsibility towards all stakeholders.

BOARD OF DIRECTORS

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

Composition:

As on 31st March 2013, the total number of Directors of the Company was five comprising of two Executive and three Non-Executive Independent Directors.

Name	Category
Mr. Basudev Garg	Chairman & Whole Time Director
Mr. B. B Raina	Executive Director
Mr. M. S. Venkateswaran	Independent Director
Mr. Mahesh Chandra Saxena	Independent Director
Mr. R. Sundra Raj	Independent Director

NOTE:

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

BOARD MEETING

During the financial year ended March 31, 2013, 13 meetings of the Board of Directors were held as against the minimum requirement of 4 times. None of the two Board Meetings have a gap of more than 120 days between them. The dates of meetings and the number of directors present therein are mentioned below:

Sr. No.	Date	Sr. No.	Date
1.	07.05.2012	7.	07.11.2012
2.	19.05.2012	8.	10.12.2012
3.	20.06.2012	9.	20.12.2012
4.	07.08.2012	10.	31.12.2012
5.	27.08.2012	11.	31.01.2013
6.	17.09.2012	12.	09.02.2013
		13.	22.03.2013

Sr. No.	Name of Director	No. of Meeting during 2012-13			No. of Directorship in other Public Companies		No. of Membership Committee held Companies	
		Held*	Conducted	Last AGM	Listed	Others	Chairman	Member
1.	Mr. Basudev Garg	13	13	Yes	Nil	1	Nil	Nil
2.	Mr. M. S. Venkateswaran	1	1	Yes	Nil	Nil	Nil	Nil
3.	Mr. Mahesh Chandra Saxena	13	13	Yes	Nil	Nil	Nil	Nil
4.	Mr. Sundra Raj	1	1	No	Nil	Nil	Nil	Nil
5.	Mr. B.B Raina	13	13	Yes	Nil	Nil	Nil	Nil

* Denotes number of meetings held during the tenure of directorship of each director.

Note:

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

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

RESUME OF DIRECTORS PROPOSED TO BE REAPPOINTED

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

COMMITTEES OF THE BOARD

The Board has constituted the following standing Committees:

1. Audit Committee
2. Shareholders’/Investors’ Grievance Committee
3. Remuneration Committee

AUDIT COMMITTEE

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

- i) Terms of reference
 1. Oversight of the Company’s financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
 2. Recommending the appointment and removal of statutory and internal Auditors (whenever required), fixation of audit fee and also approval for payment for any other services.
 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
 4. Reviewing with Management the quarterly / half yearly and the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Any Change in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - The going concern assumption.

- Compliance with accounting standards.
 - Compliance of legal requirement concerning financial statements.
 - Any related party transactions.
5. Reviewing with the management, statutory and internal Auditors, the adequacy and compliance of internal control system.
 6. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
 7. Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit.
 8. Discussion on internal Auditors significant findings and follow up there on.
 9. Reviewing the findings of any internal investigations by the internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. Discussion with statutory Auditors about the scope of audit as well as have post audit discussion to ascertain any area of concern.
 11. Reviewing the Company's financial and risk management policies.
 12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Further the Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

ii) Composition:

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

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

1. Mr. M. S. Venkateswaran (Independent Director)
2. Mr. Mahesh Chandra Saxena- (Independent Director)
3. Mr. Basudev Garg - (Executive Director)

Mr. M. S. Venkateswaran is heading the Committee. During the year under review audit committee had met four times. No two meetings have a gap of more than 120 days in between them. During the year, four Committee Meetings were held on 07.05.2012, 07.08.2012, 07.11.2012, 09.02.2013.

The attendance record of the members of the Audit Committee for the FY 2012-13 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. M. S. Venkateswaran, Chairman	4	4
Mr. Mahesh Chandra Saxena	4	4
Mr. Basudev Garg	4	4

INVESTORS GRIEVANCE COMMITTEE**i) Terms of reference**

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

ii) Composition:

The Investors Grievance Committee comprises of Two Non Executive Independent Directors and one Executive Director and Mr. Aditya Kumar Dwivedi is designated as the Compliance Officer.

1. Mr. M. S. Venkateswaran - (Independent Director)
2. Mr. Mahesh Chandra Saxena - (Independent Director)
3. Mr. Basudev Garg - (Executive Director)

Meeting and attendance:

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

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. M. S. Venkateswaran, Chairman	2	2
Mr. Mahesh Chandra Saxena, Member	2	2
Mr. Basudev Garg, Member	2	2

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

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

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

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

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

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

REMUNERATION-CUM-COMPENSATION COMMITTEE**(i) Brief description of terms of reference**

The terms of reference are to recommend/review the remuneration package for executive directors based on performance and keeping in view the provisions of the Companies Act, 1956.

(ii) Composition:

The Remuneration Committee as on date comprises three members, with all are Independent Directors viz. Mr. M. S. Venkateswaran, Mr. Mahesh Chand Saxena and Mr. R. Sundra Raj. Mr. Mahesh Chand Saxena is the Chairman of the Committee.

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. Mahesh Chand Saxena, Chairman	2	2
Mr. M. S. Venkateswaran, Member	2	1
Mr. R. Sundra Raj, Member	2	2

REMUNERATION POLICY

The remuneration policy of the Company is based on the principle of attracting best available talent and is in line with the industry standards. The remuneration policy is market led so as to attract and retain the best talent and seeks to leverage performance in a significant manner.

REMUNERATION OF DIRECTORS

The Remuneration of executive directors is determined by the remuneration committee. The recommendations of the remuneration committee are considered and approved by the board of directors subject to the approval of the shareholders.

Details of remuneration of directors for the financial year ended 31st March, 2013

Director	Salary	Supplementary Allowances	Perquisites and Other benefits	Commission	Total
Executive Directors	1,00,000	NIL	NIL	NIL	1,00,000
Non -Executive Director	NIL	NIL	NIL	NIL	NIL

Presently the company does not have a scheme for the grant of stock options.

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

Nature of Meeting	Date and Time	Venue	Special Resolution passed
Annual General Meeting	27th September 2010 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30th September 2011 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	29th September 2012 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None

POSTAL BALLOT

No resolution was passed by Postal ballot during the financial year 2012-13.

DISCLOSURES

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

MEANS OF COMMUNICATION

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

The Board of Directors of the Company approves and takes on record the Un-audited financial results within 45 days of the close of the quarter and the results are announced to all the stock exchanges where the shares of the company are listed. Further the highlights of the quarterly results in the prescribed Performa are published in the newspapers.

GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting
- (a) Date and Time : 30th September 2013 at 1.00 P.M.
 Venue : 9th Kilometer Stone Pipli to Ambala, Village Masana, Kurukshetra, Haryana
- b) Financial Year of the Company
 The Company follows financial year of April 01st to March 31st.
 Tentative Schedule for Financial Year 2013-14
 - 1st Quarter ending June 30, 2013 : Declared on 13th August 2013
 - 2nd Quarter ending September 30, 2013 : Mid of November 2013
 - 3rd Quarter ending December 31, 2013 : Mid of February 2014
 - Annual Result for the year ended March 31, 2014 : End of May 2014
- c) Date of Book Closure/Record Date : 26th September to 30th September 2013
 (Both Days inclusive)
- d) Registered Office : 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana
- e) Dividend Payment Date : Not Applicable as the Board has not Proposed any dividend
- f) Listing of Equity Shares on Stock Exchanges : BSE Limited,
 Delhi Stock Exchange Limited,
 Ludhiana Stock Exchange Limited
 Jaipur Stock Exchange Limited,
 Ahmedabad Stock Exchange Limited
- g) Stock Code
 Delhi Stock Exchange : 7161
 Bombay Stock Exchange Code : 519415
 Ludhiana Stock Exchange : RDRY
 Jaipur Stock Exchange Limited : 364
 Ahmedabad Stock Exchange Limited : 50106
- h) Registrar & Share Transfer Agents : M/s Skyline Financial Services Pvt. Ltd
- i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
April, 2012	N.A.	N.A.	N.A.
May, 2012	N.A.	N.A.	N.A.
June, 2012	N.A.	N.A.	N.A.
July, 2012	N.A.	N.A.	N.A.
August, 2012	N.A.	N.A.	N.A.
September	N.A.	N.A.	N.A.
October, 12	18.00	18.00	200
November, 12	17.15	17.15	100
December, 12	18.00	18.00	200
January, 13	28.95	18.90	3100
February, 13	41.30	30.35	2500
March, 13	42.10	40.50	1700

j) Liquidity

The Shares of the Company are listed on the BSE Limited, Delhi Stock Exchange Limited, Jaipur Stock Exchange Limited, Ludhiana Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The trading had been suspended at all Stock Exchanges. So there was no liquidity in the scrips of the Company but Company fulfilled all compliance required to revoke the suspension of the trading at BSE Limited and trading of Shares have been commenced at BSE trading platform w.e.f 28th September 2012..

k) Dematerialization of Shares

The Shares of the Company are in compulsory demat segment and are available for trading in depository systems, CDSL. As on 31st March 2013, 38.93% of the total listed shares were held in dematerialised form and the balance shares were held in physical form.

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

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

m) Investor Correspondence

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

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

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

Address: N-223, LG Floor, Greater Kailash- I, New Delhi- 110048.

n) Shareholding Pattern

The shareholding pattern as on 31st March 2013:

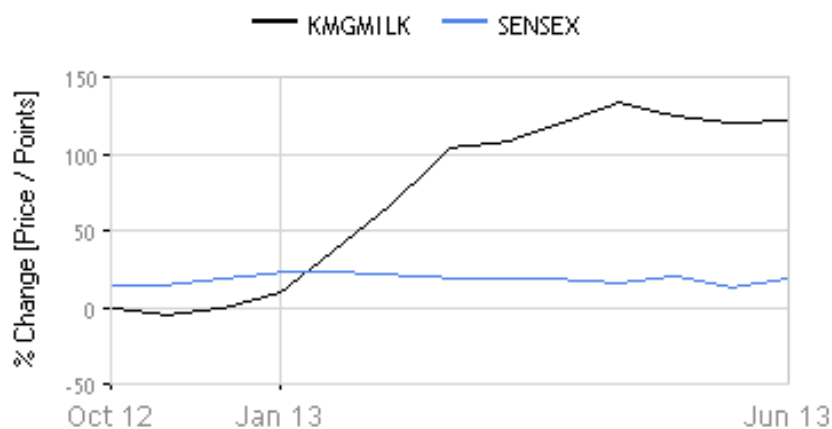
Category	No. of shares held	Percentage of Shareholding
A. Shareholding of Promoter and Promoter Group		
(1) Indian	28,77,135	54.24
(2) Foreign	—	—
Total	28,77,135	54.24
B. Public Shareholding		
(1) Institutions	—	—
(a) Mutual Funds/UTI	38,200	0.72
(b) Financial Institutions/Banks	—	—
(c) Foreign Institutional Investors	2,50,000	4.71
(d) Any Other	78,500	1.48
Sub Total	3,66,700	6.91
(2) Non Institutions		
(a) Bodies Corporate	1,13,400	2.14
(b) Individuals	19,47,065	36.70
(c) Any Other (HUF)	300	0.01
Sub Total	20,60,765	38.85
Total (A+B)	5,304,600	100.00
Grand Total	5,304,600	100.00

KMG Milk Food Ltd.

o) Distribution of Shareholding as on 31.03.2013.

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1035	76.67	240600	4.54
2.	501-1,000	148	10.96	121415	2.29
3.	1,001-2,000	91	6.74	139600	2.63
4.	2,001-3,000	20	1.48	51400	0.97
5.	3,001-4,000	04	0.30	14500	0.27
6.	4,001-5,000	10	0.74	49200	0.93
7.	5,001-10,000	14	1.04	114500	2.16
8.	10,001 & Above	28	2.07	4573385	86.22

(p) The chart plots the movement of the company's share price on BSE versus BSE Sensex.



For & On Behalf of Board of Directors
Of KMG Milk Food Limited

Sd/-
Basudev Garg
Whole Time Director

Date: 26.08.2013

Place: Haryana (Kuruksheetra)

Certification by the Whole Time Director on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

The Board of Directors

KKMG Milk Food Limited

I hereby certify that for the Financial Year 2012-13:

1. I have reviewed the financial statements and the cash flow statement and that to the best of my knowledge and belief : -
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year 2012-13 which are fraudulent, illegal or violate the Company's code of conduct.
3. I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee those deficiencies, of which I am aware, in the design or operation of the internal control systems and that I have taken the required steps to rectify these deficiencies.
4. I further certify that: -
 - a. there have been no significant changes in internal control during this year.
 - b. there have been no significant changes in accounting policies during this year.
 - c. there have been no instances of significant fraud of which I have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place: Kurukshetra
Dated: 26.08.2013

Sd/-
Basudev Garg
Whole Time Director

Declaration by the Whole Time Director under Clause 49 of the Listing Agreement

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

I, Basudev Garg, the Whole Time Director of the Company confirm the compliance of this code by myself and other members of the Board of Directors and Senior Management personnel as affirmed by them individually, for the year ended 31st March, 2013.

Place: Kurukshetra
Dated: 26.08.2013

Sd/-
Basudev Garg
Whole Time Director

C E R T I F I C A T E

To

The Members of KMG Milk Food Limited

We have examined the compliance of conditions of corporate governance by KMG Milk Food Limited for the year ended on 31.03.2013 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

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

Place: Delhi
Date: 26.08.2013

For Rajan K Gupta & Co.
Chartered Accountants

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

INDEPENDENT AUDITORS' REPORT

To the members of **KMG Milk Food Ltd**

1. Report on the Financial Statements

We have audited the accompanying financial statements of KMG Milk Food Limited which comprise the Balance Sheet as at 31st March, 2013 and the Statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other additional information.

2. Management's Responsibility for the financial statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (to the extent applicable). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 31st March, 2013 and
- (ii) In the case of the Statement of Profit & Loss, of the loss of the company for the year ended on that date.
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other legal Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- B. As required by Section 227(3) of the Act, we 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;

KMG Milk Food Ltd.

- b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
- e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For Rajan K. Gupta & Co.
Chartered Accountants

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

Place: Delhi

Dated: 29-05-2013

KMG MILK FOOD LTD**Annexure to the Audit Report referred to in paragraph 5 A of our report of even date**

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

- (b) According to the information and explanation given to us, and the records of the company examined by us, no undisputed amount payable in respect of income tax, wealth tax, sale tax, custom duty, excise duty and cess were in arrears, as at 31.03.2013 for the period of more than six months from the date they become payable except the milk cess of Rs 1,50,84,375/- against the supreme court order dated 07-09-2012.
- (c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, sale tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
10. The company has accumulated losses of Rs 5,85,61,634/- (Previous Year Rs 4,95,25,298/-) at the end of the financial year under review which are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. Based on our examination of documents and records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a *nidhi*/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Company (Auditor's report) Order, 2003 are not applicable to the company.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, 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 the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
18. Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. During the period covered by our audit report, the company has not issued debentures. The question of creation of any security in respect of these debentures does not arise.
20. The company has not raised any money by public issued during the financial year under review.
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 Rajan K. Gupta & Co.
Chartered Accountants

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

Place: Delhi

Dated: 29-05-2013

KMG MILK FOOD LIMITED
BALANCE SHEET AS AT 31ST MARCH 2013

(Amount in Rs.)

	Particulars No	Note	Current Year	Previous Year
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	1	53,046,000.00	53,046,000.00
	(b) Reserves and surplus	2	(58,561,634.00)	(49,525,298.00)
2	Non-current liabilities			
	(a) Long-term borrowings	3	11,000,000.00	20,150,000.00
	(b) Deferred tax liabilities (net)	4	3,151,716.00	4,587,675.00
	(c) Other long term liabilities	5	211,337.00	211,337.00
3	Current liabilities			
	(a) Other current liabilities	6	17,939,058.00	2,697,549.00
	(b) Short-term provisions	7	111,923.00	-
	Total		26,898,400.00	31,167,263.00
B	Assets			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	8	22,445,692.00	27,438,988.00
	(b) Non-current investments	9	33,000.00	33,000.00
	(c) Long-term loans and advances	10	1,981,654.00	576,700.00
	(d) Other Non Current Assets	11	1,503,684.00	1,677,434.00
2	Current assets			
	(a) Cash and cash equivalents	12	185,309.00	21,357.00
	(b) Short-term loans and advances	13	15,000.00	150,555.00
	(c) Other current assets	14	734,061.00	1,269,229.00
	Total		26,898,400.00	31,167,263.00
			-	-

The accompanying notes are an integral part of the financial statements

This is the balance sheet referred to in our report of even date

For Rajan K. Gupta & Co.
Chartered Accountants

For and on behalf of Board of Directors

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

Sd/- Sd/-
Basudev Garg B.B Raina
Director Director

Place:Delhi
Dated:29-05-2013

Sd/-
Aditya Kumar Dwivedi
Company Secretary

KMG MILK FOOD LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(Amount in Rs.)

Particulars	Note No	Current Year	Previous Year
Continuing operations Income			
Revenue from operations	15	20,000,000.00	12,000,000.00
Other income	16	379,659.00	188,648.00
Total revenue		20,379,659.00	12,188,648.00
Expenses			
Employee benefits expense	17	2,803,388.00	2,763,942.00
Other expenses	18	4,082,307.00	3,916,598.00
Total		6,885,695.00	6,680,540.00
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)		13,493,964.00	5,508,108.00
Depreciation and amortization expense	19	4,996,591.00	5,356,268.00
Profit/(loss) before extraordinary items and tax		8,497,373.00	151,840.00
Extraordinary items	20	18,969,668.00	-
Profit/(loss) before tax		-10,472,295.00	151,840.00
Tax expense			
Current tax(MAT)		-	-
(Less): MAT credit (where applicable)		-	-
Current tax expense relating to prior years		-	-
Net current tax expense			
Deferred tax		(1,435,959.00)	(608,245.00)
Total Tax expense		(1,435,959.00)	(608,245.00)
Profit/(loss) for the year		(9,036,336.00)	760,085.00
Minority shareholders interest- loss/(profit)		-	-
Share in loss of associates		-	-
Profit/ (Loss) for the year from continuing operations (A)		(9,036,336.00)	760,085.00
Discontinuing operations			
Profit/(loss) before tax from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(loss) after tax from discontinuing operations (B)		-	-
Profit/(loss) for the year (A+B)		(9,036,336.00)	760,085.00
Earnings per share	21	(1.70)	0.14
Basic		(1.70)	0.14
Diluted		(1.70)	0.14

The accompanying notes are an integral part of the financial statements

This is the balance sheet referred to in our report of even date

For Rajan K. Gupta & Co.

Chartered Accountants

Sd/-

Rajan Gupta

Partner

M.No 074696

FRN 005945C

Place:Delhi

Dated:29-05-2013

For and on behalf of Board of Directors

Sd/-

Basudev Garg

Director

Sd/-

B.B Raina

Director

Sd/-

Aditya Kumar Dwivedi

Company Secretary

KMG MILK FOOD LIMITED

CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2013

CASH FLOW FROM OPERATING ACTIVITIES

(Amount in Rs.)

	AS AT 31.03.2013	AS AT 31.03.2012
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(9036336.00)	760085.00
Add/(Deduct)		
1 Depreciation on Fixed Assets	4996591.00	5356268.00
2 Interest 0.00	2911.00	
3 Increase(Decrease) in Deferred Tax Liabilities	(1435959.00)	(608245.00)
Operating Cash Profit before Working Capital Changes	(5475704.00)	5511019.00
Add/(Deduct)		
1 (Increase) decrease in Debtors	173750.00	0.00
2 Increase(Decrease) in Creditors & other Payables	15353432.00	1189558.00
3 (Increase)Decrease in Advance Recoverable	(734231.00)	2252099.00
Cash flow from Operations	9317247.00	8952676.00
1 Interest Paid	0.00	(2911.00)
2 Net Cash flow from Operating Activities	9317247.00	8949765.00
B CASH FLOW FROM FINANCIAL ACTIVITIES		
Add/(Deduct)		
1 Increase (Decrease) in Secured Loans	-	
2 Increase (Decrease) in Unsecured Loans	(9150000.00)	(9050000.00)
3 Liabilities written off- Extrordinary items	0.00	0.00
Net Cash flow from Financial Activities	(9150000.00)	(9050000.00)
C CASH FLOW FROM INVESTING ACTIVITIES		
Add: Capital Received	-	101,000.00
0.00101000.00		
Less Purchase of Fixed Assets	3295.00	0.00
Investment made	-	-
Net Cash flow from Investing Activities	(3295.00)	101000.00
Net Increase/(Decrease) in Cash/Cash Equivalents (A+B+C)	163952.00	765.00
Add: Balance at the beginning of the year	21357.00	20592.00
Cash and Cash Equivalents at the close of the year	185309.00	21357.00

This is the cash flow statement referred to in our report of even date

For Rajan K. Gupta & Co.

Chartered Accountants

For and on behalf of Board of Directors

Sd/-

Rajan Gupta
Partner

M.No 074696

FRN 005945C

Place:Delhi

Dated:29-05-2013

Sd/-

Basudev Garg
Director

Sd/-

Aditya Kumar Dwivedi
Company Secretary

Sd/-

B.B Raina
Director

KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-1 : SHARE CAPITAL

(Amount in Rupees)

(a)	Authorised, Issued, Subscribed and paid-up share capital	Current Year	Previous Year
1	Authorized shares capital 60,00,000 (Previous Year 60,00,000) equity shares of Rs.10/- each	60,000,000.00	60,000,000.00
2	Issued, subscribed and paid-up capital i.53,04,600 (Previous Year 5304600) equity shares of Rs.10/- each	53,046,000.00	53,046,000.00
	Total	53,046,000.00	53,046,000.00

(b) Rights / preferences / restrictions attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each Shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

(c) Details of shares held within the Group

S.No	Name of Shareholder	Current Year	Previous Year
1	Out of the equity shares issued by the company, shares held by its associates company is as below : Equity shares of Rs. 10 each fully paid up M/S KMG International Ltd	530300	530300

(d) Details of shareholders holding more than 5% shares in the company

S.No	Name of Shareholder	Current Year	Previous Year
1	Equity shares of Rs. 10 each fully paid up Smt Mithlesh Garg -No. of Shares -% held	1121729 21.15%	1121729 21.15%
2	Shri Basudev Garg -No. of Shares -% held	872656 16.45%	850056 16.02%
3	Smt Shivangi Garg -No. of Shares -% held	352450 6.64%	352450 6.64%
4	Shri Prem Gupta -No. of Shares -% held	0 0.00%	300000 5.66%
5	M/S KMG International Ltd -No. of Shares -% held	530300 10.00%	530300 10.00%

Note:-

As per the records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-2: RESERVE & SURPLUS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	Surplus/(deficit) in the statement of profit and loss		
1	Balance as per the last financial statements	-49,525,298.00	(50,285,383.00)
2	Amount Transferred from I tax (Mat)	-	-
3	Profit for the year	(9,036,336.00)	151,840.00
4	Less Deferred Tax Assets	-	608,245.00
5	Total appropriation	-	760,085.00
	Net surplus in the statement of profit and loss	-9,036,336.00	760,085.00
	Total reserves and surplus	-58,561,634.00	-49,525,298.00

Note:-

- 1 Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.

NOTE-3: LONG- TERM BORROWINGS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	Unsecured,		
	<u>From Directors</u>		
1	Basudev Garg	-	7,300,000.00
	From Associates Companies		
2	KMG Leasing & Advance Ltd	9,500,000.00	9,800,000.00
3	KMG Macro Investment Pvt Ltd	-	1,550,000.00
4	KMG Non-Ferrous Metal P Ltd	1,500,000.00	1,500,000.00
	Total	11,000,000.00	20,150,000.00

Note:

The loan is repayable on demand.

KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-4 : DEFERRED TAX LIABILITIES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	Deferred tax liability arising on account of:		
1	Employee benefits	34,584.00	-
2	Depreciation	-	-
3	Opening Balance	4,587,675.00	5,195,920.00
4	Less Deferred Tax Assets	1,470,543.00	608,245.00
	Deferred tax liability (Net)	3,151,716.00	4,587,675.00

NOTE-5 : OTHER LONG TERM LIABILITIES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Shree Ganesh ji Maharaj	253.00	253.00
2	Trade payables		
	Due to Micro and Small Enterprises	-	-
(b)	Due to Others		
	- Baff Engineering Pvt Ltd	150,904.00	150,904.00
	- We Power Engineers (Delhi)	60,180.00	60,180.00
	Total	211,337.00	211,337.00

(a) No interest is paid / payable during the year to any enterprise registered under the MSME.

(b) The above information has been determined to the extent such parties could be identified on the basis of the information available with the company regarding the status of suppliers under MSME.

NOTE-6: OTHER CURRENT LIABILITES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Security received	-	1,500,000
2	Expenses Payable	240,299.00	1,121,272.00
3	Advance Received	2,600,000.00	-
4	Statutory Remittance	15,098,759.00	76,277.00
	Total	17,939,058.00	2,697,549.00

NOTE NO

1 Statutory Remittance includes Rs 1,50,84,375/- for outstanding of milk cess against the supreme court order dated 07-09-2012

NOTE-7: SHORT TERM PROVISIONS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	Provision for employee benefits		
1	Provision for gratuity	111,923.00	-
	Total	111,923.00	-

KMG MILK FOOD LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

Note 8: Fixed Assets

Particulars	Rate of Depreciation	Gross Block				Depreciation/Amortisation				Net Block	
		Balance as at 1st April, 2012	Additions	Disposals	Balance as at 31st March, 2013	Up to 1st April 2012	For the Year	Disposals	Up to 31st March, 2013	Balance as at 31st March, 2013	Balance as at 31st March 2012
I											
Tangible Assets											
1 Land	0	637,337		-	637,337		-	-	-	637,337	637,337
2 Site Development	0	1,871,960			1,871,960		-	-	-	1,871,960	1,871,960
3 Building	3.34	25,138,728			25,138,728	839,634			15,370,442	9,768,286	10,607,920
4 Plant & Machinery	4.75	84,703,318	-		84,703,318	4,023,408			74,694,842	10,008,476	14,031,884
5 Furniture & Fixture	6.33	329,658	-		329,658				320,356	9,302	9,302
6 Vehicles	9.5	2,641,233			2,641,233			130,254	2,509,171	132,062	262,316
7 Office Equipments	4.75	365,380			365,380				347,111	18,269	18,269
8 Items cost less than Rs 5000/-	100		3,295		3,295			3,295		-	-
		115,687,614	3,295	-	115,690,909	4,996,591			98,245,217	22,445,692	27,438,988
Previous Year Total		115,876,677	-	189,063	115,687,614	5,356,268			88,248,626	27,438,986	
II											
Intangible Assets											
Computer software	0	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-

Note: All the assets including factory building has been given on lease for the period from 01-04-2012 to 31-03-2014 for amounting to RS 200 lacs per year.

KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-9: NON CURRENT INVESTMENTS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Investment - Government Securities (NSE)	33,000	33,000
	Total	33,000	33,000

NOTE-10: LONG TERM LOAN & ADVANCES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
(a)	Security deposits		
	Hsbc	1,881,654	476,700.00
(b)	Others		
	Unsecured, considered good		
1	- Galaxy Toyota	100,000	100,000.00
	Total	1,981,654	576,700

NOTE-11: OTHER NON CURRENT ASSETS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Trade Receivables	88,756.00	88,756.00
	- Bapna Trading Co, Kankroli	34,075.00	34,075.00
	- Fair Deal Agencies	659,262.00	659,262.00
	-Goldline Milk Food Pvt ltd	715,000.00	715,000.00
	- Right Choice	6,591.00	6,591.00
	- Right Choice, Jodhpur	-	173,750.00
	Total	1,503,684.00	1,677,434.00

NOTE-12: CASH AND BANK BALANCES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Cash and cash equivalents		
	Cash on hand	9,635.00	109.00
2	Balances with banks:		
	On current accounts	175,674.00	21,248.00
	Total	185,309.00	21,357.00

NOTE-13: SHORT TERM LOANS AND ADVANCES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	Unsecured, considered good		
	Advances recoverable in cash or kind	-	-
1	- K P Corp Consultants	-	2,100.00
2	- RSJ Capital Ventures Pvt ltd	-	148,455.00
3	- Staff Advance	15,000.00	-
	Total	15,000.00	150,555.00

KMG MILK FOOD LIMITED**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013****NOTE-14: OTHER CURRENT ASSETS**

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	TDS Receivable	734,061	1,269,229
	Total	734,061	1,269,229

NOTE-15: REVENUE FROM OPERATIONS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Revenue from operations		
	Sale of products		
	Export	-	-
	Domestic-Equipment Rental	20,000,000	12,000,000
		20,000,000	12,000,000
2	Other operating revenues	-	-
	Revenue from operations (Gross)	20,000,000	12,000,000
	Less : Excise duty	-	-
	Revenue from operations (Net)	20,000,000	12,000,000

NOTE-16: OTHER INCOME

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Income Tax Refund	59,517	188,648
	Others	-	-
2	Sundry Balance written Off	320,142	-
	Total	379,659	188,648

NOTE-17: EMPLOYEE BENEFIT EXPENSE

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Salaries, wages and bonus	2,670,315.00	2,731,320.00
2	Contribution to provident fund and other funds	20,400.00	20,400.00
3	Staff welfare expenses	750.00	12,222.00
4	Provision for gratuity	111,923.00	-
		-	-
	Total	2,803,388.00	2,763,942.00

KMG MILK FOOD LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-18: OTHER EXPENSES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Distribution, advertising and business promotion	75,267.00	30,583.00
2	Repairs and maintenance - Building	66,542.00	22,050.00
3	Repairs and maintenance - Others	305,202.00	320,282.00
4	Insurance	4,603.00	3,767.00
5	Miscellaneous expenses	8,944.00	22,928.00
6	Legal and professional expenses	1,288,090.00	803,368.00
7	Bad debts/advances written off	-	1,137,373.00
8	Donation & Charity	48,100.00	63,000.00
9	Office Expenses	98,515.00	90,131.00
10	AGM Expenses	35,000.00	2,010.00
11	Stock Exchange Expenses	1,812,607.00	825,378.00
12	Interest on TDS	1,702.00	833.00
13	Travelling and conveyance	46,833.00	74,459.00
14	Festival Expenses	150,725.00	127,048.00
15	Fees & Taxes	22,205.00	146,600.00
16	Bank Charges	5,020.00	2,911.00
17	Communication costs	55,490.00	77,783.00
18	Printing and stationery	24,877.00	41,849.00
19	Payment to auditor (Audit and other expenses)	32,585.00	35,973.00
20	Payment for litigations (net of reversals)	-	88,272.00
	Total	4,082,307.00	3,916,598.00

NOTE-19: DEPRECIATION AND AMORTIZATION EXPENSES

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Depreciation of tangible assets	4,996,591.00	5,356,268.00
	Total	4,996,591.00	5,356,268.00

NOTE-20 EXTRAORDINARY ITEMS

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Payment against Court order/ Settlement Sri Ganesh Trading	128,693.00	-
2	Pardise Plasto Pack Pvt Ltd	500,000.00	-
3	Jindal Trading	(8,400.00)	-
4	Milk Cess	18,349,375.00	-
	Total	18,969,668.00	-

NOTE:-

- 1 Payment to Sri Ganesh Trading against the order of Civil Judge Sr. Division, Kurukshetra, vider order dated 29-08-2012, in view of the mangement the company will not done any appeal against this order and the all the amount is written off during the previous year.
- 2 Payment to Paradise Plasto Pack Pvt Ltd, G.T Karnal Road, Delhi against the out of court settlment against the decreed order on 13-04-2011 in favour of the party by Rohini court, in view of the mangement the company is written off all the amount during the previous year.

KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTE-21: EARNING PER SHARE

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Net profit attributable to equity shareholders Profit after tax	(9,036,336.00)	760,085
2	Nominal value of equity share (‘)	10	10
3	Total number of equity shares outstanding at the beginning of the year	5,304,600	5,304,600
4	Total number of equity shares outstanding at the end of the year	5,304,600	5,304,600
5	Weighted average number of equity shares	5,304,600	5,304,600
6	Basic/ diluted earning per share (‘)	(1.70)	0.14

22 : RELATED PARTY DISCLOURES: -

(Amount in Rupees)

Particulars of transactions with related party

The following is a summary of significant related party transaction

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

A	Company under same management		
1	KMG Macro Investment Pvt. Ltd (Nature - Unsecured Loan)	1,550,000	12,000,000
2	KMG leasing and Advance Ltd (Nature - Unsecured Loan)	300,000	-
B	Director and relative of the director of the company		
3	Basudev Garg (Nature - Unsecured Loan)	7,700,000	7,300,000
4	Mithlesh Garg (Nature - Unsecured Loan)	48,000	-
5	B.B Raina (Nature-Salary)	696,000	696,000
6	B.B Raina (Nature-Unsecured Loan)	375,000	-
7	Basudev Garg (Nature - Salary)	1,200,000	-

23 LEASE

(Amount in Rupees)

Permission given on operative lease

Building and Plant & Machinery

The total future minimum lease rental receivable at the balance sheet date is as under:-

S.No	Particulars	Current Year	Previous Year
1	For a period not later than one year	20,000,000.00	20,000,000.00
2	For a period later than one year and not later than five years	-	20,000,000.00

Note: Milk cess amounting to rs 1,35,51,875/-for the period from 01/04/2007 to 31.03.2013 is paid by Mahaan Milk Food Ltd as per the term of lease agreement.

24 CONTINGENT LIABILITIES

- 1 No provision has been made in the account for doubtful debts and advances. These all are considered by the management as recoverable.
- A The pending court cases against and for the company is as under:
 - 2 In the matter of M/s Goel Agencies Pvt. Ltd/M/s Fair Deal Agencies, Ludhiana vs. Company/ Shri Basudev Garg/Smt. Mithlesh Garg for Rs.6, 00,528.15 – Ludhiana
 - 3 In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana(Milk Cess) vs. Company of Rs 20,21,22,314/ –as interest.
 - 4 In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.123671/- Delhi.

B Court Cases for Recovery

- 5 In the matter of Company vs. Baldev Bhui in the Karkadoma Court for Rs.1, 30,000/- Delhi.
- 6 In the matter of Company vs. Prem Prakash in the Karkadoma Court for Rs.90,000+67,000/- Delhi.
- 25 Previous year figures are regroupged/rearrange wherever necessary to conform to this year's classification.
- 26 Significant accounting policies and practices adopted by the Company are disclosed in the statement annexed to these financial statements as Annexure I.

As per our report of even date

For Rajan K. Gupta & Co.
Chartered Accountants

For and on behalf of Board of Directors

Sd/-
Rajan Gupta
Partner
M.No 074696
FRN 005945C
Place:Delhi
Dated:29-05-2013

Sd/-
Basudev Garg
Director

Sd/-
B.B Raina
Director

Sd/-
Aditya Kumar Dwivedi
Company Secretary

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(Annexed to and forming part of the financial statements for the year ended 31st March, 2013)

1. BASIS OF PREPARATION: -

These financial statements have been prepared on an accrual basis and under historical cost convention and in compliance, in all material aspects, with the applicable accounting principles in India, the applicable accounting standards notified under Section 211 (3C) and the other relevant provisions of the Companies Act, 1956. All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalent, the Company has ascertained its operating cycle to be less than 12 months.

2. USE OF ESTIMATES :-

The preparation of Financial Statements requires estimates & assumptions to be made that affect the reported amount of assets & liability on the date of financial statements and the reported amount of revenues & expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known \ materialized.

3. FIXED ASSETS: -

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

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

(C) Depreciation @100% provided on fixed Assets on value of Rs 5000/- or less.

4. REVENUE RECOGNITION: -

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

(b) Lease income from operating lease shall be recognized in income on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished Revenue in respect of other income is accounted on accrual basis except claim received/paid.

5. INVESTMENTS: -

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

6. VALUATION OF INVENTORIES: -

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

7. FOREIGN EXCHANGE TRANSACTION: -

Foreign exchange transaction are recorded using the exchange rates prevailing on the dates of the respective transaction exchange difference arising on foreign exchange transaction settled during the period are

recognized in the profit and loss account except that exchange differences related to acquisition of fixed assets are adjusted in carrying amount of the related fixed assets.

8. EMPLOYEES BENEFITS: -

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

(B) Leave Encashment: -

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

(C) GRATUITY: -

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

9 SEGMENT REPORTING

The company is engaged in the business of trading & manufacturing of milk products which constitutes one single primary segment. Further there is no reportable secondary segment i.e. geographical segment.

10. BORROWING COSTS :-

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to revenue.

11. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effect of transactions of non cash nature and any deferrals for accruals of past or future cash receipts or payments. The cash flow from operating, investing & financing activities of the company are segregated based on the available information.

12. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:-

A provision is recognised when there is a present obligation as a result of a past event, that probably requires an outflow of resources and a reliable estimate can be made to settle the amount of obligation. Provision is not discounted to its present value and is determined based on the last estimate required to settle the obligation at the year end. These are reviewed at each year end and adjusted to reflect the best current estimate. Contingent liabilities are not recognised but disclosed in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

13. TAXATION :-

Income-tax expense comprises current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal tax during the specified period.

14. IMPAIRMENT OF ASSETS:

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

For Rajan K. Gupta & Co.
Chartered Accountants

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

Place: Delhi

Dated: 29-05-2013

KMG MILK FOOD LIMITED

9th KM Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt. Kurukshetra, Haryana

ATTENDENCE SLIP

(To be handed over at the entrance of the Meeting Hall)

TWENTY FIRST ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Twenty First Annual General Meeting of the Company held on Monday, 30th September, 2013, at 01.00 p.m. at 9th KM Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt. Kurukshetra Haryana.

Full Name of the Member
(in BLOCK LETTERS)

Regd. Folio No. No. of Shares held.....

Client Id* DP Id*

Full Name of the Proxy (in BLOCK LETTERS)

Member's/Proxy's Signature.....

* Applicable for members having shares in electronic form.

PROXY FORM

KMG MILK FOOD LIMITED

9th KM Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt. Kurukshetra, Haryana

Regd. Folio No. No. of Shares held.....

Client Id* DP Id*

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

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

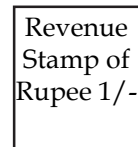
of..... or falling him

Mr./Ms..... of..... as my/our/

proxy to vote for me/us on my behalf at the Twenty First Annual General Meeting of the company to be held on

Monday, 30th September, 2013, at 01.00 p.m. at 9th KM Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt.

Kurukshetra, Haryana and at any adjournment thereof.



Signed this day of, 2013

Signature

* Applicable for members having shares in electronic form.

BOOK-POST

If undelivered, please return to :
KMG MILK FOOD LIMITED
G.T. Road, Vill. Masana,
Distt. Kurukshetra,
Haryana - 132 118.