Sugar and more

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“In this world it is not what we take up, but what we give up, that makes us rich”

Henry Ward Beecher

Late Dr K.K. Birla-Chairman Emeritus
(1918-2008)

A TRIBUTE TO Dr K.K.BIRLA

Industrialist. Parliamentarian. Educationist. Writer. Philanthropist.

Above all, humanist.

Dr K.K. Birla, our Chairman emeritus, was many men in one man.

Born to the legendary industrialist G.D. Birla in Pilani on 11 November 1918, Dr Birla established one of India's largest business conglomerates, encompassing 40 companies across diverse sectors like sugar, fertilizers, heavy engineering, textiles, media and shipping.

A committed educationist, Dr Birla was also instrumental behind the growth of the reputed Birla Institute of Technology, an institution of academic excellence. He also served as a guide to Indian industry, while heading institutions of repute like the Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian Sugar Mills Association (ISMA) and the International Chambers of Commerce (ICC). Dr Birla's holistic vision of growth helped establish the K. K. Birla Foundation, which recognises contributions in many fields, focusing especially on the achievements of the rural population.

A staunch supporter of India's economic liberalisation, Dr Birla felt that the country's economic reforms would trigger social empowerment and wellbeing. A keen observer of national and international events, he provided important, though discreet, contributions to public policy. An outstanding social engineer, he believed in industry's attempt to emerge as a change agent in a country plagued by poverty, illiteracy and disease. A three-time Member of Parliament, Dr Birla enjoyed an excellent rapport with top leaders across India's political spectrum.

Dr. Birla's autobiography, Brushes with History is replete with vignettes of Birla family's close ties with historical personalities like Mahatma Gandhi, Rajendra Prasad, B. C. Roy, Jayaprakash Narayan and Morarji Desai, among others. The autobiography captures a vibrant era in the nation's existence, which influenced Birla's personal credo and later achievements. He had also written Indira Gandhi: Reminiscences and Partners in Progress: Collection of Selected Speeches and Writings. Besides, he regularly contributed articles on his foreign travels to the Hindustan Times, of which he was the Chairman.

Dr. Birla's legacy reconciles wealth creation with social engineering and nation-building, an inspiring ideal for the business community. Although he was a deeply religious Hindu and a noted patron of temples in Kolkata and Delhi, he believed deeply in secularism as India's answer to a world fraught with sectarian violence.

Death can only rob us of his physical presence; his legacy will remain alive and continue to inspire.

"The great men of earth are the shadow men, who, having lived and died, now live again and forever through their undying thoughts. Thus living, though their footfalls are heard no more, their voices are louder than the thunder, and unceasing as the flow of tides or air."

Henry Ward Beecher

Corporate Information

Board of Directors

Smt. Nandini Nopany - *Chairperson cum Mg. Director*
Shri C.S. Nopany
Shri R.K. Choudhury
Shri G.K. Bhagat
Lt. Gen. K. Chiman Singh (Retd.)
Shri Gaurav Swarup
Shri Supriya Gupta
Shri Sunil Kanoria
Shri I.P. Singh Roy
Shri P.K. Lakhotia

Committees of Directors

Finance & Corporate Affairs Committee
Smt. Nandini Nopany
Shri C.S. Nopany
Shri G.K. Bhagat
Lt. Gen. K. Chiman Singh (Retd.)

Audit Committee
Lt. Gen. K. Chiman Singh (Retd.)
Shri R.K. Choudhury
Shri G.K. Bhagat
Shri Supriya Gupta

Investors' Grievance Committee
Shri G.K. Bhagat
Shri C.S. Nopany
Shri I. P. Singh Roy

Remuneration Committee
Shri I.P. Singh Roy
Shri G.K. Bhagat
Shri Gaurav Swarup

Executives

Shri C.B. Patodia - Advisor
Shri S.K. Poddar - Secretary
Shri Sukhvir Singh, Executive President (Seohara)
Shri B.K. Sureka, Executive President (Sidhwalia)
Shri R.K. Gupta, Executive Vice-President (Hasanpur)
Shri S.S. Binani, Executive Vice-President (Tea Garden)

Auditors

S.R. Batliboi & Co.
Chartered Accountants

Advocates & Solicitors

Khaitan & Co.

Bankers

State Bank of India
Punjab National Bank
IDBI Bank Ltd.
ICICI Bank Ltd.
AXIS Bank Ltd.

Registrar & Share Transfer Agent

Intime Spectrum Registry Ltd.
59C, Chowringhee Road, 3rd Floor, Kolkata -700 020
Telephone : 91-033-2289 0540
Fax : 91-033-2289 0539
e-mail : kolkata@intimespectrum.com

Registered Office

P.O. Seohara, Dist. Bijnor (U.P.)
Pin Code : 246 746

Corporate & Head Office

9/1, R.N. Mukherjee Road, Kolkata - 700 001
Telephone : 91-033-2243 0497/8
Fax : 91-033-2248 6369
e-mail : birlasugar@birla-sugar.com
Website : www.birla-sugar.com/upperganges

Sugar Mills

1. Seohara, Dist. Bijnor (U.P.)
2. Sidhwalia, Dist. Gopalganj (Bihar)
3. Hasanpur, Dist. Samastipur (Bihar)

Distillery

Seohara, Dist. Bijnor (U.P.)

Co-generation

24 MW, Co-generation plant, Seohara
18MW, Co-generation plant, Sidhwalia

Tea Garden

Cinnatolliah Tea Garden
Lakhimpur North (Assam)

Our visiting card

Legacy

Established in 1932, Upper Ganges Sugar and Industries Ltd, is one of the oldest sugar companies of the renowned K.K.Birla Group of Companies. The group has a diverse presence across the fertilizer, chemical, heavy engineering, textile, shipping and media sectors.

Presence

- Corporate office located at Kolkata.
- Three sugar mills located in Seohara (Bijnor district, Uttar Pradesh), Sidhwalia (Goplaganj district, Bihar) and Hasanpur (Samastipur district, Bihar) with a consolidated capacity of 17,500 TCD.
- Distillery unit with a capacity of 100 KPLD of industrial alcohol/ethanol and a 24-MW co-generation plant at Seohara.
- Bio-compost plant located in Shyamabad (near Seohara, Uttar Pradesh).
- Tea-garden located in Cinnatoliah (North Lakhimpur, Assam).
- Shares are listed on the Bombay Stock Exchange, the National Stock Exchange and the Calcutta Stock Exchange.

Products

- Sugar
- Industrial alcohol
- Ethanol
- Power
- Organised fertilizers
- Tea

Philosophy

- To fulfill the expectations of customers, employees, financiers and society at large
- To maximise shareholder's return through continuous value-addition, integration and expansion
- To abide by the principles of good Corporate Governance through transparency, empowerment, accountability, independent monitoring and environment consciousness.

Values

To strive and excel in our core area of competence – manufacture of sugar and allied products – and provide every opportunity to employees and business associates to fully realise their potential.

Performance at a glance

(Rs. in lacs)

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross Turnover	28852.26	37938.50	44330.68	35225.82	**32841.21**
Operating Profit / (Loss)	5882.50	7980.12	7049.81	(1959.00)	**4151.49**
Interest & finance charges (net)	2272.50	1978.29	1381.52	1190.98	**2963.87**
Depreciation	834.88	858.42	936.40	1098.32	**2051.46**
Profit/(Loss) before tax	2775.12	1915.00	4731.89	(4248.30)	**(863.84)**
Profit/(Loss) after tax	1681.40	1369.44	2862.29	(2826.13)	**(629.24)**
Net worth	6977.68	7950.85	10088.18	13923.62	**13251.19**
Net worth per equity share (Rs.)	99.98	113.92	144.03	120.47	**114.66**
Dividend per equity share (Rs.)	3.00	4.00	5.00	–	**–**
Earning per equity share (Rs.)	24.09	19.57	40.86	(25.15)	**(5.44)**
Cane crushed (season) (In lac qtls.)	166.31	169.16	186.60	241.40	**164.53**

Smt. Nadini Nopany,
Chairperson cum Managing Director,

Capitalising on the rebound

In 2007-08, the financial year under review, we passed what was without doubt the most challenging year in the history of our 76 year existence. Cane prices increased, sugar realizations declined, production strengthened. The result of this combination was that the more cane we crushed, the bigger deficit we reported. The result was that at some juncture during this challenging period, the

cost of our sugar cane was higher than our realizations of sugar, eliminating any incentive to expand or invest in the business. In view of these circumstances, the fact that we reported a net loss of Rs 629.24 lacs and a cash profit of Rs 1,141.34 lacs must be appraised favourably by our shareholders. It represents an index of our competitive capability that helped mitigate the impact of an adverse environment.

Industry scenario: output

In 2007-08, India witnessed an interesting divergence in the manufacture of sugar cane. During the early part of the season, there was a visible optimism that farmers who had banked on an unprecedented increase in cane price would had planted considerably more cane could result in increased production for 2007–08.

However, this optimism could not be sustained. As soon as it became evident that a number of sugar manufacturers would not be able to remunerate farmers for the cane delivery, the earlier optimistic cane forecasts were revised downwards. Correspondingly, India eventually finished a sugar production of no more than 263 lac tonnes for 2007-08 (sugar season), starting what we believe is the beginning of the downtrend in sugar production and an industry correction.

At the close of the sugar year under review, the country finished with an inventory of 90 lac tonnes, equivalent to five months of consumption. In our opinion, this pipeline is reasonable and should not be the basis of starting a nationwide panic about an impending shortage of sugar.

Industry scenario: prices

The sharp increase in cane costs initially encouraged farmers to plant more cane. This triggered a sugar oversupply, drove down sugar prices and affected the bottomlines of most sugar companies, suffering from an overproduction on the one hand and a steep meltdown in realizations on the other.

A cyclical perspective

Over the years, it has been our conviction that while it is in the interests of the sugar industry to pay an increasingly remunerative price to cane growers, it is the smoothness of this increase that protects the interests of the grower, crusher and community. Any abrupt or exaggerated increase only affects this equilibrium, resulting in an unreasonable gain during a limited period by one of the three with serious consequences to their interests over the foreseeable future.

This is precisely what transpired during the season under review. While it was beginning to get evident at the close of the 2006-07 season that the sharp increase in cane prices (as dictated by the state government) would result in a corresponding inability of the sugar manufacturers to remunerate on time (or at all), by the middle of the 2007-08, this fear was confirmed. There was perhaps no sugar mill in Uttar Pradesh, India's premier sugar manufacturing state, which did not have arrears on its books; besides, the farming community suffered significant unpaids as a result. The result was that most farmers resolved to plant less cane and cut their losses, starting the downtrend in the country's sugar production in 2007-08 (sugar season) and thereafter.

Our response

In an environment where there was absolutely no incentive to keep our sugar production lines running and where we were bleeding with every quintal of cane being crushed, the company leveraged all the available operational factors under its control to mitigate the loss.

For instance, the company leveraged the investments that it had made in its 24–MW co-generation capacity. The result was that the company generated Rs 2,706.36 lacs from sale of power to the state electricity grid with a high profitability.

Besides, the company leveraged the production of ethanol as an effective de-risking initiative. The company increased the production of ethanol/ alcohol by 74.40 per cent during 2007-08 at attractive realizations, an effective hedge against declining sugar realizations.

The combination of these two initiatives served as an effective de-risking from an excessive dependence on sugar realizations. For one, the combination of these products as a proportion of the company's revenues increased from 9.72 per cent in 2006-07 to 25.59 per cent in 2007-08; the cumulative proportion of

profits as a percentage of the overall EBIDTA of the company increased significantly over 2006–07. The performance of the company's by-product utilisation initiatives vindicated the company's investment in them, serving counter-cyclical objectives in a cyclical business.

Outlook

At Upper Ganges, even as we look forward to better days ahead, our optimism is guarded for the following reasons:

Cane price: There is no clarity on the cane price that will be advised by the Uttar Pradesh government for an election season. Any significant increase from the prevailing levels could set mutual prospects – grower and crusher – back in 2008-09, while a marginal increase could service mutual interests. A closer linking of the sugar realization to the cane price could result in shared prosperity between grower and crusher and set the basis for a sustainable win-win growth without any interrupting aberrations.

Realizations: The realizations of sugar in India are driven completely by market sentiment and influenced by a sharp decline in sugar output in 2008-09 and beyond. As soon as the sceptre of a decline in sugar output became visible, realizations strengthened sharply and raising visions of an improved performance over the foreseeable future. So even as the output of sugar in 2008-09 is expected to be lower than in the previous year, disproportionately higher realizations are expected to more than compensate for the difference.

Decontrol: While the government has indicated a complete decontrol of sugar from 1st October, 2008, the scenario appears unlikely in a holistic view of the sharp increase in the prices of vegetable and food items. In the event of a decontrol, there could be a temporary decline in prices as the levy material is liquidated in the higher realization free market following which the market would tend to find its own level and financially stronger companies with a capacity to nurse inventories over time would stand to benefit.

Our competitive position

At Upper Ganges, we recognize that our principal priority is to maximize sugar output in a sugar-challenged 2008-09 on the one hand and utilize the accruals in repaying our debt and strengthening our balance sheet. This progressive draw-down of debt and interest outflow will enhance our credit rating and help us counter the general increase in working capital cost. In turn, this will strengthen our prospects to generate sustainable growth with smoother profit variations during the coming years. We are attractively placed to make this a reality: our enhanced crushing capacity – 16,750 TCD to 18,000 TCD – will go on stream at the start of the 2008-09 sugar season.

At Upper Ganges Sugar, we are attractively placed to capitalize on the industry rebound as we enjoy credible bank linkages on account of our Group strength, resulting in timely availability of cash to pay farmers, crush more, capitalise on attractive sugar realizations and retire debt. Interestingly, it is this competitive ability to mobile debt that could result in the company retiring debt with speed over the coming months.

In view of these realities, I am optimistic that we have seen the worst and possess the capability to reinforce our corporate rebound in 2008-09 and beyond.

Directors' Report

To

The Members,

Your Directors take pleasure in presenting their Report and the audited Accounts of the Company for the year ended 30th June, 2008.

Financial results

(Rs. in lacs)

	2007 - 08		2006 – 07	
2. Gross sales		32841.21		35225.82
Gross profit/loss before depreciation		1187.62		(3149.98)
To which is added/deducted :				
Balance brought forward from the previous year	93.10		1019.23	
Less: Impact of Revised AS-15	53.67		–	
	39.43		1019.23	
Income Tax Provision no longer required written back	0.58		82.50	
Deferred Tax Asset	280.88		1395.29	
Transfer from General Reserve	700.00	1020.89	1900.00	4397.02
Leaving a balance of		2208.51		1247.04
Out of this provisions have been made for:				
Depreciation	2051.46		1098.32	
Taxation (net)	31.02		36.46	
Fringe Benefit Tax	15.84	2098.32	19.16	1153.94
Balance Carried to Balance Sheet		110.19		93.10

Financial Performance

3. There is a marked improvement in the financial performance of the Company for the year under review where losses have been substantially reduced. The Allahabad High Court, in a landmark judgment has quashed the State Advised Price of sugarcane and has directed the State Government to reassess the price on the basis of economic criteria. As per the directions of the Supreme Court, all the sugar factories have paid a price of Rs. 110/qtl for sugarcane. This has substantially reduced the losses of the sugar industry.

4. During the year under review, widespread devastating floods damaged the entire sugarcane crop at the Hasanpur factory. A deliberate decision was taken not to operate the factory during the season 2007-08 due to shortage of sugarcane but to use the surviving cane as seed for the season 2008-09. The capital outlay at Hasanpur has now been staggered in view of this adverse development.

5. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report, which is attached as a separate annexure and forms a part of this Report.

Dividend

6. In view of losses, the Directors do not recommend any dividend for the year.

Capital Projects

7. The Company's expansion of crushing capacity of Bharat Sugar Mills, Sidhwalia (Bihar) from 2500 tonnes crushing daily (TCD) to 5000 TCD with a sulphur free Sugar Refinery commenced production in the March quarter this year. The Bihar State Government completed erection of transmission lines for supply of power only after the close of the crushing season 2007-08. The Company will be able to supply the power to gridlines from its new 18 MW Co-generation plant at Sidhwalia only from the season 2008-09.

8. The expansion of Hasanpur plant from 1750 TCD to 5000 TCD has been divided into two phases in view of the availability of sugarcane which was severely damaged due to widespread floods. Expansion to 3000 TCD at an outlay of Rs. 72 crore will be completed by start of season 2008-09 and the balance by 2009-10 depending upon the availability of sugarcane.

Corporate Governance

9. Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance, Auditors' Certificate on compliance of conditions of Corporate Governance, Declaration of Managing Director and the Management Discussion & Analysis Report, are attached and form part of this Report.

Directors

10. Shri Gaurav Swarup, Shri I.P. Singh Roy and Shri P.K. Lakhotia retire from the Board by rotation and are eligible for re-appointment.

Directors' Responsibility Statement

11. Your Directors confirm that -

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) such accounting policies have been selected and applied consistently and judgments 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

losses of the Company for that year;

iii) 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;

iv) the annual accounts have been prepared on a 'going concern' basis.

Auditors

12. The Notes on Accounts appearing on Schedule and referred to in the Auditors' Report are self explanatory and therefore, do not call for any further comments and explanations.

13. The Auditors, Messrs S. R. Batliboi & Co, Chartered Accountants, retire and are eligible for re-appointment.

14. In accordance with the directives of the Central Government under Section 233 B of the Companies Act, 1956, Shri S.N. Mukherjee, Cost Accountant, has been appointed as Cost Auditor to audit the cost accounting records relating to Sugar and Industrial Alcohol units situated at Seohara and Sugar unit at Sidhwalia and M/s. D. Radhakrishnan & Co., Cost Accountants have been appointed as Cost Auditor for Sugar unit at Hasanpur for the current year.

Subsidiary Company

15. The audited Accounts of Uttar Pradesh Trading Company Ltd., a subsidiary of the Company, for the year ended 31st March, 2008 are attached as required under Section 212 of the Companies Act, 1956.

Consolidated Financial Statements

16. As required under the Listing Agreements with the Stock Exchanges, Consolidated Financial Statements, conforming to the Accounting Standard 21 issued by the Institute of Chartered Accountants of India are attached.

Particulars of Employees

17. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is attached as a separate annexure and forms a part of this Report.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

18. Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 is attached as a separate annexure and forms a part of this Report.

Acknowledgements

19. Your Directors take this opportunity of recording their appreciation of the financial institutions and bankers for extending their support to the Company. Your Directors are also grateful to the various ministries in the Central Government and State Governments of Uttar Pradesh, Bihar and Assam, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board

Kolkata,
Dated, the 22nd day of
August, 2008

Nandini Nopany
Chairperson-cum-
Managing Director

Annexure to Directors' Report

Statement showing particulars pursuant to the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June, 2008

I. Conservation of Energy:

a) Installation of various machineries and equipments to increase generation of steam as well as to reduce consumption of steam.

b) The Company has installed new fuel efficient, higher capacity boilers to save fuel consumption. One new turbine of 24 MW has also been installed to increase efficiency in power generation with lower steam consumption.

c) Vapour line juice heaters and direct contact heaters have been installed for waste heat recovery.

d) Continuous pans with full automation have been installed for reducing steam consumption.

e) Thyrester drive AC Motors and DC drives have been installed on centrifugal machines and on small Mill House for power and steam saving.

f) Installation of high efficiency injection with automation and spray pumps for reducing energy consumption.

g) Installation of steam traps at various steam line drain for saving steam energy.

h) Installation of water recycling pumps for conservation of water resources as well as energy saving. Due to this total number of tubewells in operation has reduced.

i) Installation of fast boiling low head Calandria Pan which has reduced boiling time as well as saving in fuel energy.

j) Installation of two numbers vapour cells to enhance boiling process with steam economy as well as indirectly helping crushing speed.

k) Installation of Pan Feed Auto Control for steam economy.

l) Automation in injection water control for pans installed for energy saving.

m) Complete combustion control automation done in all boilers for fuel saving.

n) The Company has introduced latest PLC based injection water control system sensing vacuum of Pans or Evaporator. This device saves more power than conventional system.

o) Installation of high efficiency hot water lifting pumps for cooling tower for power saving.

p) The Company has installed new bio gas digester and 25 TPH Boiler at its Distillery for saving in fuel energy.

The required data with regard to conservation of energy is furnished below :

(A) Power & Fuel Consumption:

	Current Year		Previous Year	
	Sugar	Tea	Sugar	Tea
1. Electricity:				
a) Purchased :				
Units (in lacs)	1.63	7.30	–	5.13
Total amount (Rs. in lacs)	24.06	43.36	–	33.74
Rate/Unit (Rs.)	14.78	5.94	–	6.57
b) Own Generation :				
i) Through Diesel Generator :				
Units (in lacs)	12.48	1.95	23.78	4.33
Units per litre of diesel-oil	3.36	2.56	2.90	2.88
Cost/Unit (Rs.)	10.01	12.06	11.42	11.45
ii) Through Steam Turbine/Generator:				
Units (in lacs)	411.81	–	503.47	–
Units per litre of fuel oil/gas	Not ascertainable as the bagasse which			
Cost/Unit (Rs.)	is a by-product is being used as fuel			
2. Coal:				
Quantity (Tonnes)	102.93	1092.00	111.96	797.00
Total Cost (Rs. in lacs)	6.11	41.67	6.51	29.38
Average Rate (Rs.)	5938.09	3816.00	5814.33	3686.68
3. Furnace Oil: (T.D.Oil for Dryers)				
Quantity (Litres in lac)	–	0.03	–	0.77
Total amount (Rs. in lac)	–	0.83	–	20.02
Average Rate (Rs.)	–	24.89	–	26.19
4. Others/Internal generation:	–	–	–	–

(B) Consumption per unit of production:

No standard has been fixed

	Current Year		Previous Year	
	Sugar	Tea	Sugar	Tea
Products (Sugar in lacs qtls.& Tea in lacs kgs.)	16.51	11.68	23.19	11.90
Electricity	25.59	0.79	22.73	0.79
Furnace Oil	–	–	–	0.06
Coal (in kgs.)	–	0.93	–	0.67
Others (specify)	–	–	–	–

II. Research & Development and Technology Absorption:

The Company has been carrying out Research & Development in the following specific areas :

i) Heat treatment therapy to treat cane seed to make it disease free and also to get higher yield of sugarcane per acre of land.

ii) Maintenance of three tier seed nurseries to provide healthy cane seed of desired varieties to cane growers to boost sugarcane production.

iii) Prophylactic measures are being taken by adoption of integrated pest management technology to protect cane from disease. A biological laboratory was set up for producing parasites.

iv) Ratoon management to increase ratoon cane production per unit area.

v) Subsidy on seed multiplication by single bud culture of new varieties.

vi) Using support of UP Sugarcane Research Station, Shahjahanpur for latest sugarcane varieties and their production technology.

vii) Procurement of cane seed of early and high sugared varieties from outside factory areas as well as different Sugarcane Research Stations for enhancement of area under these varieties in our different zones.

viii) Applying recommended plant hormones, growth regulators and micro nutrients for improvement in yield at Tea Gardens.

ix) Testing of promising varieties for their performance through All India and Zonal and Manurial Varietal Trials.

x) Applying more organic manures and to reduce use of chemical fertilizers for improvement in yield and quality. Integrated nutrients management programme has been introduced for reclamation of deteriorating soil health in the area.

xi) Implementation of poly bag seed multiplication, paid-crop system of cane plantation to encourage the new system of cane planting.

xii) Distribution of modern farm implements, bamboo borings and diesel pumping sets at subsidised rates to the cane growers to boost irrigation.

xiii) Soil Testing Laboratory has been set up for proper dosing of fertilizers and nutrients.

xiv) Cane Plantation with new method known as Paired Raw Method. Owing to above efforts, higher yield of disease free cane is being made available to the Company's sugar mills resulting in higher return to cane growers. This has also contributed in higher recovery.

Future plans are:

i) Continue research of better yielding disease free variety of cane by adopting measures stated above.

ii) Installation of machinery with latest technology at different stations in the factory.

iii) Installation of soil testing plant for use of correct doses of fertilizers.

iv) To extend the area of early maturing high sugar content sugarcane varieties to get better recovery in early months of cane crushing.

v) Neem cake use for control of leaching of nitrogenous fertilizer from soil at Tea Garden.

The Company has not imported any technology.

III. Foreign exchange earnings and outgo:

a) Activities relating to exports, initiatives taken to increase exports b) Development of new export markets for products and services and export plan	Sugar is generally exported through Indian Sugar Exim Corporation Ltd. The Government has allowed exports through merchant exporters also.
c) Earnings in Foreign Exchange	– Nil
d) Expenditure in Foreign Currency	– Rs. 16.82 lacs

IV. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 30th June, 2008

Name	Designation	Remuneration (Rs.)	Nature of duties	Qualification	Experience (years)	Age (years)	Date of commencement of employment	Last employment held
Employed throughout the year:								
Smt. Nandini Nopany	Mg. Director	33,60,000	Overall management of the affairs of the Company	I.C.S.E.	35	61	October, 1995	None
Shri C.B. Patodia	Advisor	1,01,27,857	Advisory	Intermediate	40	59	February, 1990	The New Swadeshi Sugar Mills Ltd., Narkatiaganj

Notes:

1. The remuneration includes salary, Company's contribution to provident fund and perquisites, etc.
2. The appointment in respect of Managing Director is contractual.
3. Other terms and conditions are as per rules of the Company.
4. Shri C.S. Nopany, a Director of the Company, is a relative of Smt. Nandini Nopany.

For and on behalf of the Board

Place: Kolkata
Dated : 22nd day of August, 2008

Nandini Nopany
Chairperson-cum-Managing Director

Statement pursuant to Section 212 of the Companies Act, 1956

The entire subscribed equity capital of Uttar Pradesh Trading Company Limited as on 31st March, 2008 was held by the Company.

The net aggregate amount of the profits of the subsidiary company for the last as well as the previous financial years which concern the members of the Company but have not been dealt with in or for the purposes of the accounts of the Company amounts to Rs. 159.45 lacs and Rs. 678.36 lacs respectively.

Since the close of the accounts of the subsidiary company on 31st March, 2008 no change has taken place in the holding company's interest in the subsidiary company nor has any material change taken place in the subsidiary company in regard to any of the matters specified in Section 212(5)(b) of the Companies Act, 1956.

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

Management Discussion and Analysis

Indian economy

Over the last few decades, India's sugar consumption has been largely independent of the broad economic trend. However, it has been observed that a buoyant economy enhances the offtake of all downstream food products that consume sugar as a preservative and also facilitates the mobilisation of low-cost capital. This macro environment remained positive for the sugar industry in 2007-08. India retained its position as the second-largest emerging market economy, fourth-largest global economy and the second-fastest growing economy; the country recorded 9 percent growth in 2007-08, strengthening its four-year CAGR to 8.9 percent. Besides, the country emerged as the trillion-dollar economy in the first quarter of 2007-08, one of only 12 such countries. The country's agricultural and allied activities grew 4.5 percent, compared with earlier estimates of 2.6 percent.

GDP growth rate over the years

	2004-05	2005-06	2006-07	2007-08	4-year average
Percent	7.5	9.4	9.6	9.0	8.88

Sugar

Global overview: Nearly 78 percent of the global sugar production is derived from sugarcane as it costs less than the alternative beet process; the global sugar production in 2007-08 was estimated at 167.38 million tonnes, Brazil accounting for about 20 percent of the total global production and Asia around 40 percent. Even as the global sugarcane production is estimated to rise by 9 million tonnes, production from the top seven sugar producing nations is expected to decline from 113.57 million tonnes in 2006-07 to 113.4 million tonnes. Driven by increasing prosperity of India, China and some countries in the Middle East, the global sugar consumption is expected to increase to around 160.8 million tonnes, leading to a considerable increase in India's per capita sugar consumption. With India's lower sugar production and higher cane diversion to ethanol in Brazil, international sugar prices rebounded 21 percent from the US$280/mnte to US$380/mnte.

Did you know?

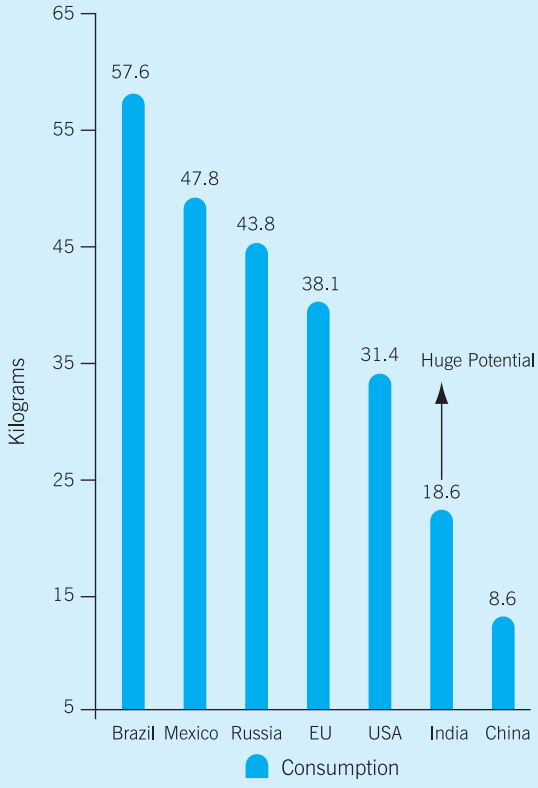
India, the world's second-biggest sugar producer, entered the raw sugar export market in 2007 by marketing to Dubai's Al Khaleej, the world's largest refinery, prompting it to switch from Brazil to India.

World Sugar Dynamics

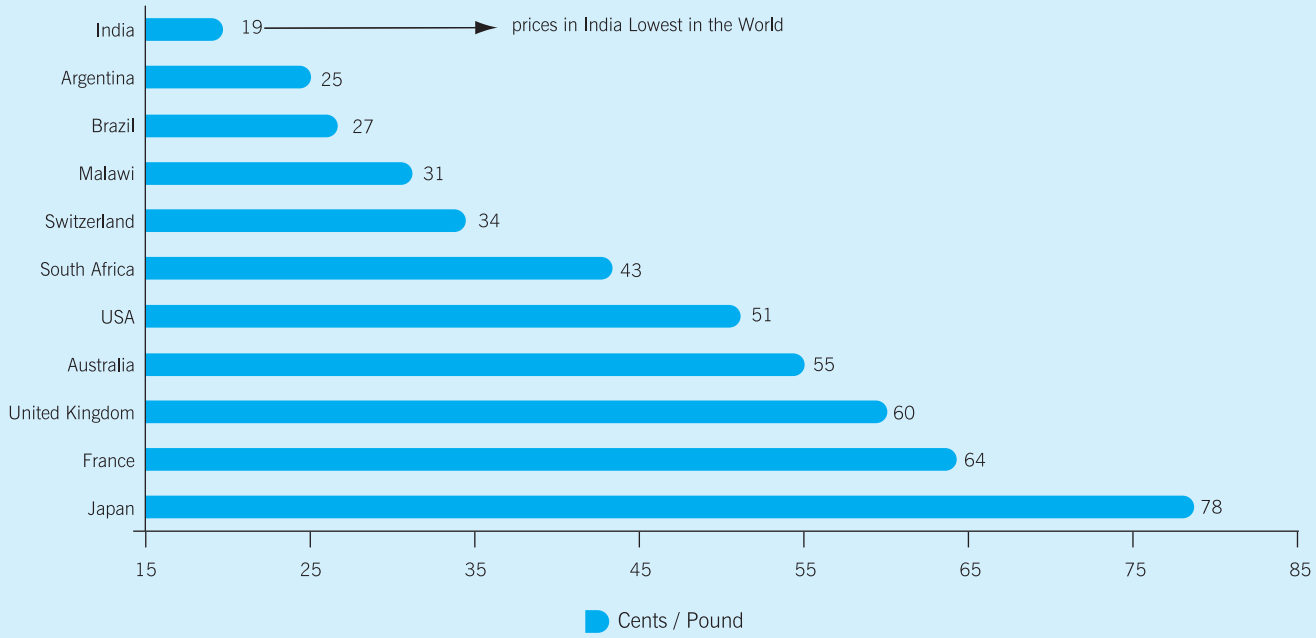
World Sugar Production (MMT, Raw Value)

Country/Region	2003-04	2004-05	2005-06	2006-07	2007-08E
Brazil	26.14	27.73	32.64	32.77	34.23
India	14.74	13.80	20.94	30.60	27.00
EU	20.20	21.95	21.02	17.05	17.45
China	10.90	9.86	9.58	13.04	13.59
USA	7.85	7.15	6.71	7.70	7.66
Thailand	7.28	5.43	5.08	6.98	7.89
Mexico	5.36	6.00	5.39	5.43	5.58
Total of top 7 producers	92.47	91.92	101.36	113.57	113.40
Percent of total world sugar production	63%	65%	66%	68%	68%
Others	53.72	49.18	51.22	53.72	53.98
World total	146.19	141.10	152.58	167.29	167.38

Per Capita Sugar Consumption in Top 7 Countries



Global Sugar Price Comparison



Indian overview:

The Indian sugar industry retained its position as the country's second-largest rural agro-industry with an annual turnover of Rs. 700 billion, contributing almost Rs. 22.5 billion annually to the central and state exchequer by way of taxes, cess, and excise duty (Source: Ministry of Food, Government of India). The industry employs around 50 million sugarcane farmers and labourers, constituting 7.5 percent of the rural population, and provides indirect employment to around 2 million people.

The Indian sugar industry comprises organised (sugar factories) and unorganised manufacturers (gur and khandsari) on the one hand and three categories (co-operative, private and public sectors) on the other.

Did you know?

India remains a key growth driver for world sugar, growing above the Asian and worldconsumption growth average.

The industry is regulated by the government.

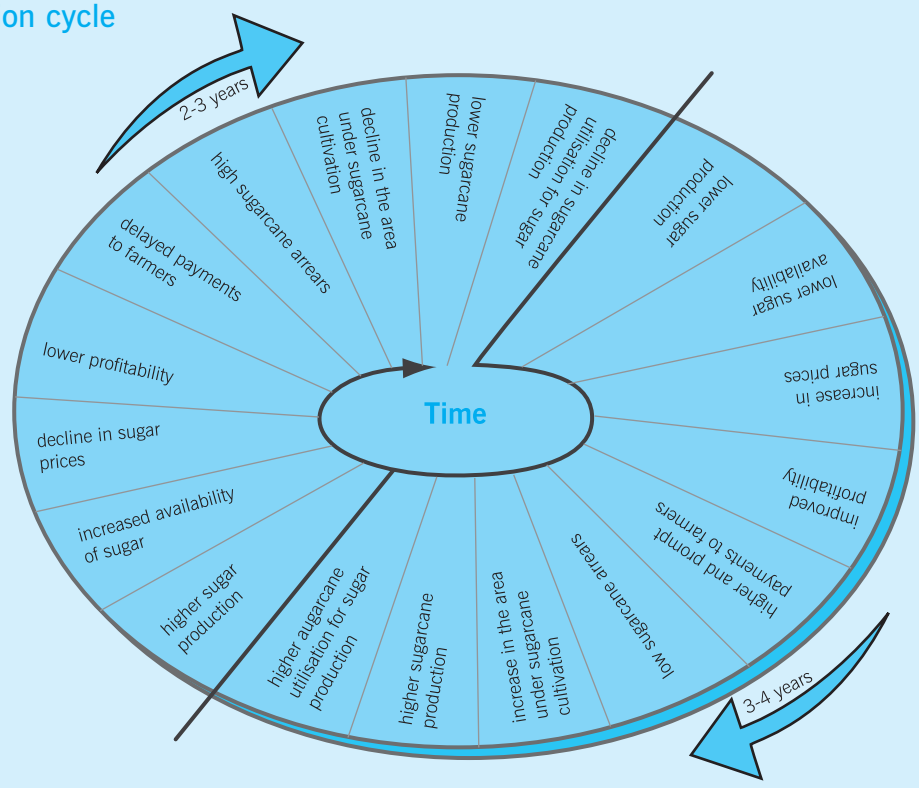
	Current regulations	Impact
Cane price determination	– Statutory Minimum Price (SMP) by centre – State Advised Price (SAP) by states – SAP being higher than SMP	Sugar mills in states are at a disadvantage wherever SAP is applicable
Command area	No new mill can be set up within 15 km from existing mills	Cane demand-supply imbalance can impact operations
Monthly release mechanism	Monthly releases given to each mill by the government	Sugar mills are impacted in times of excess, leading to higher carriage cost and lower realizations
Levy quota and levy price	10 percent of the mills' production procured by the government at levy price for distribution through public distribution scheme (PDS)	Sugar mills must necessarily sell 10 percent of their production at a low-levy price

Although sugarcane is a hardy tropical crop, around 90 percent of India's sugarcane is grown in irrigated land, accounting for around 5 percent of the country's total irrigated area. India enjoys ideal cane-growing conditions — tropical climate, affordable labour and low-cost irrigation. More than one crop is harvested from a single planting and after the first crop is removed, two or more stubble crops (ratoons) are obtained. Planting season usually starts from February to April, followed by harvesting in October. Crushing starts in October, peaks in January and continues till May. India's average sugar recoveries are modest at around 10-11 percent, compared with 12-13 percent in Brazil and other major sugar producers.

In 2007-08, India is expected to produce around 27-28 million tonnes of sugar, despite small farm holdings and low-productivity. Although India's sugar industry suffered from low-crushing capacity, yet it recorded one of the lowest sugar processing costs. India's major sugarcane producing states comprise Maharashtra, Uttar Pradesh, Andhra Pradesh, Gujarat, Tamil Nadu and Karnataka, accounting for around 85-90 percent of the country's cane production. In 2007-08, India's sugar consumption is expected to decline to 22 million tonnes.

India's volatile sugar prices rebounded by 11.1 percent from December 2007 to Rs. 15,080 per tonne in March 2008 and declined further, following the partial removal of government aid for carrying buffer stock. In July 2008, sugar prices increased by 8 percent over the previous month on account of supply shortages and higher exports.

Sugar production cycle



Government Policies

The sugar industry in India is subject to numerous controls at various levels starting from procurement of sugarcane to sugar distribution, pricing and the use of end-product sugar. Sugar prices are closely monitored by the government and controlled by a set of measures like the release mechanism and levy allocation. The sugarcane prices are fixed by the Central or State Governments to ensure a remunerative return to the farmers. The Government of India fixes Statutory Minimum Price (SMP) for sugarcane. Moreover, certain State Governments like Uttar Pradesh insist for an even higher payment in the form of State Advised Price (SAP).

In the seasons 2006-07 and 2007-08 sugar production skyrocketed to record levels due to the irrational and unchecked increase in sugarcane prices by the State Government in U.P. due to political considerations. A unique situation existed where the cost component of raw materials was more than the selling price of sugar. The industry challenged the methodology used by the State Government at the High Court in Allahabad and Lucknow Bench of Allahabad High Court for both the seasons. While the Allahabad High Court ruled in favour of the industry by quashing the SAP for the seasons 2006-07 and 2007-08, the Lucknow Bench of Allahabad High Court upheld the SAP for the season 2007-08. This matter is now pending at the Supreme Court.

Acknowledging the financial difficulties being faced by the sugar industry, the Government took a number of initiatives to help the industry tide over the present crisis:

- The Government of India extended interest free loans to the sugar mills equivalent to the excise duty payable in the seasons 2006-07 and 2007-08 on sugar for payment of cane arrears and other statutory liabilities.

- In order to encourage export of sugar, the Government of India agreed to offset the higher freight costs incurred by the Indian sugar industry by extending subsidy of Rs. 1,350 per tonne to mills located in the coastal areas and Rs. 1,450 per tonne to mills situated in the interiors till September, 2008. As

Did you know?

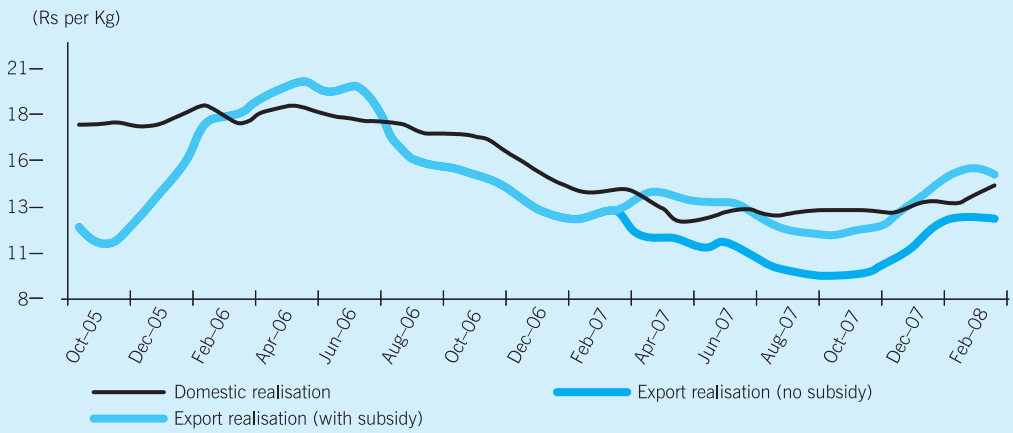
The cost of producing sugar from cane is less than the cost of producing from beet. Of the 122 sugar producing countries, 67 produce sugar from cane and 55 from beet.

a result, India is exporting about 4.2 MT of sugar in 2007-08 compared with 1.7 MT of the previous year.

- The Government of India created a buffer stock of five million tonnes in the year 2007 to ensure availability of sugar in the domestic market. However, with effect from 1st May, 2008, 2 million tonnes has been liquidated and the remaining stock of 3 million tonnes has ceased to exist from 31st July, 2008.

- The State Government of Bihar in order to overcome the crisis being faced by the sugar industry announced cane price subsidy @ Rs.7per quintal for the sugar seasons 06-07 and 07-08. Further, the State Government also reduced the cane commission payable to Zonal Development Council for the season 06-07 from 1.8 percent to 0.45 percent of actual cane price paid.

Export realisations



SWOT of the Indian sugar industry

Strengths

- The world's second-largest sugar producer
- Employs (including ancillary activities) directly around 0.5 million workers.
- Supports downstream food processing industries
- Engine of India's rural growth
- Classified as an essential commodity for mass consumption

Weakness

- Most of the sugar factories are more than 30 years old and use legacy technology.
- Low production capacity leads to low recovery and a relative inability to cover production costs.

Opportunities

- By-products providing superior value for downstream industries
- Huge potential to increase cane productivity and sugar recovery
- Technology upgradation, new advanced technology available for by-product utilisation

Threats

- Vulnerable to short-term political interests
- Low ground water availability for irrigation
- Deteriorating soil quality due to fertilizer and pesticide overuse
- Unhealthy mill competition related to cane acquisition.

Operational review

The sugar industry is positioned at the cusp of an upturn in the sugar cycle. This start of the uptrend in the sugar cycle was triggered by increased sugar availability, decline in sugar realisations, lower mill profitability, delayed farmer payments, high sugarcane arrears, prospects of lower cane planting, correspondingly lower sugar production, prospect of an increase in sugar realizations and better industry health. In this rebounding climate, the Company produced 16.53 lacs qtls of sugar during the financial year under review, 29 percent decrease over the previous year. The realisation of per tonne (net of excise) of free sugar for the Company also decreased from Rs. 15,326 in 2006-07 to Rs. 13,585 in 2007-08.

Statutory minimum prices

(Rs. per quintal)

	2005-06	2006-07	2007-08
Seohara	89.18	85.38	89.28
Sidhwalia	81.26	82.95	81.18
Hasanpur	85.66	83.85	–

However, the Company has paid State Advised Price (SAP) of Rs. 110 per quintal for the season 2007-08 in terms of Hon'ble Allahabad High Court's (Lucknow Bench) interim order dated 15th November, 2007.

In Bihar, the Company has paid mutual agreed price of Rs.96 per quintal (at gate). However, in addition to the said price, the Bihar Government has also paid a subsidy of Rs. 7 per quintal to the farmers.

Highlights

- The Company crushed 164.53 lacs qtls of sugarcane and produced 16.53 lacs qtls of sugar in 2007-08 compared with 241.40 lacs qtls of sugarcane crushed and 23.19 lacs qtls sugar produced in 2006-07.
- The Company produced 266.48 lacs litres of spirit, up 74.40 percent over the previous year.
- It sold 907.28 lacs units of power in 2007-08, as against 76.37 lacs units in 2006-07.

Projects

In 2007-08, the Company invested Rs. 9878.17 lakhs in capital expenditure for projects expansion and modernisation, including co-generation and distillery modules across its three operating units.

The comparative operational figures of the sugar factories for the last two seasons:

	Season 2007–08				Season 2006–07			
	Seohara	Sidhwalia	Hasanpur	Total	Seohara	Sidhwalia	Hasanpur	Total
Sugarcane crushed (lac quintals)	140.60	23.93	–	164.53	176.35	40.83	24.22	241.40
Recovery (%)	10.26	8.73	–		9.93	8.86	8.69	
Sugar produced (lac quintals)	14.44	2.09	–	16.53	17.48	3.61	2.10	23.19
Crushing days	140	75	–		189	161	142	

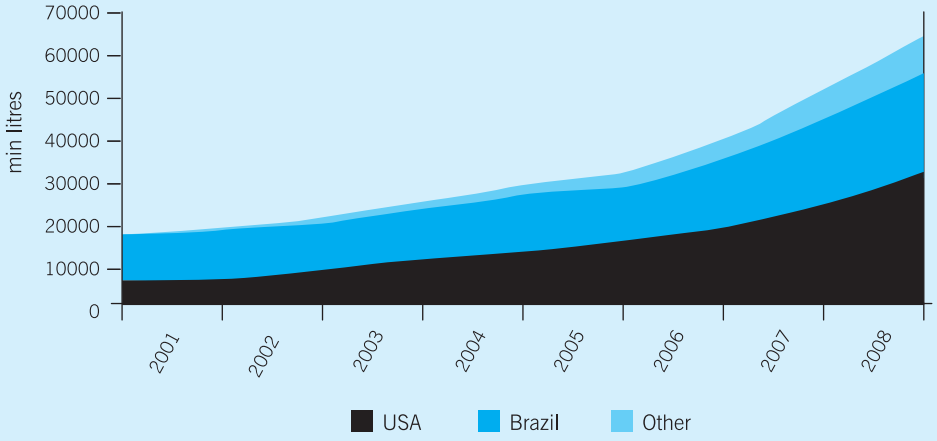
Ethanol

Ethanol is a renewable fuel produced from biomass. This liquid alcohol (made of oxygen, hydrogen and carbon) is obtained from sugar fermentation or converted starch contained in grains and other agricultural or agro-forest feedstock. The fuel additive can be used independently or as a gasoline blend. Its advantage is that it combusts more cleanly and completely than gasoline or diesel fuel, reducing greenhouse gas generation. It is a relevant weapon to counter vehicular pollution and reduce particulate emissions.

Global scenario:

The global production of ethanol increased by 18 percent to 46 billion litres in 2007, the sixth consecutive year of double-digit growth. Consider this: Brazil derives more than 40 percent of its automotive fuels from sugarcane-based ethanol. Besides, the sugarcane diverted towards ethanol production increased from 58 percent in FY07 to 64 percent in FY08. Correspondingly, this increased the country's ethanol production by 21 percent to 19 billion litres in 2007. Brazil and the US accounted for 95 percent of all ethanol production in 2007.

World Fuel Ethanol Production



Indian scenario:

In India, ethanol is produced primarily from molasses, the by-product derived from cane processing. In October 2007, the Indian government made it mandatory to blend ethanol to the extent of 5 percent with petroleum, while 10 percent mandatory blending will come into force from October 2008. In view of this, the government permitted sugar mills to produce ethanol directly from sugarcane juice. Ethanol is used to meet the demand of the country's chemical industries. India's ethanol producing states comprise UP, Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra, Gujarat and Bihar.

Outlook:

The global ethanol production is expected to exceed 20 billion gallons at a CAGR of about 5 percent between 2008 and 2012. The US and Brazil are expected to lead this growth followed by new ethanol producers in Asia and Latin America. Ethanol's future buoyancy in India is reflected in the following table:

Year	Blended petrol demand (litres)	Demand for ethanol (mn litres)		Demand other than ethanol
		At 5% blending	At 10% blending	
2007-08	14,320	716	1,432	1,835
2008-09	15,724	786	1,572	1,917
2009-10	17,272	864	1,727	1,998
2010-11	18,975	949	1,898	2,083
2011-12	21,391	1,070	2,139	2,173

Year	Total alcohol requirement (mn litres)		Potential alcohol production	Surplus/deficit at 10% blending
	at 5% blending	at 10% blending		
2007-08	2,551	3,267	2,765	(502)
2008-09	2,703	3,489	2,084	(1,405)
2009-10	2,862	3,725	1,996	(1,729)
2010-11	3,032	3,981	1,996	(1,985)
2011-12	3,243	4,312	1,996	(2,316)

Co-generation

Bagasse is used as a raw material in power co-generation in the sugar industry. The generated power is used for captive consumption, which reduces power costs on the one hand and the excess is marketed, generating incremental revenues on the other. Besides, the companies can earn certified emission reduction points (CERs) or carbon credits, which can then be marketed for additional revenues.

India is expected to add 1,200 MW bagasse-based power generation capacity during the Eleventh Five-Year Plan period, nearly twice the 750 MW addition during the Tenth Five-Year Plan. India, which is among the largest sugar producers in the world, generates nearly 40 million metric tonne (MMT) of bagasse, most of which is currently used as a captive boiler fuel.

India is expected to enjoy a total exportable power potential of around 9,700 MW from the co-generation route in 2017, addressing nearly 6 percent of the country's additional power requirement of 128 GW by then. The sector can also generate 48 million carbon credits through co-generation (Source: KPMG).

The Company has two co-generation plants

Place	Capacity	Commissioned
Seohara	24 MW	June 2007
Sidhwalia	18 MW	Will be Commissioned by November, 2008

Future Outlook

The sugar industry seems to be finally coming out of the worst ever recession that it had seen over the past few decades. After successive years of surplus production and uninhibited capacity addition, the sugar output in India has started declining. While it may be still premature to comment on the production estimates for 2008-09, it is evident that production will not exceed consumption as area under sugarcane plantation has fallen significantly. This development has witnessed a smart rally in sugar prices that have come back to the levels that were prevailing in 2006. There is still uncertainty about the sugarcane prices as the matter is under litigation and will have a significant impact on the profitability of the industry. The sugarcane price for 2008-09 is yet to be determined. Furthermore, with the fall in sugarcane production, prices of by-products such as molasses and bagasse have also started strengthening.

The growth of sugar demand by food industries and other non-household users, estimated to account for about 45 percent of total consumption, could provide additional impetus to longer-term market growth. Although gur and khandsari are still consumed in rural areas, demand for white sugar is expected to

continue to increase. Indian sugar industry can be a global leader provided it comes out of the vicious cycle of acute shortages and surplus of sugarcane. A stable long term policy is needed in which the shackles are removed which constrain this industry from growing in a healthy manner. Against the backdrop of skyrocketing crude prices policymakers have become aware of sugarcane as an energy crop and are encouraging mills to go integrated and produce ethanol and power.

Tea

As the world's largest tea producer, India accounts for around 13 percent of the global tea export; tea production improved moderately from 947.17 million kg in 2006-07 to 947.93 million kg in 2007-08; Assam contributed 50 percent of the total tea production with over 800 tea estates. The domestic consumption of tea increased from 653 million kg in 2000 to 786 million kg in 2007 at 2.68 percent CAGR [Source: Tea Board of India]. Although per capita consumption grew from 691 gm to 693 gm, yet it is one of the lowest compared with other countries.

The Company's tea production decreased by 1.93 percent over the previous year, while realisations increased 6 percent from Rs. 85.39 per kg in 2006-07 to Rs. 90.50 per kg in 2007-08.

Human resources

The Company recruits the best, trains them and provides them with opportunities for personal and professional development. An emphasis is laid on achievement, motivation, participation, empowerment and leadership. The Company followed employee-friendly policies and undertook various staff welfare measures. It believes in regular communication with its employees. With this objective, regular meetings were held with employees and the management. Industrial relations in the Company remained cordial during the year. Due to various measures adopted by the management, the Company had a low employee-turnover ratio.

Internal Audit

Adequate control systems have been institutionalized for monitoring all operational and managerial functions, being carried out in conformity with well-defined processes. The compliance of these processes and refinement of the same to reflect learning and changes in business environment is reviewed periodically. Regular audits of all key areas of business activities are conducted by internal audit teams. The internal audit function is jointly carried out with external management audit firms. The audit observations are reported and discussed by the senior management and also presented to the Audit Committee of the Board. The observations are discussed with the operations teams and the recommendations generated from there are implemented appropriately.

Cautionary statement

The statements in the Management Discussion & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. As these statements are based on certain assumptions and expectations of future events, actual result could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global or domestic demand and supplies, political and economic developments in India or other countries, government regulations and taxation policies, prices and availability of raw materials, prices of finished goods , abnormal climate and geographical conditions, etc. The Company assumes no responsibility in respect of forward looking statements that may be revised or modified in the future on the basis of subsequent developments, information or events.

Report on Corporate Governance

1. Company's Philosophy

The Company believes that good corporate governance consists of a combination of business practices which result in enhancement of the value of the Company to its shareholders and simultaneously enable the Company to fulfil its obligations to other stakeholders such as customers, employees and financiers, and to the society in general. The Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environmental consciousness. The Company makes its best efforts to uphold and nurture these core values in all aspects of its operations.

2. Board of Directors

i) The Board is headed by Smt. Nandini Nopany, Chairperson-cum-Managing Director and is composed of eminent persons with considerable professional experience in various fields. The present strength of the Board of Directors is ten, of which nine are non-executive Directors and one Managing Director. Except Shri C.S. Nopany who is holding 39,600 (0.34%) Equity Shares, no other non-executive Director is holding any Equity Share of the Company.

ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he or she is a Director.

iii) The Company holds minimum of four Board Meetings in each year. The meetings are held at the Company's Corporate Office at "Birla Building", 9/1, R.N. Mukherjee Road, Kolkata 700 001.

iv) All divisions/departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussions/approval/ decisions in the Board/Committee Meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board Meetings.

v) The Chairperson-cum-Managing Director and the Company Secretary in consultation with other concerned persons in the senior management, finalise the agenda papers for the Board Meetings.

vi) Agenda papers are circulated to the Directors in advance. All material information is incorporated in the Agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same are placed on the table at the meeting with specific reference to this effect in the Agenda.

vii) In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated in advance or at the meeting.

During the year under review seven Board Meetings were held on 6th September, 2007, 21st September, 2007, 31st October, 2007, 8th January, 2008, 28th January, 2008, 26th March, 2008 and 2nd May, 2008. The composition of the Board of

Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also the number of directorships in Indian public limited companies are as follows:

Name of Director	Category of Director	No. of Board meetings attended	Attendance at last AGM	No. of Directorships	No. of Chairmanship/ Membership of Board Committees	
					Chairman	Member
Smt. Nandini Nopany	MD	3	No	9	–	2
Shri C.S. Nopany	NED	6	No	15	2	2
Shri R.K. Choudhury	NED	2	No	10	–	3
Shri G.K. Bhagat	I/NED	7	No	1	1	1
Lt. Gen. K. Chiman Singh (Retd.)	I/NED	3	No	1	1	–
Shri Gaurav Swarup	I/NED	6	No	8	–	2
Shri Supriya Gupta	I/NED	6	No	10	4	4
Shri Sunil Kanoria	I/NED	3	No	6	–	3
Shri P.K. Lakhotia	NED	–	No	2	–	–
Shri I.P. Singh Roy	I/NED	5	Yes	2	–	–

MD - Managing Director
NED - Non Executive Director
I - Independent

In accordance with Clause 49 of the Listing Agreement with the stock exchanges, Membership/Chairmanship of only the Audit Committee and Shareholders'/ Investors' Grievance Committee of all public limited companies has been considered.

3. Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956.

a) Terms of Reference

The terms of reference of the Audit Committee are broadly as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit

commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

- Reviewing the financial statements and draft audit report, including quarterly/half yearly financial information.

- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

i. any changes in accounting policies and practices;

ii. major accounting entries based on exercise of judgment by management;

iii. qualifications in draft audit report;

iv. significant adjustments arising out of audit;

v. the going concern assumption;

vi. compliance with accounting standards;

vii. compliance with stock exchange and legal requirements concerning financial statements;

viii. any related party transactions as per Accounting Standard 18.

- Reviewing the Company's financial and risk management policies.

- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

- Reviewing the adequacy of internal audit function, including structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

- Discussion with internal auditors of any significant findings and follow-up thereon.

- 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.

b) Composition

The Audit Committee comprises of four non executive Directors viz. Lt. Gen. K. Chiman Singh (Retd.) (Chairman), Shri R.K. Choudhury, Shri G.K. Bhagat and Shri Supriya Gupta, of whom three including the Chairman, are independent. Shri S.K. Poddar, Company Secretary, is the Secretary of the Committee. During the year the Committee met four times on 21st September, 2007, 31st October, 2007, 28th January, 2008 and 22nd April, 2008 and attendance of the members at the meetings was as follows:

Name of the Member	Status	No. of meetings Attended
Lt. Gen. K. Chiman Singh (Retd.)	Chairman	2
Shri R.K. Choudhury	Member	1
Shri G.K. Bhagat	Member	4
Shri Supriya Gupta	Member	4

The Secretary of the Audit Committee attended the meetings. At the invitation of the Committee, the Internal Auditors, Statutory Auditors and Cost Auditors also attended the Audit Committee Meetings to answer and clarify the queries raised at the Meetings.

4. Remuneration Committee

i) Though the constitution of the Remuneration Committee is not mandatory, the Company has constituted the Remuneration Committee.

ii) The broad terms of reference of the Remuneration Committee are as under:

a. To approve the remuneration and commission payable to the Directors.

b. Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

a) Executive Director

Managing Director	Salary (Rs.)	Perquisites (Rs.)	Retirement Benefits (Rs.)
Smt. Nandini Nopany	30,00,000	–	3,60,000

Smt. Nandini Nopany's remuneration package includes salary, free furnished accommodation with all expenses for upkeep and maintenance thereof, contribution to Provident Fund, reimbursement of medical expenses, leave travel concession, car with driver and telephone etc.

b) Non-Executive Directors

The Company pays remuneration to its non-executive Directors by way of commission upto 1 percent of the net profits for all directors put together with the maximum ceiling of Rs. 1,00,000 per director. The Company pays a fee of Rs. 5,000 and Rs.2,500 per meeting to each Director for attending meetings of the Board of Directors and Committees thereof respectively. The details of sitting fees paid during the year 2007-08 are as follows:

Sl. No.	Name of the Director	Amount (Rs.)
1.	Smt. Nandini Nopany	27,500
2.	Shri C.S. Nopany	47,500
3.	Shri R.K. Choudhury	12,500
4.	Shri G.K. Bhagat	65,000
5.	Lt. Gen. K. Chiman Singh (Retd.)	20,000
6.	Shri Gaurav Swarup	30,000
7.	Shri Supriya Gupta	40,000
8.	Shri Sunil Kanoria	15,000
9.	Shri I.P. Singh Roy	37,500
10.	Shri P.K. Lakhotia	–

iii) The Committee, presently, comprises of three Independent Non-executive Directors, viz. Shri I.P. Singh Roy (Chairman), Shri G.K. Bhagat and Shri Gaurav Swarup. No meeting of the Committee was held during the year.

iv) Remuneration Policy

Remuneration of employees largely consists of base remuneration, perquisites, bonus, exgratia, etc. The components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance, etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contributions, retain talent in the organisation and reward merits.

v) Remuneration of Directors

Details of remuneration paid to the Directors for the year 2007-08:

5. Investors' Grievance Committee

The Committee, presently, comprises of three non-executive Directors viz. Shri G.K. Bhagat (Chairman), Shri C.S. Nopany and Shri I.P. Singh Roy. Shri S.K. Poddar, Company Secretary, is the Compliance Officer of the Company for complying with the requirements of the Listing Agreement with the Stock Exchanges. Five meetings of the Committee was held during the year on 16th July, 2007, 16th October, 2007, 26th December, 2007, 24th March, 2008 and 12th June, 2008 and attendance of the members at the meetings was as follows :

Name of the Member	Status	No. of meetings attended
Shri G.K. Bhagat	Chairman	3
Shri C.S. Nopany	Member	3
Shri I.P. Singh Roy	Member	5

The Board of Directors have authorised the Secretary to approve transfers/transmissions of upto 1000 shares. The transfers/transmissions approved by the Secretary are periodically placed before the committee. The Committee deals with the applications for transfer/ transmission of shares, subdivision and consolidation of share certificates and issue of duplicate share certificates, etc. The Committee also keeps a close watch on all complaints/grievances of shareholders. During the year under review the Company received 16 complaints/grievances from the shareholders which were duly attended. The average period in which grievances are addressed is 7 days from the date of receipt of letters/complaints. There was no unresolved complaint as on 30th June, 2008. There were no share transfer applications pending for registration on 30th June, 2008.

6. General Body Meetings

The last three Annual General Meetings of the Company were held as under:

Financial Year	Date	Time	Location
2006-2007	03.12.2007	11.00 a.m.	Registered Office: Sugar Mills Complex P.O. Seohara, Dist. Bijnor Uttar Pradesh - 246 746
2005-2006	03.11.2006	11.00 a.m.	Registered Office: Sugar Mills Complex P.O. Seohara, Dist. Bijnor Uttar Pradesh - 246 746
2004-2005	30.03.2006	11.00 a.m.	Registered Office: Sugar Mills Complex P.O. Seohara, Dist. Bijnor Uttar Pradesh - 246 746

Special resolution was passed at the Annual General Meeting held on the 30th March, 2006 for approval for continuation of payment of commission to Directors, not exceeding @ 1 percent of net profits, for a further period of five years with effect from 1st April, 2006.

There was no occasion to pass special resolution through postal ballot. Further, no such proposal is proposed to be placed for the shareholders' approval at the forthcoming Annual General Meeting.

The last Annual General Meeting held on 3rd December, 2007 was not attended by Lt. Gen. K. Chiman Singh (Retd.), Chairman of the Audit Committee due to sickness.

7. Disclosures

i) There are no materially significant related party transactions of the Company which have potential conflict with the interest of

the Company at large.

ii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets for non-compliance by the Company during the last three years.

8. Means of Communication

i) Since the financial results in respect of each quarter and annual audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board/Committee and posted on the Company's Website and also published in 'Business Standard', in English in Kolkata and Mumbai editions and 'Hindustan', in Hindi in Lucknow edition, the same were not separately sent to the shareholders.

ii) The financial results are simultaneously posted on the Company's website at www.birla-sugar.com/upperganges. Distribution of shareholdings is also displayed on the website. The Company has a separate e-mail ID upperinvestor@birla-sugar.com , for investors to intimate their grievances, if any.

iii) The quarterly, annual financial results, annual report & accounts and shareholding pattern are simultaneously filed on the Electronic Data Information Filing and Retrieval (EDIFAR) Website maintained by National Informatics Centre in association with SEBI. The site can be accessed at www.sebiedifar.nic.in.

iv) No presentation was made to any Institutional Investor or to any Analysts during the year.

9. General Shareholders' Information

i) 76th Annual General Meeting

Day : Friday
Date : 19th December, 2008
Time : 11.00 A.M.
Venue : Registered Office -
Sugar Mills Complex
P.O. Seohara, Dist. Bijnor
Uttar Pradesh - 246 746

ii) Tentative Financial Calendar for the year 2008-09.

Audited Annual Results (2007-08)	22nd August, 2008
Publication of Audited Results	23rd August, 2008
Mailing of Annual Report	November, 2008
First Quarter Results	End October, 2008
Second Quarter Results	End January, 2009
Third Quarter Results	End April, 2009
Audited Annual Results (2008-09)	August, 2009

iii) Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from the 15th December, 2008 to the 19th December, 2008 (both days inclusive).

iv) Dividend Payment Date

The Directors have not recommended any dividend for the year.

v) Listing on Stock Exchanges and Stock Codes

The names of the stock exchanges at which the Equity Shares of the Company are listed and the respective stock codes are as under:

Sl. No.	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Ltd. (BSE)	530505
2.	National Stock Exchange of India Ltd. (NSE)	UPERGANGES
3.	The Calcutta Stock Exchange Association Ltd. (CSE)	10031097

Under the depository system International Securities Identification Number (ISIN) allotted to the Equity Shares of the Company is INE018B01012. Annual Listing Fee for the year 2008-09 has been paid to BSE, NSE and CSE.

vi) Market Price data

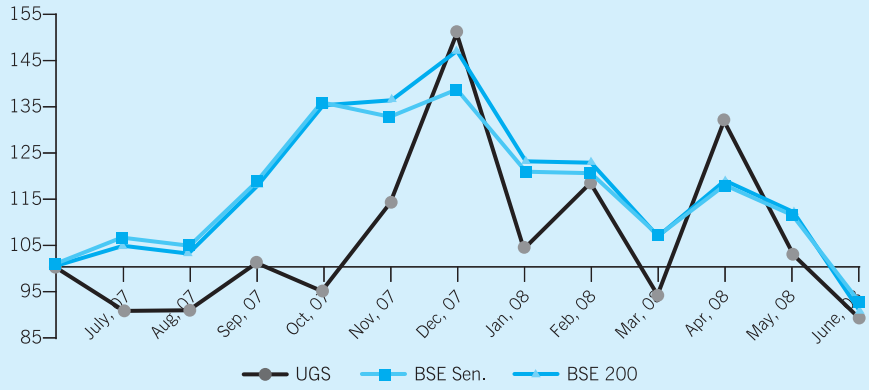
Monthly high/low of market price of the Company's Equity Shares traded on Bombay Stock Exchange Ltd. and National

Stock Exchange of India Ltd. during the last financial year was as follows :

Month	Bombay Stock Exchange Ltd.		National Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
July, 2007	84.00	67.00	84.40	68.70
August, 2007	78.50	58.00	78.50	55.90
September, 2007	87.00	66.80	89.80	66.00
October, 2007	83.70	66.20	83.00	61.00
November, 2007	102.00	65.10	102.40	67.45
December, 2007	120.00	84.15	118.00	84.30
January, 2008	140.00	70.00	147.30	67.60
February, 2008	98.40	74.30	99.00	73.00
March, 2008	89.40	62.80	89.80	62.65
April, 2008	106.90	68.10	108.00	69.35
May, 2008	100.80	75.35	101.00	76.75
June, 2008	83.00	59.80	82.90	64.00

vii) Performance of Company's Equity Shares in comparison to BSE Sensex and BSE 200

A graphical presentation is as follows :



viii) Registrar & Share Transfer Agent

The Company has appointed Intime Spectrum Registry Ltd. as its Registrar & Share Transfer Agent (RTA) for handling work related to share registry in terms of both physical and electronic modes. Accordingly, all correspondence, shares for transfer, demat/remat requests and other communication in relation thereto should be mailed/hand delivered to the said RTA directly at the following address:

Intime Spectrum Registry Ltd.
Unit : Upper Ganges Sugar & Industries Ltd.
59C, Chowringhee Road, 3rd Floor
Kolkata - 700 020
Tel : 91 033 2289 0540
Fax : 91 033 2289 0539
e-mail : kolkata@intimespectrum.com

ix) Share Transfer System

After the requests for transfer/transmission of shares in physical form are approved by the Investors' Grievance Committee the same are sent to the Registrar & Share Transfer Agent for completing the necessary procedural formalities and despatch to the shareholders. The Board of Directors have authorised the Secretary to approve transfer/transmission of upto 1,000 shares in consultation with the Chairman of the Investors' Grievance Committee. Share transfer requests, if found valid and complete in all respects, are normally effected within a period of 15 days from the date of receipt. A total of 6712 shares were transferred/ transmitted during the year 2007-08. The dematerialised shares are directly transferred to the beneficiaries by the Depositories.

x) Distribution of Shareholding

a) The Distribution of Shareholding as on 30th June, 2008 was as follows:

No. of Equity Shares	No. of share holders	% of total shareholders	No. of shares held	% of total shares
1 - 100	5059	56.53	272775	2.36
101 - 500	2740	30.61	732402	6.33
501 - 1000	550	6.15	429753	3.72
1001 - 2000	273	3.05	410428	3.55
2001 - 3000	113	1.26	289535	2.51
3001 - 4000	47	0.53	166154	1.44
4001 - 5000	37	0.41	175026	1.51
5001 - 10000	57	0.64	395289	3.42
10001 and above	73	0.82	8685877	75.16
Total	**8949**	**100.00**	**11557239**	**100.00**

b) Details of Shareholding as on 30th June, 2008 was as follows

Category	No. of Shares held	% of Shareholding
Promoters	5683206	49.17
Financial Institutions, Banks, Mutual Funds, Insurance Companies, etc.	491756	4.26
Private Bodies Corporate	1353967	11.71
Indian Public	3953278	34.21
NRIs/ OCBs / FIIs / Foreign Nationals	75032	0.65
Total	**11557239**	**100.00**

xi) Dematerialisation of Shares and Liquidity

The Equity Shares of the Company are in compulsorily dematerialised form at all the stock exchanges viz. Bombay Stock Exchange Ltd., The National Stock Exchange of India Ltd. and The Calcutta Stock Exchange Association Ltd. under depository systems at both the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. Over 96.87 percent of the Equity Shares of the Company have already been dematerialised.

xii) Outstading GDRs/ADRs/Warrants or Convertible Instrument

As on 30th June, 2008, the Company did not have any outstanding GDRs/ ADRs/Warrants or Convertible Instrument.

xiii) Location of Plants:

Sugar Mills:

a) Seohara, Dist. Bijnor, Uttar Pradesh, Pin - 246746
b) Sidhwalia, Dist. Gopalganj, Bihar, Pin - 841428
c) Hasanpur, Dist. Samastipur, Bihar, Pin - 848205

Distillery:

Seohara, Dist. Bijnor, Uttar Pradesh, Pin - 246746

Co-generation:

a) 24 MW, Co-generation plant, Seohara, Dist. Bijnor, Uttar Pradesh, Pin - 246746
b) 18MW, Co-generation plant, Sidhwalia,Dist. Gopalganj, Bihar, Pin - 841428

Tea Garden:

Cinnatolliah Tea Garden
Lakhimpur North, Assam, Pin - 787001

xiv) Address for Correspondence:

The Secretary,
Upper Ganges Sugar & Industries Ltd.
9/1, R.N. Mukherjee Road
5th Floor, Birla Building
Kolkata - 700 001
India
Tel : 91 - 033 - 2243 0497/8
Fax : 91 - 033 - 2248 6369
e-mail : birlasugar@birla-sugar.com

Intime Spectrum Registry Ltd.
Unit: Upper Ganges Sugar & Industries Ltd.
59C, Chowringhee Road
3rd Floor
Kolkata - 700 020
Tel : 91-033-2289 0540
Fax : 91-033-2289 0539
e-mail : kolkata@intimespectrum.com

10. Re-appointment of Directors

Three non-executive Directors namely Shri Gaurav Swarup, Shri I.P. Singh Roy and Shri P.K. Lakhotia are due for retirement by rotation at the forthcoming Annual General Meeting. Brief particulars of the said Directors are given below :

i) Shri Gaurav Swarup, aged 51 years, is a holder of Master's Degree in Business Administration (MBA) from Harvard University, U.S.A. and has done his Mechanical Engineering from Jadavpur University. He is the Managing Director of Paharpur Cooling Towers Ltd. He is a member of the Board of Governors, Indian Institute of Management, Kolkata; Member, Executive Committee, Federation of Indian Chambers of Commerce & Industry; Past President of the Indian Chamber of Commerce, Kolkata; Past Chairman, Plastic Export Promotion Council and was a Member of the State Planning Board, Goverment of Tripura. He joined the Board of the Company in February, 2003.

Shri Gaurav Swarup does not hold any share, in his own name or by/for other persons on a beneficial basis, in the Company.

Names of Indian public limited companies in which Shri Gaurav Swarup is Director or Chairman/Member of the Board Committees:

Sl. No.	Name of the Company	Name of Board Committee	Chairman/ Member
1.	Chemical & Metallurgical Design Co. Ltd.	_	–
2.	KSB Pumps Ltd.	Audit Committee	Member
3.	Paharpur Cooling Towers Ltd.	_	–
4.	Paharpur Industries Ltd.	_	–
5.	Swadeshi Polytex Ltd.	_	–
6.	The Industrial & Prudential Investment Co. Ltd.	_	–
7.	TIL Ltd.	Audit Committee	Member
8.	Upper Ganges Sugar & Industries Ltd.	_	–

ii) Shri Pushpendra Kumar Lakhotia, aged 58 years, holds Master's Degree in Economics. Shri Lakhotia has about 28 years of Industrial experience in Sugar Industry. He is the Executive President of Gobind Sugar Mills Limited. He joined the Board of the Company in August, 2005.

Shri Pushpendra Kumar Lakhotia does not hold any shares, in his own name or by/for other persons on a beneficial basis, in the Company.

Names of Indian public limited companies in which Shri P.K. Lakhotia is Director or Chairman/Member of the Board Committees:

Sl. No.	Name of the Company	Name of Board Committee	Chairman/ Member
1.	Moon Corporation Ltd.	–	–
2.	Upper Ganges Sugar & Industries Ltd.	–	–

iii) Shri Ishwari Prosad Singh Roy, aged 61 years, holds Master's Degree in Arts from Calcutta University, and is a Barrister-at-Law, having done his Bachelor of Law from King's College, London. He is an Advocate at the Hon'ble High Court at Calcutta, having about 32 years of experience, and has appeared in a large number of commercial and industrial law matters before Industrial Tribunals, High Courts and the Supreme Court of India. He joined the Board of the Company in September, 2005.

Shri Ishwari Prosad Singh Roy does not hold any shares, in his own name or by/for other persons on a beneficial basis, in the Company.

Names of Indian public limited companies in which Shri I.P. Singh Roy is Director or Chairman/Member of the Board Committees

Sl. No.	Name of the Company	Name of Board Committee	Chairman/ Member
1.	Uttar Pradesh Trading Co. Ltd.	–	–
2.	Upper Ganges Sugar & Industries Ltd.	–	–

11. Internal Control System

The Internal Control System of the Company is aimed at proper utilisation and safeguarding of the Company's resources and also at promoting operational efficiency. The Internal Audit of the Company is conducted by various firms of Chartered Accountants. The findings of the Internal Audit and consequent corrective actions initiated and implemented from time to time are placed before the Audit Committee. The Audit Committee reviews such audit findings and the adequacy of Internal Control System.

12. Human Resource Development/Industrial Relations

Continuous learning is the cornerstone of the Company's human resource policy. The Company's human resource policy is structured to meet the aspirations of the employees as well as of the organisation. The Company has adopted a progressive policy of continuous development of its human resources by training and motivating its employees to attain greater efficiency and competency.

The current strength of management staff is 61 and non-management staff is 1043.

Industrial relations in all the units were cordial throughout the year under review.

13. Risk Management

The Company has in place a Risk Management Policy, which lays down the process for identification and mitigation of risks. This Policy has been approved by the Board of Directors of the Company. The Board of Directors reviews the risk management and mitigation policy from time to time.

14. Insider Trading

The Company has adopted the Code of Internal Procedures and Conduct framed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, to, inter alia, prevent insider trading in the shares of the Company.

15. Code of Conduct & Ethics

The Company has adopted a Code of Conduct and Ethics (Code) for the members of Board of Directors and Senior Management Personnel of the Company. The essence of the Code is to conduct the business of the Company in an honest and ethical manner, in compliance with applicable laws and in a way that excludes considerations of personal advantage. All Directors and Senior Management Personnel have affirmed compliance with the Code, and a declaration to this effect, signed by the Managing Director, is attached to this report.

Declaration by the Managing Director on Code of Conduct

To
The Members
Upper Ganges Sugar & Industries Limited
P.O. Seohara
Dist. Bijnor (U.P.)

Pursuant to Clause 49 of the Listing Agreement with Stock Exchange, I, Nandini Nopany, Chairperson-cum-Managing Director of Upper Ganges Sugar & Industries Limited, declare that all the Board Members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct and Ethics during the year 2007-08.

Nandini Nopany
(Chairperson-cum-Managing Director)

Dated: 22nd August, 2008

Auditors' Certificate

To
The Members of **Upper Ganges Sugar & Industries Limited**

We have examined the compliance of conditions of corporate governance by UPPER GANGES SUGAR & INDUSTRIES LIMITED, for the year ended 30th June, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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.

As reported in clause 6 of the Corporate Governance Report of the Company for the year ended 30th June, 2008, Chairman of the Audit Committee has not attended the Annual General Meeting held on 3rd December, 2007 due to reasons mentioned therein. In our opinion and to the best of our information and according to the explanations given to us, *subject to above*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667

Place: Kolkata
Dated : 22nd August, 2008

AUDITORS' REPORT

To the Members of

Upper Ganges Sugar & Industries Limited

We have audited the attached Balance Sheet of UPPER GANGES SUGAR & INDUSTRIES LIMITED as at 30th June, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed 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 the 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 the 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 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 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.

Further to our comments in the Annexure referred above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for 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 appears from our examination of those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account as submitted to us;

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report 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 representations received from the directors as on 30th June, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June, 2008 from being appointed as a director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;

(f) Without qualifying our opinion, we draw attention to Note No. 8 on Schedule 23, regarding accounting of Sugarcane purchases at Seohara Sugar unit in U.P @ Rs. 110 per quintal for sugar season 2007-2008 in terms of Hon'ble Allahabad High Court's (Lucknow Bench) interim order dated 15th November, 2007 as against the State Advised Price (SAP) of Rs. 125 per quintal, upheld by the said High Court vide its final order dated 7th July, 2008 against which the Company along with others through UP Sugar Mills Association has filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court.

In the meantime, the Hon'ble Allahabad High Court in its subsequent judgment dated 18th August, 2008 in case of another sugar company has quashed the SAP for sugar season 2007-2008. Based on the legal advice, the Company has accounted for sugarcane liability for the current season @ Rs. 110 per quintal, as paid in accordance with the earlier interim order of the Hon'ble High Court, although in terms of the order dated 18th August, 2008, as stated above, the Company is only liable to pay the Statutory Minimum Price fixed by the Central Government (till the finalization of SAP by the State Government as per the Court's directions) which is lower than the amount of Rs.110 per quintal accounted for by the Company. Pending final decision by the Hon'ble Supreme Court in this matter, the differential price of Rs. 1891.58 lacs between SAP and the amount already provided, as stated above, has not been accounted for.

(g) Attention is drawn to the following notes on Schedule - 23:

(i) Note Nos. 6 and 7 regarding non-adjustment of certain realisations in earlier years aggregating to Rs.118.18 lacs (Previous Year Rs. 118.18 lacs) and non-provision of interest payable thereon, if any, in case of refund of such realisations. As the matters are under adjudication / not yet settled, the impact of above non-adjustment on the Company's loss is not presently ascertainable;

(ii) Note No.11 regarding non-consideration of revenue results of Cinnatolliah Tea Garden, for the period from 1st April, 2008 to the date of the Balance Sheet, as well as the assets and liabilities as on 30th June,2008, in these statements of account, the impact whereof on the Company's loss, reserves, assets and liabilities has not been ascertained.

In respect of the above items, the previous year's audit report was similarly modified.

Subject to the matters stated in para (g) above, whose impact on the Company's loss is not presently ascertainable, the said Statements of Account, in our opinion and to the best of our information and according to explanations given to us, 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:

(a) in the case of Balance Sheet, of the state of affairs of the Company as at 30th June, 2008;

(b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

(c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Co.**
Chartered Accountants

Per **R. K. Agrawal**
Partner
Membership No. 16667

Place: Kolkata
Dated: 22nd August, 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date to the members of Upper Ganges Sugar & Industries Limited as at and for the year ended 30th June, 2008)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.

(b) Fixed Assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature and value of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence the requirements of sub clauses (b) to (d) of clause (iii) of the order are not applicable.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence the requirements of sub clauses (f) and (g) of clause (iii) of the order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under the above section, have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs entered into during the financial year, are at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, to the extent applicable, have been complied with by the Company. We are informed by the management that no order has been passed by the Company law Board, National Company Law Tribunal or Reserve Bank of India or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company has been 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, custom duty, excise duty, cess and other material statutory dues with appropriate authorities *though there has been slight delays in few cases*.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding in respect of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess on account of any dispute are shown in the table on the next page:

Name of the statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise and Customs Act, 1944	Disallowance of Cenvat credit on inputs and capital goods	239.08	1997-2007	Commissioner (Appeals)/ CESTAT/High Court
	Excise duty on burnt/ waste and loss on storage of molasses	9.69	1973-1974, 1982-1984, 1987-1988, 2003-2004	
	Excise duty for Discrepancy in Season wise stocks of Sugar	6.06	2000-2001	
	Service Tax on discount to wholesellers	1.93	1997-98, 1999-2000	
Prevention of Water Pollution Act	Water Cess	1.41	1989-1990	High Court, Allahabad
Tax on Entry of Goods Act, 2000	Entry tax on purchase	35.26	2006-2007, 2007-2008	High Court, Patna
Bihar Sales Tax	Rejection of Form F	28.24	1982-84, 1992-93, 1995-1997	Jt. Commissioner/ Commissioner Sales Tax
Bihar Sugarcane (Supply & Regulation) Act,1981	Interest on Cane cess	7.70	1980-81 to 1991-92, 1994-95 to 1996-99, 2001-2002	Certificate Officer, Samastipur / High Court, Patna

(x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash loss during the year *but it has incurred cash loss in the immediately preceding financial year*.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution or bank. There were no outstanding debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments and therefore the provisions of clause 4(xiv) of the order are not applicable.

(xv) According to the information and explanations given to us, the Company has given guarantees for loans taken by others from a bank, the terms and conditions whereof are stated to be not prima-facie prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these were obtained.

(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 Rs.1873 lacs approx. raised on short-term basis have been used for long-term investment (without considering permanent working capital).*

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. Batliboi & Co.**
Chartered Accountants

Per **R. K. Agrawal**
Partner
Membership No. 16667

Place: Kolkata
Dated: 22nd August, 2008

BALANCE SHEET As at 30th June, 2008

(Rs. in lacs)

	Schedule	30th June, 2008	30th June, 2007
SOURCES OF FUNDS			
A) Shareholders' Funds			
(a) Share Capital	1	1155.73	1155.73
(b) Reserves & Surplus	2	12095.46	12767.89
		13251.19	**13923.62**
(B) Loan Funds	3		
(a) Secured		41774.20	22828.82
(b) Unsecured		10055.76	11770.05
		51829.96	**34598.87**
(C) Deferred Tax Liability (net)		**445.58**	**754.09**
		65526.73	**49276.58**
APPLICATION OF FUNDS			
(A) Fixed Assets	4		
(a) Gross Block		49383.81	35217.42
(b) Less: Accumulated Depreciation		12533.16	10621.14
(c) Net Block		36850.65	24596.28
(d) Capital Work-in-Progress		138.33	852.99
		36988.98	**25449.27**
(B) Capital Expenditure on Expansion Projects	5	**8093.58**	**11893.33**
(C) Investments	6	**2118.12**	**2118.12**
(D) Current Assets, Loans & Advances			
(a) Inventories	7	21545.12	18489.91
(b) Sundry Debtors	8	1094.47	590.88
(c) Cash & Bank Balances	9	240.70	449.97
(d) Other Current Assets	10	13.28	16.13
(e) Loans & Advances	11	3309.49	2633.04
		26203.06	**22179.93**
Less: Current Liabilities & Provisions	12		
(a) Current Liabilities		7850.94	12396.15
(b) Provisions		86.23	78.38
		7937.17	**12474.53**
Net Current Assets		**18265.89**	**9705.40**
(E) Tea Department Balance		**60.16**	**110.46**
		65526.73	**49276.58**
Accounting Policies & Notes to the Accounts	23		

Schedules referred to above form an integral part of the Balance Sheet
As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

PROFIT AND LOSS ACCOUNT For the year ended 30th June, 2008

(Rs. in lacs)

	Schedule	2007–08		2006–07	
INCOME					
Gross Sales	13		32841.21		35225.82
Less: Excise Duty		2725.06		2614.11	
Cess		260.93	2985.99	250.92	2865.03
Net Sales			29855.22		32360.79
Other Income	14		778.27		165.91
			30633.49		**32526.70**
EXPENDITURE					
Decrease/(Increase) in Stocks	15		(2946.28)		(6565.56)
Excise Duty & Cess on Stocks (Refer Note no. 5 on Schedule 23)			115.57		543.54
Agricultural Loss/(Profit)	16		4.23		(1.11)
Purchase of Trading Goods			440.28		604.95
Raw Materials Consumed	17		21466.61		32203.37
Stores, Spares & Packing Materials Consumed	18		1809.37		1964.54
Fuel & Electricity			347.10		410.96
Payments to and Provisions for Employees	19		3238.58		3289.62
Manufacturing, Selling and Other Expenses	20		1970.07		1995.93
Directors' Remuneration	21		36.47		39.46
			26482.00		**34485.70**
Profit / (Loss) before Interest, Depreciation & Taxation			**4151.49**		**(1959.00)**
Less/(Add): Interest & Finance charges (net)	22		2963.87		1190.98
Depreciation			2051.46		1098.32
			5015.33		**(2289.30)**
Profit / (Loss) before Taxation			**(863.84)**		**(4248.30)**
Provision for Taxation [including Wealth Tax Rs. 6.00 lacs (Rs.6.00 lacs)]			31.02		29.61
Income Tax Provision no longer required written back			0.58		82.50
Minimum Alternate Tax (MAT) Credit entitlement Reversal			–		6.85
Deferred Tax Asset			280.88		1395.29
Provision for Fringe Benefit Tax			15.84		19.16
Profit / (Loss) after Taxation			**(629.24)**		**(2826.13)**
Surplus brought forward from previous year		93.10			1019.23
Less: Impact of Revised AS 15 as on 1st July, 2007 (net of Tax) (Refer note no. 10 on Schedule 23)		53.67	39.43		
Transfer from General Reserve			700.00		1900.00
Balance carried to Balance Sheet			**110.19**		**93.10**
Earning per Share of Rs. 10 each - Basic and Diluted (Rs.) (Refer Note no.14 on Schedule 23)			**(5.44)**		(25.15)
Accounting Policies & Notes to the Accounts	23				

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

As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

CASH FLOW STATEMENT For the year ended 30th June, 2008

(Rs. in lacs)

	2007–08	2006–07
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax	(863.84)	(4248.30)
Adjustments for:		
Depreciation	2051.46	1098.32
Interest & Finance Charges (net of capitalisation & subsidy)	3018.30	1312.00
Provision for Diminution in value of investment written back	0.25	–
Bad Debts & Irrecoverable balances written off	0.69	1.96
Molasses Storage and Maintenance Fund	10.48	10.93
Loss on Fixed Assets sold / discarded/(net)	50.81	1.31
Profit on sale of Hata unit	–	(35.71)
Loss on Sale of of long term Investments	–	47.75
Interest & Dividend Income	(106.42)	(172.86)
Operating Profit / (Loss) before Working Capital Changes:	**4161.23**	**(1984.60)**
Adjustments for:		
Trade Payables	(4221.32)	7689.98
Trade & Other Receivables	(837.81)	(1391.51)
Inventories	(3055.21)	(6625.35)
Tea Department Balance	50.30	(20.31)
	(8064.04)	(347.19)
Cash Generated from Operations:	(3902.81)	(2331.79)
Direct Taxes Paid	46.94	12.84
Net Cash from Operating Activities	**(3949.75)**	**(2344.63)**
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	35.94	176.80
Sale of Hata Unit	–	890.00
Loans received back (net)	(2.29)	210.71
Interest & Dividend Received	109.27	175.33
Deposit under Tea Development Account Scheme	(8.23)	37.27
Purchase of Fixed Assets	9075.84	19414.23
Sale of long term Investments (net)	0.25	76.50
Net Cash used in Investing Activities	**(8940.90)**	**(17847.62)**

CASH FLOW STATEMENT *(Contd.)*

(Rs. in lacs)

	2007–08	2006–07
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	26732.99	27935.44
Repayment of Loans	9691.84	11676.19
Right Issue of Shares	–	436.23
Premium on Right Issue of Shares	–	6373.99
Right Shares Issue expenses	–	178.34
Interest & Finance charges paid (net of subsidy)	4359.74	2112.34
Dividend Paid (including Dividend Tax)	0.03	656.85
Net Cash from Financing Activities	**12681.38**	**20121.94**
Net Changes in Cash & Cash Equivalents (A+B+C)	**(209.27)**	**(70.31)**
* **Cash & Cash Equivalents - Opening Balance**	**449.97**	**520.28**
* **Cash & Cash Equivalents - Closing Balance**	**240.70**	**449.97**
Restricted Cash & Cash equivalents	**90.70**	**91.12**

* Represents Cash and Bank balances as indicated in Schedule - 9

As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

		30th June, 2008	30th June, 2007
SCHEDULE 1	**SHARE CAPITAL**		
Authorised			
1,60,00,000	Equity Shares of Rs. 10 each	1600.00	1600.00
16,00,000	Preference Shares of Rs. 100 each	1600.00	1600.00
		3200.00	**3200.00**
Issued, Subscribed and Paid-up			
1,15,57,239	Equity Shares of Rs. 10 each fully paid	1155.73	1155.73
Add:	Forfeited Shares (amount originally paid-up)	– (b)	–
		1155.73	**1155.73**

Notes:

(a) Out of the above, 37,01,945 (37,01,945) Equity Shares have been issued / allotted as fully paid bonus shares by capitalisation of Securities Premium & General Reserve and 1,20,496 (1,20,496) Equity Shares have been allotted as fully paid-up for consideration other than cash.

(b) The actual amount being Rs. 50 only, has not been shown above.

SCHEDULE 2	**RESERVES & SURPLUS**		
Capital Reserve			
As per last Account		19.97	19.97
		19.97	**19.97**
Capital Redemption Reserve			
As per last Account		327.00	327.00
		327.00	**327.00**
General Reserve			
As per last Account		5706.36	7606.36
Less: Transfer to Profit & Loss Account		700.00	1900.00
		5006.36	**5706.36**
Securities Premium			
As per last Account		6583.34	387.69
Add: Received on Right Shares issued		–	6373.99
		6583.34	**6761.68**
Less: Adjustment of Right Shares issue expenses		–	178.34
		6583.34	**6583.34**
Molasses & Alcohol Storage & Maintenance Reserve			
As per last Account		38.12	27.49
Add: Provided during the year		10.48	10.93
		48.60	**38.42**
Less: Utilised during the year		–	0.30
		48.60	**38.12**
Surplus as per Profit & Loss Account		**110.19**	**93.10**
		12095.46	**12767.89**

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 3 LOAN FUNDS		
A. SECURED LOANS		
Term Loans		
From Scheduled Bank(s)		
Under Project Finance/Corporate Loan Scheme	19919.43	15651.10
Under Financial Assistance Scheme - Excise Duty Loan	2790.17	–
Interest accrued & due	154.14	–
From Sugar Development Fund	4703.39	1315.43
Other Loans:		
From Scheduled Banks on Cash Credit Account	14207.07	5862.29
	41774.20	**22828.82**
B. UNSECURED LOANS		
Short Term Loan from Scheduled Bank(s)	3377.00	7480.00
From State Bank of India against Crop loan to Canegrowers	857.55	405.71
From Subsidiary Company (not bearing interest)	373.50	240.00
From Co-operative Farming Societies	41.41	85.98
Inter Corporate Loans	4405.00	2565.00
Fixed Deposits from Staff & Others	962.55	959.06
Trade & Other Deposits (partly not bearing interest)	38.75	34.30
	10055.76	**11770.05**
	51829.96	**34598.87**

Notes:

1. Term loans from scheduled bank(s) (except Excise Duty Loan) are secured / to be secured by first mortgage/charge on all the immovable and movable assets (save and except book debts), present and future, of the Company's Sugar Units at Seohara (including Co-generation Plant), Sidhwalia and Hasanpur and Distillery unit at Seohara, ranking pari passu amongst the various lenders, subject to prior charges created on movables for working capital borrowings from the Company's bankers.

   Term Loans under Financial Assistance Scheme (Excise Duty Loan) are to be secured by a residual charge on the entire Fixed Assets (movable and immovable) of the Company's Sugar Units at Seohara & Sidhwalia.

2. Term loans from Sugar Development Fund are secured by a second charge on all the immovable and movable assets (save and except book debts), present and future of the Company's Sugar units at Seohara (including Co-generation Plant) and Sidhwalia and include Rs. 385.10 lacs (Rs. 346.34 lacs) towards interest which, as per stipulated terms, is payable on a long term basis.

3. Cash credit borrowings are secured by hypothecation of entire current assets of the Company and further secured by a charge on the immovable assets of the Company as follows-
   a) Tea Garden - First Charge
   b) Hasanpur Sugar Unit - Second Charge
   c) Seohara Sugar Unit - Third Charge - (ranking pari-pasu between the lenders)
   d) Sidhwalia Sugar Unit - Third Charge

4. Unsecured loans, as stated above, include Rs. 9448.49 lacs (Rs. 11244.17 lacs) falling due for repayment within one year.

SCHEDULES TO THE BALANCE SHEET

SCHEDULE 4 FIXED ASSETS

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK AS AT	
	Opening Balance as at 1st July, 2007	Additions/ Adjust-ments	Deductions/ Adjust-ments	As at 30th June, 2008	Opening Balance as at 1st July, 2007	For the Year	Less: on Deductions/ Adjustments	As at 30th June, 2008	30th June, 2008	30th June, 2007
Freehold Land	751.25	148.66	–	899.91 (c)	–	–	–	–	899.91	751.25
Leasehold Land	94.55	–	–	94.55	90.04	4.51	–	94.55	–	4.51
Tea Plantations	2.39	–	–	2.39	2.10	0.11	–	2.21	0.18	0.29
Buildings (including on leasehold land)	2850.94	916.85	5.14	3762.65	514.57	64.71	4.02	575.26	3187.39	2336.37
Plant & Machinery	30779.68	13278.25	199.96	43857.97	9667.56	1931.94	121.54	11477.96	32380.01	21112.12
Railway Sidings	19.70	–	–	19.70	1.93	0.87	–	2.80	16.90	17.77
Furniture & Fixtures	295.90	24.95	0.85	320.00	201.89	20.77	0.80	221.86	98.14	94.01
Tube–wells	114.57	–	0.31	114.26	25.15	2.26	0.31	27.10	87.16	89.42
Trucks & Conveyance	308.44	23.87	19.93	312.38	117.90	26.29	12.77	131.42	180.96	190.54
	35217.42	14392.58	226.19	49383.81	10621.14	2051.46	139.44	12533.16	36850.65	24596.28
Add: Capital Work–in– Progress	852.99	881.42	1596.08 (b)	138.33 (e)	–	–	–	–	138.33	852.99
Total	**36070.41**	**15274.00**	**1822.27**	**49522.14 (a & d)**	**10621.14**	**2051.46**	**139.44**	**12533.16**	**36988.98 (d)**	**25449.27**
Previous Year's Total	23161.97	15488.03	2579.59	36070.41	9922.04	1098.32	399.22	10621.14	25449.27	

Notes:

a) Includes assets held in joint ownership with others Rs. 208.27 lacs (Rs. 207.25 lacs).
b) Represents amount allocated to various heads of fixed assets.
c) Title deeds for Rs. 7.10 lacs (Rs. 7.10 lacs) are yet to be executed in favour of the Company.
d) Includes fixed assets awaiting disposal Gross Value Rs. 113.39 lacs (Rs. 10.70 lacs)and Net Value Rs. 77.57 lacs (Rs. 3.14 lacs).
e) Includes advances against purchase of fixed assets Rs. 25.34 lacs (Rs. 337.11 lacs).

(Rs. in lacs)

	30th June, 2008		30th June, 2007	
SCHEDULE 5 CAPITAL EXPENDITURE ON EXPANSION PROJECTS				
A. Freehold Land		106.49		1030.89
B. Fixed Assets				
1) Plant & Machinery	25.98		32.14	
2) Buildings	8.39		7.37	
3) Furniture & Fixtures	3.53		6.76	
4) Trucks & Conveyance	7.94		–	
	45.84		46.27	
Less: Depreciation (charged to Pre-operative expenses as below)	11.41	34.43	9.16	37.11
C. Machinery & Building under erection		17656.03		18452.70
D. Tubewell		–		19.16
E. Materials at Site (net of Sales Rs. 28.27 lacs)		91.49		1322.63
F. Advances against purchase of fixed assets		468.36		1705.15
G. Incidental Expenditure Pending Allocation to Fixed Assets :				
Salary & Wages		163.75		89.25
Contribution to Provident & Other funds		8.27		4.55
Fuel & Electricity		199.23		122.60
Project Consultancy charges		14.57		64.96
Insurance Charges		37.60		54.09
Miscellaneous Expenses		188.63		76.75
Interest & Finance charges		1627.24		1297.07
Depreciation		11.41		9.16
		20607.50		24286.07
Less:				
Sale of Hata Unit		–		854.29
Capitalised/Allocated to Fixed Assets during the year		12513.92		11538.45
		12513.92		12392.74
		8093.58		11893.33

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	No. of Shares	Face Value per Share (Rs.)	30th June, 2008	30th June, 2007
SCHEDULE 6 INVESTMENTS				
LONG TERM (At Cost)				
GOVERNMENT SECURITIES				
Quoted				
11.5% U.P.State Development Loan, 2010			2.10	2.10
11.5% U.P.State Development Loan, 2011			0.70	0.70
12% U.P.State Development Loan, 2011			0.70	0.70
			3.50	**3.50**
Unquoted				
12 Years National Savings Certificates			0.01	0.01
12 Years National Plan Savings Certificates			0.08	0.08
7 Years National Savings Certificates			0.07	0.07
6 Years National Savings Certificates			0.60	0.60
			0.76	**0.76**
EQUITY SHARES (FULLY PAID)				
Quoted				
New India Retailing & Investment Ltd.	202500	10	277.50	277.50
Chambal Fertilizers & Chemicals Ltd.	704160	10	98.85	98.85
			376.35	**376.35**
Unquoted				
In Subsidiary Company				
Uttar Pradesh Trading Company Ltd.	163624995	1	1736.55	1736.55
			1736.55	**1736.55**
In Other Companies :				
Birla Buildings Ltd.	8400	10	0.84	0.84
Bihar State Financial Corporation Ltd.	60	100	0.06	0.06
Indo International Distillers Association Pvt. Ltd.	54000*	10	5.40 (e)	5.40
e-commodities Ltd.	– (250000)*	10	–	25.00
Chandausi Rice Mills Ltd. (value written off)	1000	10	–	–
Jaihind Publishing Company Ltd. (in liquidation, value written off)	65	25	–	–
Akhil Bharat Printers Ltd. (in liquidation, value written off)	270	100	–	–
			6.30	**31.30**
In Co-operative Farming Societies				
Krishna Sahakari Kheti Samiti Ltd.	5	100	0.01	0.01
Kuri Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Keshopur Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Pandia Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Seohara Co-op. Cane Development Union Ltd.	1	100	–	–
Najibabad Co-op. Cane Development Union Ltd.	1	100	–	–
Nagina Co-op. Cane Development Union Ltd.	1	10	–	–
Moradabad Co-op. Cane Union Ltd.	1	10	–	–
			0.01	**0.01**

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	No. of Shares	Face Value per Share (Rs.)	30th June, 2008	30th June, 2007
SCHEDULE 6 **INVESTMENTS** *(Contd.)*				
PREFERENCE SHARES (FULLY PAID)				
Unquoted				
Raj Kamal Parkashan Pvt. Ltd.	50	100	**0.05**	**0.05**
Share Application Money				
Indo International Distillers				
Association Pvt. Ltd.	46000*	10	4.60 (e)	4.60
			2128.12	2153.12
Less : Provision for diminution in value of Investments			10.00	35.00
			2118.12	**2118.12**
Aggregate Value of Investments				
Quoted			379.85	379.85
Unquoted			1738.27	1738.27
Market Value of Quoted Investments			538.50	321.62

Notes:

a. All the above Investments are Non-Trade, except those marked with an astric.

b. Out of the above, Government Securities of the face value of Rs. 0.76 lac (Rs. 0.76 lac) have been deposited with the Government Authorities,of which Rs. 0.73 lac (Rs. 0.73 lac)have matured but are pending encashment.

c. Quotations for Government Securities of the face value of Rs. 3.50 lacs being not available, cost thereof has been taken as market value.

d. In case of the above investments, where the figure appears as NIL, the cost is either written off in the books or happens to be less than Rs. 500 individually.

e. Indicate Securities where provision towards diminution in the value of Investments has been made.

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 7 **INVENTORIES**		
At Lower of Cost and Net Realisable Value		
Raw Materials	89.71	156.08
Stores, Chemicals, Spare Parts etc. (including in transit)	863.63	689.64
Finished Goods	19767.95	16182.70
Power-Banked	49.93	10.49
Trading Goods	10.85	4.26
Goods under Process	131.79	157.27
Standing Crop	5.01	3.70
	20918.87	**17204.14**
At Estimated Realisable Value		
By Products	575.86	1256.21
Scrap	50.39	29.56
	626.25	**1285.77**
	21545.12	**18489.91**

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 8 SUNDRY DEBTORS (UNSECURED)		
(A) Debts Outstanding for a period exceeding six months		
Considered Good	6.49	7.04
Considered Doubtful	37.84	37.84
	44.33	44.88
Less : Provision	37.84	37.84
	6.49	7.04
(B) Other Debts		
Considered Good	1087.98	583.84
	1087.98	583.84
	1094.47	**590.88**

SCHEDULE 9 CASH & BANK BALANCES				
Cash in hand			20.69	19.94
Cheques / Drafts in hand			13.31	121.82
With Scheduled Banks on				
Current Account			69.30	119.65
Savings Account			0.02	0.02
Tea Development Account			0.14	0.18
Fixed Deposit Account [Receipt for Rs. 25.46 lacs (Rs. 25.00 Lacs) pledged with Government authorities as security]			116.14	134.10
Unpaid Dividend Account			14.59	14.62
			234.19	**410.33**
With Non-Scheduled Banks on Current Account				
Name of the Bank	**Maximum amount outstanding during the year**			
District Co-operative Bank Ltd.	596.38	(559.74)	5.38	21.17
Mini Co-operative Bank Ltd.	10.07	(7.55)	0.03	0.97
Bijnor Urban Co-operative Bank	0.16	(5.11)	0.11	0.06
The Samastipur Central Co-op. Bank Ltd.	0.25	(5.10)	0.14	0.25
Uttar Pradesh Gramin Bank	763.73	(447.77)	0.72	17.05
			6.38	**39.50**
With Post Office on				
Savings Account [Pass Book for Rs. 0.10 lac (Rs. 0.11 lac) pledged with Government authorities]			**0.13**	**0.14**
			240.70 *	**449.97 ***

* including Rs. 90.70 lacs (Rs. 91.12 lacs) towards earmarked accounts.

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 10 OTHER CURRENT ASSETS		
(A) Interest & Dividend accrued on Investments		
[including Rs. 0.84 lac (Rs. 0.84 lac) considered doubtful]	0.93	0.91
Less: Provision	0.84	0.84
	0.09	**0.07**
(B) Accrued Interest on deposits, loans & advances etc.		
[including Rs. 3.93 lacs (Rs. 3.93 lacs) due for more than six months]		
Considered Good	13.19	16.06
Considered Doubtful	3.83	3.83
	17.02	19.89
Less: Provision	3.83	3.83
	13.19	**16.06**
	13.28	**16.13**

SCHEDULE 11 LOANS AND ADVANCES		
Loans: (Unsecured, considered good)		
To a Body Corporate	74.00	74.00
To Others	56.72	54.38
	130.72	**128.38**
Advances: (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	392.28	352.85
Advance payment of Income-tax, Refunds receivable & tax deducted at source (net of provisions)	161.89*	162.36
Balance with Excise & other Government authorities	1922.92	1639.71
Claims & Refunds Receivable	442.11	93.59
Sales Tax, Excise Duty etc. paid under appeal and/or under dispute	64.29	53.96
Deposit with Government authorities & others	36.82	51.96
Deposit under Tea Development Account Scheme, 1990	158.46	150.23
	3178.77	**2504.66**
Considered Doubtful:		
Loans	24.12	24.17
Advances, Claims & Refunds Receivable	39.40	39.40
	63.52	63.57
Less: Provision	63.52	63.57
	–	–
	3309.49	**2633.04**
* Includes Minimum Alternate Tax credit entitlement Rs. 38.15 lacs (Rs. 38.15 lacs)		
Notes:		
Advances due from the Officers of the Company	–	–
Maximum amount due at any time during the year	5.87	6.19

SCHEDULES TO THE BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 12 CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors for goods, services, expenses etc.		
Due to Micro, Medium and Small Enterprises	110.59	255.16
Due to Others	4953.51	11204.42
For Other Finance	610.23	425.68
Excess price of levy sugar realised	72.87	72.87
Advance against sale of goods etc.	1310.30	175.08
Temporary overdraft from Banks	494.35	–
Fractional entitlement for Bonus and Right Shares	0.22	0.22
Interest accrued but not due on loans, deposits etc.	262.08	228.86
Preference Shares Redemption	1.26	1.26
Investor Education & Protection Fund : (Not yet due)		
Unclaimed Matured Fixed Deposits	20.94	17.98
Unpaid & Unclaimed Dividends	14.59	14.62
	7850.94	**12396.15**
B. Provisions		
For Leave	66.72	49.00
For Gratuity	18.99	27.73
For Fringe Benefit Tax (net of advances)	0.52	1.65
	86.23	**78.38**
	7937.17	**12474.53**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 13 GROSS SALES		
Finished Goods	28361.75	33071.38
Power	2740.62	229.86
Trading Goods	441.95	615.03
By-Products	1153.52	1314.74
Sugar Hedging Transcations (net)	127.62	–
Others	50.01	39.55
	32875.47	35270.56
Less: Returns out of earlier years' sales	–	41.87
Discounts & Rebates	34.26	2.87
	32841.21	**35225.82**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 14 OTHER INCOME		
Income from Long Term Investments (Non-trade)		
Dividend	13.86	13.86
Interest on Government Securities	0.41	0.41
Insurance & Other Claims	5.41	44.59
Rent & Hire Charges	5.67	3.46
Unspent liabilities, excess provisions and unclaimed balances written back	120.79	16.06
Land Dividend	37.72	37.57
Buffer Stock Subsidy towards Insurance & Storage charges	73.08	4.77
Replanting Subsidy	–	1.86
Cane Price Subsidy for earlier years	493.17	–
Profit on Sale of Hata Unit	–	35.71
Provision for diminution in value of Investment no longer required written back	0.25	–
Sales Tax refunds for earlier years	–	0.09
Miscellaneous Receipts	27.91	7.53
	778.27	**165.91**
SCHEDULE 15 DECREASE/(INCREASE) IN STOCKS		
Opening Stock		
Goods Under Process	157.27	151.61
Finished Goods	16182.70	10388.35
Power - Banked	10.49	–
Trading Goods	4.26	5.62
By-Products	1256.21	511.91
Scrap	29.56	17.44
	17640.49	**11074.93**
Less:		
Closing Stock		
Goods under Process	131.79	157.27
Finished Goods	19767.95	16182.70
Power - Banked	49.93	10.49
Trading Goods	10.85	4.26
By-Products	575.86	1256.21
Scrap	50.39	29.56
	20586.77	**17640.49**
	(2946.28)	**(6565.56)**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08		2006–07	
SCHEDULE 16 AGRICULTURAL LOSS/(PROFIT)				
INCOME				
Sales [including inter-transfers Rs. 1.38 lacs (Rs. 3.35 lacs)]		3.52		9.86
Other Income:				
Unspent liabilities written back		0.04		0.27
Miscellaneous Receipts		0.08		0.01
		3.64		**10.14**
EXPENDITURE				
Decrease/(Increase) in Stocks:				
Opening Stock	3.70		3.28	
Less: Closing Stock	5.01	(1.31)	3.70	(0.42)
Seeds, Manures and Fodder Consumed		3.33		3.09
Tractor Expenses		0.87		2.11
Rates & Taxes		0.05		0.04
Payments to and Provisions for Employees:				
Salaries, Wages, Bonus, etc.	3.96		3.28	
Contribution to Provident and other Funds	0.06	4.02	0.05	3.33
Irrigation Expenses		0.87		0.29
Miscellaneous Expenses		0.04		0.59
		7.87		**9.03**
Loss/(Profit) transferred to Profit & Loss Account		**4.23**		**(1.11)**

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 17 RAW MATERIALS CONSUMED		
Opening Stock	156.08	78.04
Add: Purchases [including procurement expenses and sugarcane transferred from own farm Rs. 1.38 lacs (Rs. 3.35 lacs)]	21102.11	31912.03
Purchase Tax & Cess (net)	298.13	369.38
	21556.32	32359.45
Less: Closing Stock	89.71	156.08
	21466.61	**32203.37**

SCHEDULE 18 STORES, SPARES & PACKING MATERIALS CONSUMED		
Stores, Spare Parts, Chemicals etc.	1150.00	1035.94
[after adjusting sales & claims Rs. 95.43 lacs (Rs. 72.10 lacs)]		
Packing Materials	659.37	928.60
	1809.37	**1964.54**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 19 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Bonus etc.	2870.24	2833.52
Contribution to Provident & other Funds	215.46	225.38
Gratuity	60.29	136.52
Workmen Compensation	0.61	2.61
Employees' Welfare Expenses	98.47	97.57
	3245.07	3295.60
Less: Recoveries	6.49	5.98
	3238.58	**3289.62**

	2007–08		2006–07	
SCHEDULE 20 MANUFACTURING, SELLING AND OTHER EXPENSES				
Repairs to and Maintenance of:				
Buildings		87.43		98.80
Machinery		741.49		743.77
Others		10.90		12.30
Rent		11.89		12.24
Rates & Taxes (net)		31.28		26.67
Insurance		85.92		96.47
Auditors' Remuneration:				
For Audit Fees		11.50		8.25
For Limited Reviews & Tax Audit Fees		9.90		9.00
In other capacity for certificates & other services		5.52		3.66
For Expenses		2.15		1.40
Cost Auditors' Remuneration:				
As Auditors		0.60		0.60
For Expenses		0.11		0.18
Selling Commission & Expenses:				
Commission to wholesellers		77.94		104.94
Brokerage		14.77		18.04
Other Selling Expenses		237.10		264.33
Charity & Donations		7.23		0.90
Items pertaining to previous years (net)		1.24		2.66
Bad debts, irrecoverable advances etc. written off		0.69		1.96
Loss on sale of long term Investments	24.75		47.75	
Less: Adjusted against provisions	24.75	–	–	47.75
Exchange Rate Fluctuations		3.14		–
Sales Tax for earlier years (net)		0.73		–
Loss on fixed assets sold / discarded (net)		50.81		1.31
Molasses Storage & Maintenance Reserve		10.48		10.93
Miscellaneous Expenses [including Directors' travelling Rs. 29.18 lacs (Rs. 19.57 lacs)]		567.25		529.77
		1970.07		**1995.93**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08		2006–07	
SCHEDULE 21 DIRECTORS' REMUNERATION				
Profit / (Loss) before Taxation as per Profit & Loss Account		(863.84)		(4248.30)
Less:				
Depreciation (as per Accounts)		2051.46		1098.32
Net loss on fixed assets sold and/or discarded (as per Accounts)		50.81		1.31
Directors' Fees & Remuneration		36.47		39.46
		2138.74		1139.09
		1274.90		**(3109.21)**
Less / (Add):				
Depreciation (under Section 350 of the Companies Act,1956)		2051.46		1098.32
Provision for doubtful debts no longer required written back		0.05		2.52
Provision for diminution in value of Investments no longer required written back		0.25		–
Net loss on fixed assets sold/discarded (as per Section 349 of the Companies Act, 1956)		3.84		26.91
Profit on sale of land		–		5.15
Profit on sale of Hata Unit		–		35.71
Managing Director's Remuneration		33.60		36.58
Directors' Fees		2.87		2.88
		2092.07		**(1208.07)**
Profit / (Loss) for the year		**(817.17)**		**(4317.28)**
Add: Loss brought forward from the previous year		(4317.28)		–
Net Profit / (Loss) under Section 349 of the Companies Act, 1956		**(5134.45)**		**(4317.28)**
(A) Managing Director's Remuneration:				
Salary	30.00		30.00	
Contribution to Provident Fund	3.60		3.60	
Gratuity	–		0.48	
Provision for Leave	–	33.60	2.50	36.58
(B) Directors' Fees		2.87		2.88
		36.47		**39.46**

Note:

In view of the loss under section 349, as stated above, no provision for Directors' Commission has been made.

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 22 INTEREST & FINANCE CHARGES (NET)		
On Fixed Loans & Deposits	3041.70	1509.65
To Income Tax Department	0.30	5.16
To Banks & Others	1776.84	780.12
	4818.84*	**2294.93**
Less: At Credit		
Amount Capitalised	1234.69	945.73
Buffer Stock Subsidy towards Interest	565.85	37.20
On Loans, Deposits etc. (Gross) [Tax at source Rs. 7.17 lacs (Rs. 14.84 lacs)]	54.43	121.02
	1854.97	**1103.95**
	2963.87	**1190.98**

* Excludes Rs. 115.58 lacs being interest on Excise loan from Banks which is recoverable as subsidy from the Government.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. **Statement of significant Accounting Policies**

(i) Basis of Preparation

The financial statements have been prepared to comply in all material aspects with the Accounting Standards Notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(ii) Revenue Recognition

(a) Revenue from the sale of goods is recognized upon passage of title to the customers which generally coincides with delivery thereof.

(b) Dividend income is recognised when the shareholders' right to receive the payment is established by the Balance Sheet debt.

(c) Due to uncertainty in realization, following incomes are accounted for on acceptance/actual receipt basis:-
- (i) Insurance and other claims.
- (ii) Interest on doubtful loans and advances to cane growers.
- (iii) Replanting subsidy.
- (iv) Compensation receivable in respect of land surrendered to / acquired by the Government.

(iii) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost comprises the purchase price inclusive of duties (net of Cenvat credit), taxes, incidental expenses and erection/commissioning expenses etc. upto the date the asset is ready for its intended use.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual life of the respective assets.

Assets awaiting disposal are valued at the lower of written down value and net realisable value.

(iv) Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

(v) Depreciation

(a) The classification of plant and machinery into continuous and non continuous process is done as per technical certification and depreciation thereon is provided accordingly.

(b) Depreciation on fixed assets is provided under straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

(c) Depreciation on fixed assets added / disposed off during the year is provided on pro-rata basis, with reference to the date of addition / disposal.

(d) Leasehold properties are depreciated over the primary period of lease or their respective useful lives, whichever is shorter.

(e) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(vi) Government Grants

Government Grants and subsidies are recognised when there is reasonable assurance that the same will be received. Revenue grants / subsidies are recognised in the Profit & Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to capital reserve.

(vii) Borrowing Costs

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities

necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(viii) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified are long-term investments. Current Investments are stated at lower of cost and market rate on individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

(ix) Inventories

(a) Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

Goods under process and finished goods (including Power- Banked) are valued at lower of cost and net realisable value. Finished goods and Goods under process includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on annual weighted average basis.

By products, Country crop and Saleable scraps, whose cost is not identifiable, are valued at estimated net realisable value.

(b) In case of inter-transferred materials, the transfer price is considered as cost for the purpose of valuation of closing stock.

(x) Foreign Currency Transactions

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) Exchange Differences

Exchange differences arising on the settlement/conversion of monetary items are recognized as income or expenses in the year in which they arise.

The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expense for the year.

(xi) Retirement and other employee benefits

(a) Retirement benefits in the form of Provident Fund and Pension Fund are defined contribution schemes and are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contribution payable to the respective trusts / funds.

(b) Gratuity liability being a defined benefit obligation is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each year.

(c) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the end of each year.

(d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

(xii) Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carried forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deffered tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a defferd tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deffered tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

(xiii) Segment Reporting:

(a) Identification of Segments

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Inter Segment Transfers

The Company accounts for inter segment transfers at mutually agreed transfer prices.

(c) Allocation of Common Costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under the head "Unallocated – Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

(xiv) Share issue expenses

Share issue expenses are adjusted against Securities Premium Account.

(xv) Earning per Share

Basic earning per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted number of equity shares outstanding during the year. The weighted average numbers of shares are after adjusting for bonus element in a right issue to the existing share holders.

For the purpose of calculating diluted earnings per share, net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

(xvi) Excise Duty

Excise Duty is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of stocks as on the Balance Sheet date.

(xvii) Hedging

The Company has adopted a policy to minimize risks associated with foreign exchange fluctuations with respect to its borrowings.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract.

(xviii) Research Costs

Research costs of revenue nature are expensed as and when they are incurred, while capital expenditure are added to the cost of the respective fixed assets.

(xix) Provisions

A provision is recognised when an enterprise has a present obligation as a result of any past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation, at the Balance Sheet. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(xx) Derivative Instruments

As per the announcement made by the Institute of Chartered Accountants of India, Derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item, is charged to the income statement. Net gains are ignored as a matter of prudence.

(xxi) Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

(Rs. in lacs)

		2007–08	2006–07
2.	Estimated amount of contracts remaining to be executed on Capital Account (net of advances) and not provided for	1651.26	7242.14
3.	Contingent Liabilities not provided for in respect of:		
	(a) Demands / Claims by various Government Authorities and others not acknowledged as debts:		
	(i) Excise Duty	392.84	219.14
	(ii) Sales & Entry Tax	28.24	42.02
	(iii) Others	89.25	79.12
	Total	**510.33**	**340.28**
	(b) (i) Guarantees given to a bank against loans to cane growers	1050.00	1050.00
	(ii) Against the above, the loan facilities actually availed as on the Balance Sheet date	953.33	592.85
	(c) Additional liability, if any, under clause 5A of the Sugarcane (Control) Order, 1966 for sugarcane purchases for the sugar season 2004-2005 in respect of Company's Hasanpur Sugar Unit (amount unascertainable)		

4. Diminution of Rs. 216.75 lacs in the value of certain quoted investments based on the last quoted price, has not been provided, as the break up value of the said shares supplemented by the market value as on 30th June 2008, of the quoted investments held by the investee Company, is much higher than the corresponding Book Value.

5. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of Finished goods / By products.

6. Pending disposal of writs/appeals by the court with regard to levy sugar prices for some years, Rs. 72.87 lacs (net) received as excess levy sugar price, against which bank guarantees furnished by the Company for Rs. 50.44 lacs, are in force in terms of the Court Orders, is included under the head 'Current Liabilities'. Necessary adjustment for the above amount together with interest, if any, in this regard will be made in the accounts as and when the matter will be finally settled.

7. Pending decisions of various courts on writ petitions filed by / against the Company, no credit has been taken in the Profit and Loss Account in respect of certain realisations aggregating to Rs. 45.31 lacs in earlier years, which continue to be shown under the head "Liabilities for other Finance" in Schedule – 12. Against the above, fixed deposit receipts / bank guarantees for Rs. 44.47 lacs have been furnished by the Company.

8. The Seohara Sugar unit has accounted for sugarcane purchases in U.P @ Rs. 110 per quintal for sugar season 2007-2008 in terms of Hon'ble Allahabad High Court's (Lucknow Bench) interim order dated 15th November, 2007 as against the State Advised Price (SAP) of Rs. 125 per quintal, upheld by the said High Court vide its final order dated 7th July, 2008 against which the Company alongwith others through UP Sugar Mills Association, has filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court.

   In the meantime, the Hon'ble Allahabad High Court in its subsequent judgment dated 18th August, 2008 in case of another sugar company has quashed the SAP for sugar season 2007-2008. In view of two different judgments from the two benches of the same court, and also based on the legal advice, the Company has accounted for sugarcane liability for the current season @ Rs. 110 per quintal, as paid in accordance with the earlier interim order of the Hon'ble High Court, although in terms of the order dated 18th August,2008, as stated above, the Company is only liable to pay the Statutory Minimum price fixed by the Central Government (till the finalisation of SAP by the State Government as per the Court's directions) which is lower than the amount of Rs. 110 per quintal accounted for by the Company. Pending final decision by the Hon'ble Supreme Court in this matter, the differential price of Rs. 1891.58 lacs between SAP and the amount already provided, as stated above, has not been accounted for.

9. In terms of Accounting Standard – 22, net deferred tax asset (DTA) of Rs. 280.88 lacs arisen for the year ended 30th June, 2008, has been recognised. However, there is a net deferred tax liability of Rs. 445.58 lacs as on 30th June, 2008, as follows:

(Rs. in lacs)

		2007–08	2006–07
(A)	**Deferred Tax Liability**		
	(i) Timing difference in depreciable assets	6331.34	3229.95
		6331.34	**3229.95**
(B)	**Deferred Tax Asset**		
	(i) Carry forward unabsorbed business losses & depreciation	5158.95	2080.61
	(ii) Expenses allowable against taxable income in future years	726.81	395.25
		5885.76	**2475.86**
	Net Deferred Tax Liability (A – B)	**445.58**	**754.09**

10. In the current year, the Company has adopted Accounting Standard 15 (revised) - Employee Benefits, which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly, the Company has provided for gratuity and compensated leave encashment based on actuarial valuation done as per projected unit credit method. This change does not have any material impact on the loss for the current year. Further, in accordance with the transitional provisions allowed in the Accounting Standard, a sum of Rs. 53.67 lacs (net of deferred tax asset of Rs. 27.63 lacs) being the impact of such change on the respective liabilities up to 30th June, 2007, has been adjusted against the Profit & Loss Account Credit balance as on 1st July,2007.

    The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms as per provisions of The Payment of Gratuity Act, 1972. The scheme is funded with an insurance company.

    The following tables summarize the components of net benefit expenses recognized in the Profit & Loss Account and the funded status and amounts recognized in the balance sheet for gratuity.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

(Rs. in lacs)

		Gratuity
(i)	**Net Employee Expense /(benefit)**	
	Current service cost	43.06
	Interest cost on benefit obligation	59.97
	Expected return on plan assets	(57.54)
	Net Actuarial loss recognised in the year	14.80
	Total employer expense	**60.29**
(ii)	**Actual return on plan assets**	83.02
(iii)	**Benefit Asset/(Liability)**	
	Fair value of Plan Assets	822.13
	Defined benefit obligation	(841.12)
	Benefit Asset/(Liability)	(18.99)
(iv)	**Movement in benefit liability**	
	Opening defined benefit obligation	777.52
	Interest cost	59.97
	Current service cost	43.06
	Benefits paid	(79.71)
	Actuarial (gains)/losses on obligation	40.28
	Closing benefit obligation	841.12
(v)	**Movement in fair value of plan assets**	
	Opening fair value of plan assets	676.39
	Expected Return on plan assets	57.54
	Contribution by employer	142.43
	Benefits paid	(79.71)
	Actuarial gains/(losses)	25.48
	Closing fair value of plan assets	822.13
(vi)	**The major categories of plan assets as a percentage of the fair value of total plan assets**	
	Funded with insurer	100%
(vii)	**The Principal actuarial assumptions are as follows:**	
	Discount rate	8.1%
	Expected return on Plan Assets	8.5%
	Salary Increase	5%
	Withdrawal rates	Varying between 1% to 8% per annum depending upon the duration and age of the employees
(viii)	Amount incurred as expense for defined contribution to Provident / Pension fund plans Rs. 214.54 Lacs (including Rs. 8.27 Lacs capitalised as pre-operative expenses in Schedule-5)	
(ix)	The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
(x)	The Company expects to contribute Rs.125 lacs to Gratuity fund in 2008-2009.	
(xi)	**Details for the current year are as follows :**	
	Defined Benefit Obligation	841.12
	Plan Assets	822.13
	Surplus/(Deficit)	(18.99)
	Experience adjustments on plan liabilities	Not Available *
	Experience adjustments on plan assets	Not Available *
	* The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.	
(xii)	Since AS-15 (revised) on employee benefits is applicable from 1st July, 2007, the disclosures above are given only for the current year.	

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS** *(Contd.)*

11. Assets, Liabilities and Income & Expenditure of Cinnatolliah Tea Garden have been incorporated as at and for the year ended March 31, 2008 as the financial year of the Tea Garden closes on 31st March. The net balance of payments and realizations on account of the said Tea Garden during the period from April 1, 2008 to June 30, 2008 has been shown separately under the head "Tea Department Balance" in the Balance Sheet, pending adjustments in the next year's accounts.

12. The land ceiling matter under the U.P. Imposition of Land Ceiling Act, 1960 / Bihar Land Reforms (Fixation of Ceiling, Area and Acquisition of Surplus Land) Act, 1961 for acquisition of agricultural land by the Government is pending before the Hon'ble High Courts at Allahabad and Patna and the proceedings have been stayed by the Hon'ble Courts.

13. (a) Salaries and Wages relating to various repairs have not been charged separately to the repairs, as the amount thereof has not been demarcated.

(b) Consumption of raw materials, stores, spare parts and packing materials includes profit/loss on sale thereof.

(c) The following items are included under other heads of expenses in the Profit & Loss Account:

(Rs. in lacs)

	2007–08	2006–07
Salaries & Wages	70.46	105.20
Stores and Spares, etc.	513.54	616.39
Rent	0.73	0.39

14. Earning per Share (EPS):

In terms of Accounting Standard - 20, the calculation of EPS is given below:

	2007–08	2006–07
Profit/(Loss) as per Profit & Loss Account (Rs. in lacs)	(629.24)	(2826.13)
Weighted average Number of Equity Shares outstanding during the year (Rs. 10 each)	11557239	11235396
Basic and Diluted earning per share (Rs.)	(5.44)	(25.15)

15. (a) Derivative instruments outstanding as on the Balance Sheet date:
Currency / Interest rate swap for foreign currency loan of USD 12 millions equivalent to Rs. 5531.10 lacs @ 6 months Libor + 1.30% p.a vis a vis fixed rate of 8.75% p.a.

(b) Foreign currency exposures in respect of foreign creditors of Nil (Rs. 56.96 lacs)are not hedged as on the Balance Sheet date.

16. Based on the information / documents available with the Company, information as per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 are as under:

(Rs. in lacs)

	2007–08	2006–07
(i) Principal amount remaining unpaid to any supplier at the end of accounting year (including retention money against performance).	110.19	255.16
(ii) Interest due on above.	0.12	–
Total of (i) & (ii)	**110.31**	**255.16**

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS** *(Contd.)*

16. Based on the information / documents available with the Company, information as per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 are as under: *(Contd.)*

(Rs. in lacs)

		2007–08	2006–07
(iii)	Amount of interest paid by the Company to the suppliers in terms of section 16 of the Act.	–	–
(iv)	Amounts paid to the suppliers beyond the respective due date	23.66	–
(v)	Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	0.28	–
(vi)	Amount of interest accrued and remaining unpaid at the end of accounting year	0.40	–
(vii)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of this Act.	–	–

17. **Related Party Disclosures**

(a) **Names of the related parties**

Subsidiary Company	Uttar Pradesh Trading Company Ltd.
Key Management Personnel	Smt. Nandini Nopany – Chairperson cum Managing Director
	Shri C.B. Patodia – Advisor
	Shri S.K.Poddar – Company Secretary
	Shri B.K. Malpani – Executive President, Seohara Unit
	Shri B.K. Sureka – Executive President, Sidhwalia Unit
	Shri R.K. Gupta – Sr. Executive Vice President, Hasanpur Unit
	Shri S.S. Binani – Executive Vice President, Cinnatolliah Tea Garden
Relatives of Key Management Personnel	Dr. K. K. Birla – Father of Smt. Nandini Nopany
	Shri C.S. Nopany – Son of Smt. Nandini Nopany
	Smt. Jyotsna Poddar – Sister of Smt. Nandini Nopany
	Smt. Shobhana Bhartia – Sister of Smt. Nandini Nopany
	Smt. Prem Lata Malpani – Wife of Shri B.K.Malpani
	Shri Amit Malpani – Son of Shri B.K. Malpani
	Smt. Anchal Malpani – Wife of Shri Amit Malpani
	Shri Prateek Sureka – Son of Shri B.K. Sureka
	Shri Pragati Sureka – Son of Shri B.K. Sureka
Enterprises owned or significantly influenced by Key Management Personnel and their relatives	The Oudh Sugar Mills Ltd.
	H. T. Media Ltd.
	Gobind Sugar Mills Ltd.
	OSM Investment & Trading Co. Ltd.
	Hargaon Investment & Trading Co. Ltd
	Champaran Marketing Co. Ltd.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

Related party disclosure:

(b) Aggregated Related Party Disclosures as at and for the year ended 30th June 2008

(Rs. in lacs)

	Subsidiary		Key Management Personnel		Relatives of Key Management Personnel		Enterprises owned by Key Management Personnel or their relatives		Total	
	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008
Sale of Goods & Services										
Gobind Sugar Mills Ltd.	–	–	–	–	–	–	0.76	–	0.76	–
	(–)	(–)	(–)	(–)	(–)	(–)	(0.51)	(–)	(0.51)	(–)
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	37.17	–	37.17	–
	(–)	(–)	(–)	(–)	(–)	(–)	(19.17)	(–)	(19.17)	(–)
Sale of Fixed Assets										
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	96.11	–	96.11	–
	(–)	(–)	(–)	(–)	(–)	(–)	(951.78)	(–)	(951.78)	(–)
Purchase of Goods & Services										
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	206.66	–	206.66	–
	(–)	(–)	(–)	(–)	(–)	(–)	(109.01)	(–)	(109.01)	(–)
Gobind Sugar Mills Ltd.	–	–	–	–	–	–	12.97	–	12.97	–
	(–)	(–)	(–)	(–)	(–)	(–)	(0.52)	(–)	(0.52)	(–)
Purchase of Fixed Assets										
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	130.66	–	130.66	–
	(–)	(–)	(–)	(–)	(–)	(–)	(115.13)	(–)	(115.13)	(–)
Gobind Sugar Mills Ltd.	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(1.74)	(–)	(1.74)	(–)
Interest Expenses										
H T Media Ltd.	–	–	–	–	–	–	59.98	–	59.98	–
	(–)	(–)	(–)	(–)	(–)	(–)	(10.11)	(–)	(10.11)	(–)
Others	–	–	–	–	6.61	6.41	–	–	6.61	6.41
	(–)	(–)	(–)	(–)	(5.46)	(2.76)	–	(–)	(5.46)	(2.76)
Dividend Paid during the year										
Hargaon Investment &	–	–	–	–	–	–	–	–	–	–
Trading Co. Ltd.	(–)	(–)	(–)	–	(–)	(–)	(32.90)	(–)	(32.90)	(–)
OSM Investment &	–	–	–	–	–	–	–	–	–	–
Trading Co. Ltd	(–)	(–)	(–)	–	(–)	(–)	(11.74)	(–)	(11.74)	(–)
Champaran Marketing Co. Ltd	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	–	(–)	(–)	(13.04)	(–)	(13.04)	(–)
Dr. K.K. Birla	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(8.89)	(–)	(–)	(–)	(8.89)	(–)
Smt. Nandini Nopany	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(27.81)	(–)	(–)	(–)	(–)	(–)	(27.81)	(–)
Others	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(0.08)	(–)	(1.99)	(–)	(0.96)	(–)	(3.03)	(–)
Intercorporate Loans and Fixed Deposits Taken										
Uttar Pradesh Trading Co. Ltd.	164.10	373.50	–	–	–	–	–	–	164.10	373.50
	(222.50)	(240.00)	(–)	(–)	(–)	(–)	(–)	(–)	(222.50)	(240.00)
H T Media Ltd.	–	–	–	–	–	–	–	500.00	–	500.00
	(–)	(–)	(–)	(–)	(–)	(–)	(500.00)	(500.00)	(500.00)	(500.00)
Others	–	–	–	–	23.95	70.02	–	–	23.95	70.02
	–	–	(–)	(–)	(41.07)	(62.19)	(–)	(–)	(41.07)	(62.19)

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

(Rs. in lacs)

	Subsidiary		Key Management Personnel		Relatives of Key Management Personnel		Enterprises owned by Key Management Personnel or their relatives		Total	
	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008
Intercorporate Loans and Fixed Deposits Refunded										
Uttar Pradesh Trading Co. Ltd.	30.60	–	–	–	–	–	–	–	30.60	–
	(328.50)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(328.50)	(–)
Smt. Premlata Malpani	–	–	–	–	6.40	–	–	–	6.40	–
	(–)	(–)	(–)	(–)	(5.41)	(–)	(–)	(–)	(5.41)	(–)
Shri Amit Malpani	–	–	–	–	5.33	–	–	–	5.33	–
	(–)	(–)	(–)	(–)	(4.44)	(–)	(–)	(–)	(4.44)	(–)
Hargaon Investment & Trading Co. Ltd.	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(300.00)	(–)	(300.00)	(–)
OSM Investment & Trading Co. Ltd	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(115.00)	(–)	(115.00)	(–)
Champaran Marketing Co. Ltd.	–	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(40.00)	(–)	(40.00)	(–)
Others	–	–	–	–	4.39	–	–	–	4.39	–
	–	(–)	(–)	(–)	(16.78)	(–)	(–)	(–)	(16.78)	(–)
Balance Outstanding On Current Account (Net) Debit / (-)Credit										
Gobind Sugar Mills Ltd.	–	–	–	–	–	–	–	–12.44	–	–12.44
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–0.75)	(–)	(–0.75)
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	–	48.47	–	48.47
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(58.02)	(–)	(58.02)
Directors' Commission & sitting fees										
Shri C.S. Nopany	–	–	–	–	0.48	–	–	–	0.48	–
	(–)	(–)	(–)	(–)	(0.40)	–	(–)	(–)	(0.40)	–
Remuneration										
Shri C.B.Patodia	–	–	101.28	1.32	–	–	–	–	101.28	1.32
	(–)	(–)	(91.57)	(1.27)	(–)	(–)	(–)	(–)	(91.57)	(1.27)
Shri S. K. Poddar	–	–	15.24	–	–	–	–	–	15.24	–
	(–)	(–)	(13.32)	(–)	(–)	(–)	(–)	(–)	(13.32)	(–)
Shri B.K.Malpani	–	–	13.77	0.36	–	–	–	–	13.77	0.36
	(–)	(–)	(11.63)	(0.31)	(–)	(–)	(–)	(–)	(11.63)	(0.31)
Shri B.K.Sureka	–	–	11.07	0.39	–	–	–	–	11.07	0.39
	(–)	(–)	(10.71)	(0.62)	(–)	(–)	(–)	(–)	(10.71)	(0.62)
Sri S.S.Binani	–	–	10.97	–	–	–	–	–	10.97	–
	(–)	(–)	(10.51)	(–)	(–)	(–)	(–)	(–)	(10.51)	(–)
Shri R.K. Gupta	–	–	4.96	0.55	–	–	–	–	4.96	0.55
	(–)	(–)	(5.11)	(0.21)	(–)	(–)	(–)	(–)	(5.11)	(0.21)

(c) The remuneration paid to Smt. Nadini Nopany, Managing Director, has been disclosed in Schedule-21 to the accounts.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

18. The Company's segment information as at and for the year ended 30th June, 2008 are as below:

(Rs. in lacs)

		Sugar	Spirit	Co-generation	Tea	Others	Total
(a)	**Revenue (net of excise duty and cess)**						
	External Sales	**20743.41** (27583.88)	**4935.06** (2919.76)	**2706.36** (226.99)	**1028.44** (1015.13)	**441.95** (615.03)	**29855.22** (32360.79)
	Inter-segment Sales	**3000.77** (1394.59)	**1.38** (2.48)	**1146.08** (1.91)	**–** (–)	**–** (–)	**4148.23** (1398.98)
	Total Revenue	**23744.18** (28978.47)	**4936.44** (2922.24)	**3852.44** (228.90)	**1028.44** (1015.13)	**441.95** (615.03)	**34003.45** (33759.77)
(b)	**Results**						
	Segment Results	**–286.85** (–3889.42)	**1378.06** (1079.06)	**1178.41** (2.60)	**181.97** (137.19)	**16.36** (6.73)	**2467.95** (–2663.84)
	Unallocated expenses net of unallocated income						**367.92** (–393.48)
	Operating Profit/(–) Loss						**2100.03** (–3057.32)
	Interest & Finance Charges (net)						**2963.87** (1190.98)
	Income, Wealth & Fringe benefit Tax						**46.86** (48.77)
	Income Tax Provision no						**0.58**
	longer required written back MAT Credit entitlement Reversal						(82.50) – (6.85)
	Deferred Tax Asset (net)						**280.88** (1395.29)
	Net Profit/(–) Loss						**–629.24** (–2826.13)
(c)	**Total Assets**						
	Segment Assets	**52397.58** (42177.32)	**6027.69** (5314.00)	**10734.29** (10296.42)	**893.81** (841.89)	**22.87** (13.94)	**70076.24** (58643.57)
	Unallocated Corporate Assets						**3387.66** (3107.54)
							73463.90 (61751.11)
(d)	**Total Liabilities**						
	Segment Liabilities	**7033.73** (10993.16)	**165.65** (316.63)	**311.91** (789.96)	**101.80** (105.34)	**24.46** (5.00)	**7637.55** (12210.09)
	Unallocated Corporate Liabilities						**52575.16** (35617.40)
							60212.71 (47827.49)
(e)	**Other Information**						
	(i) Non Cash expenses included in Segment expenses for arriving at Segment Results	**10.48** (10.93)	**–** (–)	**–** (–)	**–** (–)	**–** (–)	**10.48** (10.93)
	(ii) Capital Expenditure	**8293.91** (11515.63)	**691.61** (2078.72)	**791.70** (8295.40)	**100.95** (121.59)	**–** (–)	**9878.17** (22011.34)
	(iii) Depreciation for the year	**1288.99** (875.37)	**249.02** (141.91)	**471.45** (42.25)	**41.91** (38.70)	**0.09** (0.09)	**2051.46** (1098.32)
(f)	Geographical Segments						
	Revenue						
	India						**29855.22** (32360.79)
	Overseas						**–** (–)
							29855.22 (32360.79)

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS *(Contd.)*

Notes:

(i) Business Segment: The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified "Sugar", "Spirit", "Co–generation" and "Tea" as the operating segments:

Sugar - Consists of manufacture and sale of Sugar, Molasses & Bagasse

Spirit - Consists of manufacture & sale of Industrial Spirits (including denaturants), Bio Compost & Fusel Oil. Co Generation - Consists of generation and transmission of power. Tea - Consist of cultivation, manufacture and sale of tea. Others – Consist of miscellaneous business comprising of less than 10% revenues.

(ii) Geographical Segment: The Company primarily operates in India and therefore the analysis of geographical segment is demarcated into its Indian and Overseas Operations.

(iii) The Company has common fixed assets for producing goods for domestic and overseas. Hence, separate figures for fixed assets / additions to the fixed assets thereof cannot be furnished.

19. Additional information pursuant to the provisions of Clauses 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (to the extent applicable):

Quantitive Information:

A. Licensed and Installed Capacity, Production, Stock and Sale of Goods Produced / Traded during the year

(Rs. in lacs)

Class of Goods	Unit	Licenced Capacity *	Installed Capacity	Production		Purchases		Opening Stock		Sales (b)		Closing Stock (b)	
						Qty.	Amount	Qty.	Amount	Qty.	Amount	Qty.	Amount
Sugar (Bagged)	Qtls.	Not applicable	167500 (142500) Crushing Per day	1652620 (2319104)		– (–)	– (–)	1150088 (c) (623875)	15916.45 (10150.14)	1491830 (1792313)	21524.93 (28560.74)	1310878 (1150088)	19433.52 (15916.45)
Molasses	Qtls.	– (–)	– (–)	736584 (1089342)		– (–)	– (–)	356787 (251280)	613.91 (463.03)	942146(d) (988394)	1125.71 (1299.17)	151527(f) (356787)	498.74 (613.91)
Spirit (including denaturants)	Ltrs.	30.00 (30.00) Millions	30.00 (30.00) Millions	26648046 (15279577)		– (–)	– (–)	1878651 (1353772)	229.05 (170.39)	26209120 (14736940)	5737.59 (3388.03)	2317798 (1878651)	306.11 (229.05)
Carbon–di–oxide	MT.	6600 (6600)	6600 (6600)	1820.92 (1658.35)		– (–)	– (–)	– (–)	– (–)	1820.92 (1658.35)	59.70 (50.20)	– (–)	– (–)
Power	Unit	24 MW (24 MW) Per hour	24 MW (24 MW) Per hour	128299348 (9398977)		– (–)	– (–)	374114 (–)	10.49 (–)	90728000 (7636778)	2706.36 (226.99)	2447436 (g) (374114)	49.93 (10.49)
Tea	Kg.	Not applicable	Not Applicable	1168273 (1190536)		– (–)	– (–)	55880 (103515)	37.20 (67.82)	1140344 (1193083)	1031.99 (1018.82)	43118 (55880)	28.32 (37.20)
Tea Seed	Kg.	Not applicable	Not Applicable	724 (280)		– (–)	– (–)	– (–)	– (–)	– (d) (–)	– (–)	– (–)	– (–)
Bio Compost	Qtls.	Not applicable	200000 (200000)	48010 (41235)		– (–)	– (–)	– (–)	– (–)	48010 (d) (41235)	7.54 (11.72)	– (–)	– (–)
Diesel	Ltrs.	– (–)	– (–)	– (–)		1305000 (1769000)	435.17 (599.68)	12494 (15369)	4.13 (5.09)	1286655 (1769009)	436.75 (608.85)	28605 (12494)	10.33 (4.13)
Grease, Gear Oil & Brake Oil	Ltrs.	– (–)	– (–)	– (–)		400 (400)	0.42 (0.39)	1 (33)	– (0.03)	265 (432)	0.32 (0.47)	135 (1)	0.13 (–)
Mobil Oil	Ltrs.	– (–)	– (–)	– (–)		4369 (4320)	4.69 (4.88)	116 (640)	0.13 (0.50)	4130 (4844)	4.88 (5.71)	355 (116)	0.39 (0.13)
Bagasse	Qtls.	– (–)	– (1428357)	2046404 (–)	(e)	– (–)	– (–)	1008574 (98487)	642.30 (48.88)	2930014 (d) (518270)	27.81 (15.57)	124964 (1008574)	77.12 (642.30)
Sugar Hedging													
Transactions (net)											127.62 (–)		– (–)
Sundries									29.56 (17.44)		50.01 (39.55)		50.39 (29.56)
							440.28		17483.22		32841.21		20454.98
							(604.95)		(10923.32)		(35225.82)		(17483.22)
Farm Products	Qtls.									3380 (8030)	3.52 (9.86)		

* On per annum basis except stated otherwise.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS** *(Contd.)*

Notes

(a) Licensed and installed capacities are as certified by the management and accepted as correct by the Auditors.

(b) Quantitative figures of Closing Stock are shown after adjusting shortages / excesses, destruction etc. Sales figures are inclusive of excise duty.

(c) Includes Nil (578) quintals lost due to reprocessing.

(d) Includes 678440 (647207) quintals of Molasses, 2862054 (505946) quintals of Bagasse, 9184 (12389) quintals of Bio Compost and 724 (280) Kgs. of Tea Seed consumed departmentally.

(e) Excludes consumption by Sugar Units.

(f) Includes 7926 quintals of sub-standard materials pending destruction, for which permission from excise authorities is awaited.

(g) After adjusting inter-transfer to other units 22259372 (63110) units, transmission loss 762510 (75932) units and captive consumption 12476144 (1249043) units.

B. Raw Materials Consumed (after adjusting sales and claims):

Class of goods	Unit	Quantity	Rs. in lacs
Sugarcane (crushed)	Quintals	16452886 (24139772)	19810.20 (31957.93)
Molasses	"	1161097 (676633)	1408.49 (203.01)
Press Mud	"	220689 (177199)	15.22 (7.91)
Bagasse	”	2686200 (185334)	216.19 (18.34)
Green Leaf	Kgs.	5160128 (5055473)	16.51 (16.18)
			21466.61 **(32203.37)**

Notes:

(i) The above figures are after adjusting transit losses/shortages and exclude the value of materials acquired during the process of manufacture and consumed departmentally. However, the value of such inter unit transfers are eliminated for the purpose of consolidation.

(ii) Value of green leaf (raw materials) produced and plucked in the Tea Garden could not be ascertained as the production involves integrated process having various stages such as nursery, replantation etc. The figures of Rs.16.51 lacs (Rs.16.18 lacs) stated above represent only the cess on green leaf.

(iii) Particulars of Opening and Closing Stock and production of Green Leaf Tea:

	(in Kgs.)
Opening Stock	– (–)
Production	5160128 (5055473)
Closing Stock	– (–)

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 23 **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS** *(Contd.)*

(Rs. in lacs)

	2007–08	2006–07
C. C.I.F. Value of Imports during the year (including through canalising agencies on invoice value):		
(a) Stores, Chemicals and Spares, etc.	197.30	47.83
(b) Capital Goods	–	830.46
D. Expenditure in Foreign Currency during the year (On Cash Basis):		
(a) Travelling expenses	16.82	1.65
(b) Interest and Finance charges	–	55.54
(c) Others	–	6.96
E. Earning in Foreign Exchange (On Cash Basis):		
Interest Income	–	22.17

F. Break-up of consumption of raw materials and stores, chemicals, spares etc. (including debits to other heads of account):

	Raw Materials		Stores, Chemicals, Spare Parts etc*	
	Rs. in lacs	%	Rs. in lacs	%
Imported (as certified by the management)	– (–)	– (–)	202.78 (83.37)	8.73 (3.23)
Indigenous	21466.61 (32203.37)	100 (100)	2120.13 (2497.56)	91.27 (96.77)
	21466.61 (32203.37)	100 (100)	2322.91 (2580.93)	100.00 (100.00)

*Includes shortages.

20. Figures given in brackets are for the previous year and the previous year's figures have been regrouped and/or rearranged, wherever necessary.

Signatories to Schedules – 1 to 23

For **S. R. Batliboi & Co.**
Chartered Accountants

Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

CIN	L15421UP1932PLC025141	State Code	20
Balance Sheet Date	30 (Date) 06 (Month) 2008 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousands)*

Total Liabilities	6552673	Total Assets	6552673
Sources of Funds			
Paid-up Capital	11557 3	Secured Loans	4177420
Reserves & Surplus	1209546	Unsecured Loans	1005576
		Deferred Tax Liability (Net)	44558
Application of Funds			
Net Fixed Assets	3698898	Net Current Assets	1826589
Capital Expenditure on New Expansion Projects	809358	Tea Department Balance	6016
Investments	211812		

IV. Performance of Company *(Amount in Rs. Thousands)*

Turnover (inc. other income)	3063349	Total Expenditure	3149733
Loss before Tax	86384	Loss after Tax	62924
Earning per share in (Rs.)	(5.44)	Dividend Rate (%)	NIL

V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Product Description	Item Code No. (ITC Code)
Sugar	17011000
Industrial Alcohol	02207100
Tea	09024002

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

CONSOLIDATED AUDITORS' REPORT

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UPPER GANGES SUGAR & INDUSTRIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of UPPER GANGES SUGAR & INDUSTRIES LIMITED (the Company) and its subsidiary as at 30th June, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed 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.

2. We conducted our audit in accordance with the 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have not audited the financial statements of the subsidiary company consolidated herein, whose financial statements reflect total assets of Rs. 3171.82 lacs (Previous Year Rs.3004.23 lacs) as at 31st March 2008 and total revenues of Rs.171.92 lacs (Previous Year Rs.223.74 lacs) and net cash flow of Rs.-6.49 lacs (Previous Year Rs.6.12 lacs) for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor as well as management certificate in respect of certain adjustments for the reasons as mentioned in Note No. 1(c) of Schedule-24.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

5. Without qualifying our opinion, we draw attention to Note No. 9 on Schedule 24, regarding accounting of Sugarcane purchases at Seohara Sugar unit in U.P. @ Rs. 110 per quintal for sugar season 2007-2008 in terms of Hon'ble Allahabad High Court's (Lucknow Bench) interim order dated 15th November, 2007 as against the State Advised Price (SAP) of Rs. 125 per quintal, upheld by the said High Court vide its final order dated 7th July, 2008 against which the Company along with others through UP Sugar Mills Association has filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court.

   In the meantime, the Hon'ble Allahabad High Court in its subsequent judgment dated 18th August, 2008 in case of another sugar company has quashed the SAP for sugar season 2007-2008. Based on the legal advice, the Company has accounted for sugarcane liability for the current season @ Rs. 110 per quintal, as paid in accordance with the earlier interim order of the Hon'ble High Court, although in terms of the order dated 18th August,2008, as stated above, the Company is only liable to pay the Statutory Minimum Price fixed by the Central Government (till the finalization of SAP by the State Government as per the Court's directions) which is lower than the amount of Rs.110 per quintal accounted for by the Company. Pending final decision by the Hon'ble Supreme Court in this matter, the differential price of Rs. 1891.58 lacs between SAP and the amount already provided, as stated above, has not been accounted for.

6. Attention is drawn to the following notes on Schedule 24:

(i) Note Nos. 7 and 8 regarding non-adjustment of certain realisations in earlier years aggregating to Rs.118.18 lacs (Previous Year Rs.118.18 lacs) and non-provision of interest payable thereon, if any, in case of refund of such realisations. As the matters are under adjudication /not yet settled, the impact of above non-adjustment on the Company's loss is not presently ascertainable;

(ii) Note No.11 regarding non-consideration of revenue results of Cinnatolliah Tea Garden, for the period from 1st April, 2007 to the date of the Balance Sheet, as well as the assets and liabilities as on 30th June, 2008, in these statements of account, the impact whereof on the Company's loss, reserves, assets and liabilities has not been ascertained.

In respect of the above items, the previous year's audit report was similarly modified.

Subject to the matters stated in para 6 above, whose impact on the Company's loss/reserves is not presently ascertainable, in our opinion, and on the basis of the information and explanations given to us, and also based on the consideration of separate audit reports on individual financial statements of Upper Ganges Sugar & Industries Limited and its subsidiary, the consolidated statements of account, give a true and fair view:

(a) in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Upper Ganges Sugar & Industries Limited and its subsidiary as at 30th June, 2008;

(b) in the case of Consolidated Profit & Loss Account, of the consolidated loss of Upper Ganges Sugar & Industries Limited and its subsidiary for the year then ended and

(c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Upper Ganges Sugar & Industries Limited and its subsidiary for the year then ended.

For **S. R. Batliboi & Co.**
Chartered Accountants

Per **R. K. Agrawal**
Partner
Membership No. 16667

Place: Kolkata
Dated: 22nd August, 2008

CONSOLIDATED BALANCE SHEET OF UPPER GANGES SUGAR & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANY AS ON AT 30TH JUNE, 2008

(Rs. in lacs)

	Schedule	30th June, 2008	30th June, 2007
SOURCES OF FUNDS			
A) Shareholders' Funds			
(a) Share Capital	1	1155.73	1155.73
(b) Reserves & Surplus	2	13821.28	14334.25
		14977.01	**15489.98**
B. Loan Funds	3		
(a) Secured		41774.20	22828.82
(b) Unsecured		9682.26	11530.05
		51456.46	**34358.87**
C. Deferred Tax Liability (net)		**445.58**	**754.09**
		66879.05	**50602.94**
APPLICATION OF FUNDS			
A. Fixed Assets	4		
(a) Gross Block		49399.82	35233.43
(b) Less : Accumulated Depreciation		12533.16	10621.14
(c) Net Block		36866.66	24612.29
(d) Capital Work-in-Progress		138.33	852.99
		37004.99	**25465.28**
B. Capital Expenditure on Expansion Projects	5	**8093.58**	**11893.33**
C. Investments	6	**3145.86**	**3119.73**
D. Current Assets, Loans & Advances			
(a) Inventories	7	21545.12	18489.91
(b) Sundry Debtors	8	1094.47	590.88
(c) Cash & Bank Balances	9	241.05	456.81
(d) Other Current Assets	10	19.65	16.13
(e) Loans & Advances	11	3611.41	2935.00
		26511.70	**22488.73**
Less: Current Liabilities & Provisions	12		
(a) Current Liabilities		7851.01	12396.21
(b) Provisions		86.23	78.38
		7937.24	**12474.59**
Net Current Assets		**18574.46**	**10014.14**
E. Tea Department Balance		**60.16**	**110.46**
		66879.05	**50602.94**
Accounting Policies & Notes to the Accounts	24		

Schedules referred to above form an integral part of the Consolidated Balance Sheet
As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF UPPER GANGES SUGAR & INDUSTRIES LIMITED AND ITS SUBSIDIARY COMPANY FOR THE YEAR ENDED 30TH JUNE, 2008

(Rs. in lacs)

	Schedule	2007–08		2006–07	
INCOME					
Gross Sales	13		32841.21		35225.82
Less: Excise Duty		2725.06		2614.11	
Cess		260.93	2985.99	250.92	2865.03
Net Sales			29855.22		32360.79
Other Income	14		917.12		389.19
			30772.34		**32749.98**
EXPENDITURE					
Decrease / (Increase) in Stocks	15		(2946.28)		(6565.56)
Excise Duty & Cess on Stocks (Refer Note no. 6 on Schedule 24)			115.57		543.54
Agricultural Loss / (Profit)	16		4.23		(1.11)
Purchase of Trading Goods			440.28		604.95
Raw Materials Consumed	17		21466.61		32203.37
Stores, Spares & Packing Materials Consumed	18		1809.37		1964.54
Fuel & Electricity			347.10		410.96
Payments to and Provisions for Employees	19		3238.58		3289.62
Manufacturing, Selling and Other Expenses	20		1971.15		1992.53
Directors' Remuneration	21		36.52		39.52
			26483.13		**34482.36**
Profit/(Loss) before Interest, Depreciation & Taxation			**4289.21**		**(1732.38)**
Less / (Add): Interest & Finance charges (net)	22		2930.80		1182.30
Depreciation			2051.46		1098.32
			4982.26		**(2280.62)**
Profit / (Loss) before Taxation			**(693.05)**		**(4013.00)**
Provision for Taxation [(including Rs.1.13 lacs (Rs. Nil) for earlier years and Wealth Tax Rs. 6.00 lacs (Rs.6.00 lacs)]			42.35		29.61
Income Tax Provision no longer required written back			0.58		82.50
Minimum Alternate Tax (MAT) Credit entitlement Reversal			–		6.85
Deferred Tax Asset			280.88		1395.29
Provision for Fringe Benefit Tax			15.84		19.16
Profit / (Loss) after Taxation			**(469.78)**		**(2590.83)**
Surplus brought forward from previous year		995.86			
Less : Impact of Revised AS 15 as on 1st July, 2007 (net of Tax) (Refer note no. 13 on Schedule 24)		53.67	942.19		1763.76
Transfer from General Reserve			700.00		1900.00
Balance available for Appropriation			**1172.41**		**1072.93**
APPROPRIATIONS					
Transfer to Reserve Fund			32.00		45.00
Transfer to Capital Redemption Reserve			–		30.00
Dividend	23		–		1.77
Provision for Dividend tax			–		0.30
Balance carried to Balance Sheet			1140.41		995.86
			1172.41		**1072.93**
Earning per Share of Rs. 10 each - Basic and Diluted (Rs.) (Refer Note no.15 on Schedule 24)			(4.06)		(23.08)
Accounting Policies & Notes to the Accounts	24				

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

CONSOLIDATED CASH FLOW STATEMENT For the year ended 30th June, 2008

(Rs. in lacs)

	2007–08	2006–07
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax	**(693.05)**	**(4013.00)**
Adjustments for:		
Depreciation	2051.46	1098.32
Interest & Finance Charges (net of capitalisation & subsidy)	3018.30	1312.00
Provision for Diminution in value of investment written back	0.25	–
Bad debts & irrecoverable balances written off	0.69	1.96
Molasses Storage and Maintenance Fund	10.48	10.93
Loss on Fixed Assets sold / discarded (net)	50.81	1.31
Loss on Sale of long term Investments	–	43.51
Profit on Sale of Hata Unit	–	(35.71)
Interest & Dividend Income	(278.33)	(404.82)
Operating Profit / (Loss) before Working Capital Changes	**4160.11**	**(1985.50)**
Adjustments for:		
Trade Payables	(4221.31)	7689.98
Trade & Other Receivables	(837.81)	(1391.51)
Inventories	(3055.21)	(6625.35)
Tea Department Balance	50.30	(20.31)
	(8064.03)	(347.19)
Cash Generated from Operations:	(3903.92)	(2332.69)
Direct Taxes paid	58.23	14.81
Net cash from operating activities	**(3962.15)**	**(2347.50)**
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	35.94	176.80
Sale of Hata Unit	–	890.00
Loans received back (net)	(2.29)	(89.29)
Interest & Dividend Received	274.81	407.29
Deposit under Tea Development Account Scheme	(8.23)	37.27
Purchase of Fixed Assets	9075.84	19414.24
(Purchase) /Sale of long term Investments (net)	(25.88)	79.61
Net Cash used in Investing Activities	**(8801.49)**	**(17912.56)**

CONSOLIDATED CASH FLOW STATEMENT *(Contd.)*

(Rs. in lacs)

	2007–08	2006–07
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	26568.89	27935.44
Repayment of Loans	9661.24	11570.19
Right Issue of Shares	–	436.23
Redemption of Preference Share Capital	–	30.00
Premium on Right Issue of Shares	–	6373.99
Right Shares Issue expenses	–	178.34
Interest & Finance charges paid (net of subsidy)	4359.74	2112.34
Dividend paid (including Dividend Tax)	0.03	658.92
Net Cash from Financing Activities	**12547.88**	**20195.87**
Net changes in Cash & Cash Equivalents (A+B+C)	(215.76)	(64.19)
*** Cash & Cash equivalents – Opening Balance**	456.81	521.00
*** Cash & Cash equivalents – Closing Balance**	241.05	456.81
Restricted Cash & Cash equivalents	90.70	91.12

* Represents Cash and Bank balances as indicated in Schedule - 9

As per our Report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants
Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 1 SHARE CAPITAL		
Authorised		
1,60,00,000 Equity Shares of Rs. 10 each	1600.00	1600.00
16,00,000 Preference Shares of Rs. 100 each	1600.00	1600.00
	3200.00	**3200.00**
Issued, Subscribed and Paid-up		
1,15,57,239 (1,15,57,239) Equity Shares of Rs. 10 each fully paid	1155.73	1155.73
Add: Forfeited Shares (amount originally paid-up)	– (b)	–
	1155.73	**1155.73**

Notes:

(a) Out of the above, 37,01,945 (37,01,945) Equity Shares have been issued / allotted as fully paid bonus shares by capitalisation of Securities Premium & General Reserve and 1,20,496 (1,20,496) Equity Shares have been allotted as fully paid-up for consideration other than cash.

(b) The actual amount being Rs. 50 only, has not been shown above.

SCHEDULE 2 RESERVES & SURPLUS		
Capital Reserve		
As per last Account	27.17*	27.17*
*** Includes Rs. 7.20 lacs arisen on consolidation**	**27.17**	**27.17**
Capital Redemption Reserve		
As per last Account	357.00	327.00
Add: Transfer from Profit & Loss Account	–	30.00
	357.00	**357.00**
Reserve Fund		
As per last Account	270.00	225.00
Add: Transfer from Profit & Loss Account	32.00	45.00
	302.00	**270.00**
General Reserve		
As per last Account	6062.76	7962.76
Less: Transfer to Profit & Loss Account	700.00	1900.00
	5362.76	**6062.76**
Securities Premium		
As Per Last Account	6583.34	387.69
Add: Received on Right Shares issued	–	6373.99
	6583.34	6761.68
Less: Adjustment of Right Shares issue expenses	–	178.34
	6583.34	**6583.34**
Molasses & Alcohol Storage & Maintenance Reserve		
As per last Account	38.12	27.49
Add: Provided during the year	10.48	10.93
	48.60	38.42
Less: Utilised during the year	–	0.30
	48.60	**38.12**
Surplus as per Profit & Loss Account	**1140.41**	**995.86**
	13821.28	**14334.25**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 3 LOAN FUNDS		
A. SECURED LOANS		
Term Loans		
From Scheduled Bank(s)		
Under Project Finance/Corporate Loan Scheme	19919.43	15651.10
Under Financial Assistance Scheme - Excise Duty Loan	2790.17	–
Interest accrued & due	154.14	–
From Sugar Development Fund	4703.39	1315.43
Other Loans		
From Scheduled Banks on Cash Credit Account	14207.07	5862.29
	41774.20	**22828.82**
B. UNSECURED LOANS		
Short Term Loan from Scheduled Bank	3377.00	7480.00
From State Bank of India against Crop loan to Canegrowers	857.55	405.71
From Co-operative Farming Societies	41.41	85.98
Inter Corporate Loans	4405.00	2565.00
Fixed Deposits from Staff & Others	962.55	959.06
Trade & Other Deposits (partly not bearing interest)	38.75	34.30
	9682.26	**11530.05**
	51456.46	**34358.87**

Notes:

1. Term loans from scheduled bank(s) (except Excise Duty Loan) are secured / to be secured by first mortgage/charge on all the immovable and movable assets (save and except book debts), present and future, of the Company's Sugar Units at Seohara (including Co-generation Plant), Sidhwalia and Hasanpur and Distillery unit at Seohara, ranking pari passu amongst the lenders, subject to prior charges created on movables for working capital borrowings from the Company's bankers.

   Term Loans under Financial Assistance Scheme (Excise Duty Loan) are to be secured by a residual charge on the entire Fixed Assets (movable and immovable) of the Company's Sugar Units at Seohara & Sidhwalia.

2. Term loans from Sugar Development Fund are secured by a second charge on all the immovable and movable assets (save and except book debts), present and future of the Company's Sugar units at Seohara (including Co-generation Plant) and Sidhwalia and include Rs. 385.10 lacs (Rs. 346.34 lacs) towards interest which, as per stipulated terms, is payable on a long term basis.

3. Cash credit borrowings are secured by hypothecation of entire current assets of the Company and further secured by a charge on the immovable assets of the Company as follows -
   a) Tea Garden - First Charge
   b) Hasanpur Sugar Unit - Second Charge
   c) Seohara Sugar Unit - Third Charge - (ranking pari-passu between the lenders)
   d) Sidhwalia Sugar Unit - Third Charge

4. Unsecured Loans, as stated above, includes Rs. 9074.99 lacs (11004.17 lacs) falling due for re-payment withing one year.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 4 FIXED ASSETS

(Rs. in lacs)

DESCRIPTION OF ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK AS AT	
	Opening Balance as at 1st July, 2007	Additions/ Adjust-ments	Deductions/ Adjust-ments	As at 30th June, 2008	Opening Balance as at 1st July, 2007	For the Year	Less: on Deductions/ Adjustments	As at 30th June, 2008	30th June, 2008	30th June, 2007
Freehold Land	767.26	148.66	–	915.92 (c)	–	–	–	–	915.92	767.26
Leasehold land	94.55	–	–	94.55	90.04	4.51	–	94.55	–	4.51
Tea Plantations	2.39	–	–	2.39	2.10	0.11	–	2.21	0.18	0.29
Buildings (including on leasehold land)	2850.94	916.85	5.14	3762.65	514.57	64.71	4.02	575.26	3187.39	2336.37
Plant & Machinery	30779.68	13278.25	199.96	43857.97	9667.56	1931.94	121.54	11477.96	32380.01	21112.12
Railway Sidings	19.70	–	–	19.70	1.93	0.87	–	2.80	16.90	17.77
Furniture & Fixtures	295.90	24.95	0.85	320.00	201.89	20.77	0.80	221.86	98.14	94.01
Tube-wells	114.57	–	0.31	114.26	25.15	2.26	0.31	27.10	87.16	89.42
Trucks & Conveyance	308.44	23.87	19.93	312.38	117.90	26.29	12.77	131.42	180.96	190.54
	35233.43	14392.58	226.19	49399.82	10621.14	2051.46	139.44	12533.16	36866.66	24612.29
Add: Capital Work-in-Progress	852.99	881.42	1596.08(b)	138.33 (e)	–	–	–	–	138.33	852.99
Total	**36086.42**	**15274.00**	**1822.27**	**49538.15 (a & d)**	**10621.14**	**2051.46**	**139.44**	**12533.16**	**37004.99(d)**	**25465.28**
Previous Year's Total	23177.97	15488.04	2579.59	36086.42	9922.04	1098.32	399.22	10621.14	25465.28	

Notes:

a) Includes assets held in joint ownership with others Rs. 208.27 lacs (Rs. 207.25 lacs).

b) Represents amount allocated to various heads of fixed assets.

c) Title deeds for Rs. 7.10 lacs (Rs. 7.10 lacs) are yet to be executed in favour of the Company.

d) Includes fixed assets awaiting disposal Gross Value Rs.113.39 lacs (Rs. 10.70 lacs)and Net Value Rs. 77.57 lacs (Rs. 3.14 lacs).

e) Includes advances against purchase of fixed assets Rs. 25.34 lacs (Rs. 337.11 lacs).

(Rs. in lacs)

	30th June, 2008		30th June, 2007	
SCHEDULE 5 CAPITAL EXPENDITURE ON EXPANSION PROJECTS				
A. Freehold Land		106.49		1030.89
B. Fixed Assets				
1) Plant & Machinery	25.98		32.14	
2) Buildings	8.39		7.37	
3) Furniture & Fixtures	3.53		6.76	
4) Trucks & Conveyance	7.94		–	
	45.84		46.27	
Less: Depreciation (charged to Pre-operative expenses as below)	11.41	34.43	9.16	37.11
C. Machinery & Building under erection		17656.03		18452.70
D. Tubewell		–		19.16
E. Materials at Site (net of Sales Rs. 28.27 lacs)		91.49		1322.63
F. Advances against purchase of fixed assets		468.36		1705.15
G. Incidental Expenditure Pending Allocation to Fixed Assets:				
Salary & Wages		163.75		89.25
Contribution to Provident & Other funds		8.27		4.55
Fuel & Electricity		199.23		122.60
Project Consultancy charges		14.57		64.96
Insurance Charges		37.60		54.09
Miscellaneous Expenses		188.63		76.75
Interest & Finance charges		1627.24		1297.07
Depreciation		11.41		9.16
		20607.50		**24286.07**
Less:				
Sale of Hata Unit		–		854.29
Capitalised/Allocated to Fixed Assets during the year		12513.92		11538.45
		12513.92		12392.74
		8093.58		**11893.33**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	No. of Shares	Face Value per Share (Rs.)	30th June, 2008	30th June, 2007
SCHEDULE 6 INVESTMENTS				
LONG TERM (At Cost)				
GOVERNMENT SECURITIES				
Quoted				
11.5% U.P.State Development Loan, 2010			2.10	2.10
11.5% U.P.State Development Loan, 2011			0.70	0.70
12% U.P.State Development Loan, 2011			0.70	0.70
			3.50	**3.50**
Unquoted				
12 Years National Savings Certificates			0.01	0.01
12 Years National Plan Savings Certificates			0.08	0.08
7 Years National Savings Certificates			0.07	0.07
6 Years National Savings Certificates			0.60	0.60
			0.76	**0.76**
EQUITY SHARES (FULLY PAID)				
Quoted				
The Oudh Sugar Mills Ltd.	1963127	10	901.26	901.26
Haryana Oxygen Ltd.	5000	10	0.50	0.50
SIL Investments Ltd.	2019339	10	478.36	478.36
Sutlej Textiles & Industries Ltd.	2027798	10	593.89	593.89
Manbhawani Investment Ltd.	73500	10	2.25	2.25
Manavta Holdings Ltd.	73500	10	2.25	2.25
Gobind Sugar Mills Ltd.	320000	10	102.00	102.00
Chambal Fertilizers & Chemicals Ltd.	1966795	10	377.97	377.97
New India Retailing & Investment Ltd.	285573	10	633.70	633.70
			3092.18	**3092.18**
Unquoted				
In Other Companies				
Birla Buildings Ltd.	8400	10	0.84	0.84
Bihar State Financial Corp. Ltd.	60	100	0.06	0.06
Indo International Distillers Association Pvt.Ltd.	54000*	10	5.40 (e)	5.40
e-commodities Ltd.	–	10	–	25.00
	(250000)*			
Taparia Ltd.	3500	10	0.40	0.40
Shree Vihar Properties Ltd.	224307	10	19.73	19.73
Modern DiaGen Services Ltd.	13196	10	1.32	1.32
Chandausi Rice Mills Ltd. (value written off)	2000	10	–	–
Jai Hind Publication Ltd. (in liquidation, value written off)	65	25	–	–
Akhil Bharat Printers Ltd. (in liquidation, value written off)	270	100	–	–
Leas Communication Ltd. (value written off)	21000	10	–	–
Maruti Ltd. (in liquidation, value written off)	40000	10	–	–

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	No. of Shares	Face Value per Share (Rs.)	30th June, 2007	30th June, 2007
SCHEDULE 6 **INVESTMENTS** *(Contd.)*				
Brought forward			27.75	52.75
In Other Companies				
APV Texmaco Ltd. (in liquidation, value written off)	20400	10	–	–
Moon Corporation Ltd.	2874	5	0.39	0.39
India Educational & Research Institution Pvt. Ltd.	4900	10	0.49	0.49
			28.63	**53.63**
EQUITY SHARES (PARTLY PAID)				
Modern DiaGen Services Ltd. (Rs. 2 paid up per share)	1306404	10	**26.13**	–
	(–)			
In Co–operative Farming Societies				
Krishna Sahakari Kheti Samiti Ltd.	5	100	0.01	0.01
Kuri Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Keshopur Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Pandia Sanyukta Sahakari Kheti Samiti Ltd.	1	100	–	–
Seohara Co–op. Cane Development Union Ltd.	1	100	–	–
Najibabad Co–op. Cane Development Union Ltd.	1	100	–	–
Nagina Co–op. Cane Development Union Ltd.	1	10	–	–
Moradabad Co-op. Cane Development Union Ltd.	1	10	–	–
			0.01	**0.01**
PREFERENCE SHARES (FULLY PAID)				
Unquoted				
Raj Kamal Parkashan Pvt. Ltd.	50	100	0.05	0.05
Share Application Money				
Indo International Distillers Association Pvt. Ltd.	46000*	10	4.60 (e)	4.60
			3155.86	**3154.73**
Less: Provision for diminution in value of Investments			10.00	35.00
			3145.86	**3119.73**
Aggregate Value of Investments				
Quoted			3095.68	3095.68
Unquoted			50.18	24.05
Market Value of Quoted Investments			5872.47	6486.98

Notes:

a. All the above Investments are Non-Trade, except those marked with an astric.

b. Out of the above, Government Securities of the face value of Rs. 0.76 lac (Rs. 0.76 lac) have been deposited with the Government Authorities, of which Rs. 0.73 lac (Rs. 0.73 lac) have matured but are pending encashment.

c. Quotations for Government Securities of the face value of Rs. 3.50 lacs being not available, cost thereof has been taken as market value.

d. In case of the above investments, where the figure appears as NIL, the cost is either written off in the books or happens to be less than Rs. 500 individually.

e. Indicate securities where provision towards diminution in the value of Investments has been made.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 7 INVENTORIES		
At Lower of Cost and Net Realisable Value		
Raw Materials	89.71	156.08
Stores, Chemicals, Spare Parts etc. (including in transit)	863.63	689.64
Finished Goods	19767.95	16182.70
Power-Banked	49.93	10.49
Trading Goods	10.85	4.26
Goods under Process	131.79	157.27
Standing Crop	5.01	3.70
	20918.87	**17204.14**
At Estimated Realisable Value		
By Products	575.86	1256.21
Scrap	50.39	29.56
	626.25	**1285.77**
	21545.12	**18489.91**
SCHEDULE 8 SUNDRY DEBTORS (UNSECURED)		
(A) Debts Outstanding for a period exceeding six months		
Considered Good	6.49	7.04
Considered Doubtful	37.84	37.84
	44.33	44.88
Less : Provision	37.84	37.84
	6.49	7.04
(B) Other Debts		
Considered Good	1087.98	583.84
	1087.98	583.84
	1094.47	**590.88**
SCHEDULE 9 CASH & BANK BALANCES		
Cash in hand	20.69	19.94
Cheques / Drafts in hand	13.29	121.82
With Scheduled Banks on		
Current Account	69.67	126.49
Savings Account	0.02	0.02
Tea Development Account	0.14	0.18
Fixed Deposit Account [Receipt for Rs. 25.46 lacs (Rs. 25.00 lacs) pledged with Government authorities as security]	116.14	134.10
Unpaid Dividend Account	14.59	14.62
	234.54	**417.17**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

			30th June, 2008	30th June, 2007
SCHEDULE 9 **CASH & BANK BALANCES** *(Contd.)*				
With Non-Scheduled Banks on Current Account				
Name of the Bank	**Maximum amount outstanding at anytime during the year**			
District Co-operative Bank Ltd.	596.38	(559.74)	5.38	21.17
Mini Co-operative Bank Ltd.	10.07	(7.55)	0.03	0.97
Bijnor Urban Co-operative Bank	0.16	(5.11)	0.11	0.06
The Samastipur Central Co-op. Bank Ltd.	0.25	(5.10)	0.14	0.25
Uttar Pradesh Gramin Bank	763.73	(447.77)	0.72	17.05
			6.38	**39.50**
With Post Office on				
Savings Account [Pass Book for Rs. 0.10 lac (Rs. 0.11 lac) pledged with Government authorities]			**0.13**	**0.14**
			241.05 *	**456.81 ***

* including Rs. 90.70 lacs (Rs. 91.12 lacs) towards earmarked accounts.

SCHEDULE 10 **OTHER CURRENT ASSETS**		
(A) Interest & Dividend accrued on Investments		
[including Rs.0.84 lac (Rs.0.84 lac) considered doubtful]	0.93	0.91
Less: Provision	0.84	0.84
	0.09	**0.07**
(B) Accrued Interest on deposits, loans & advances etc. [including Rs. 3.93 lacs (Rs. 3.93 lacs) due for more than six months]		
Considered Good	19.56	16.06
Considered Doubtful	3.83	3.83
	23.39	19.89
Less: Provision	3.83	3.83
	19.56	16.06
	19.65	**16.13**

SCHEDULE 11 **LOANS AND ADVANCES**		
Loans: (Unsecured, considered good)		
To a Body Corporate	374.00	374.00
To Others	56.72	54.38
	430.72	**428.38**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in lacs)

	30th June, 2008	30th June, 2007
SCHEDULE 11 **LOANS AND ADVANCES** *(Contd.)*		
Advances: (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	392.28	352.85
Advance payment of Income-tax, Refunds receivable & tax deducted at source (net of provisions)	163.81*	164.32
Balance with Excise & other Government authorities	1922.92	1639.71
Claims & Refunds Receivable	442.11	93.59
Sales Tax, Excise Duty etc. paid under appeal and/or under dispute	64.29	53.96
Deposit with Government authorities & others	36.82	51.96
Deposit under Tea Development Account Scheme, 1990	158.46	150.23
	3180.69	**2506.62**
Considered Doubtful		
Loans	24.12	24.17
Advances, Claims & Refunds Receivable	39.40	39.40
	63.52	63.57
Less: Provision	63.52	63.57
	3611.41	**2935.00**
* Includes Minimum Alternate Tax credit entitlement Rs. 38.15 lacs (Rs. 38.15 lacs)		
Notes:		
Advances due from the Officers of the Company	–	–
Maximum amount due at any time during the year	5.87	6.19

SCHEDULE 12 **CURRENT LIABILITIES & PROVISIONS**		
A. Current Liabilities		
Sundry Creditors for goods, services, expenses etc.		
Due to Micro, Medium and Small Enterprises	110.59	255.16
Due to Others	4953.58	11204.48
For Other Finance	610.23	425.68
Excess Price of Levy Sugar realised	72.87	72.87
Advance against sale of goods etc.	1310.30	175.08
Temporary overdraft from Banks	494.35	–
Fractional entitlement for Bonus and Right Shares	0.22	0.22
Interest accrued but not due on Loans, Deposits etc.	262.08	228.86
Preference Shares Redemption	1.26	1.26
Investor Education & Protection Fund : (Not yet due)		
Unclaimed Matured Fixed Deposit	20.94	17.98
Unpaid & Unclaimed Dividends	14.59	14.62
	7851.01	**12396.21**
B. Provisions		
For Leave	66.72	49.00
For Gratuity	18.99	27.73
For Fringe Benefit Tax (net of advances)	0.52	1.65
	86.23	**78.38**
	7937.24	**12474.59**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 13 GROSS SALES		
Finished Goods	28361.75	33071.38
Power	2740.62	229.86
Trading Goods	441.95	615.03
By-Products	1153.52	1314.74
Sugar Hedging transactions (net)	127.62	–
Others	50.01	39.55
	32875.47	35270.56
Less: Returns out of earlier years' sales	–	41.87
Discounts & Rebates	34.26	2.87
	32841.21	**35225.82**

SCHEDULE 14 OTHER INCOME		
Income from Long Term Investments (Non-trade)		
Dividend	152.71	237.14
Interest on Government Securities	0.41	0.41
Insurance & Other Claims	5.41	44.59
Rent & Hire Charges	5.67	3.46
Unspent liabilities, excess provisions and unclaimed balances written back	120.79	16.06
Land Dividend	37.72	37.57
Buffer Stock Subsidy towards Insurance & Storage charges	73.08	4.77
Replanting Subsidy	–	1.86
Cane Price Subsidy for earlier years	493.17	–
Profit on Sale of Hata Unit	–	35.71
Sales Tax refunds for earlier years	–	0.09
Provision for Diminuition in value of Investment no longer required written back	0.25	–
Miscellaneous Receipts	27.91	7.53
	917.12	**389.19**

SCHEDULE 15 DECREASE/(INCREASE) IN STOCKS		
Opening Stock		
Goods Under Process	157.27	151.61
Finished Goods	16182.70	10388.35
Power - Banked	10.49	–
Trading Goods	4.26	5.62
By-Products	1256.21	511.91
Scrap	29.56	17.44
	17640.49	**11074.93**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 15 **DECREASE/(INCREASE) IN STOCKS** *(Contd.)*		
Less:		
Closing Stock		
Goods under Process	131.79	157.27
Finished Goods	19767.95	16182.70
Power - Banked	49.93	10.49
Trading Goods	10.85	4.26
By-Products	575.86	1256.21
Scrap	50.39	29.56
	20586.77	17640.49
	(2946.28)	**(6565.56)**

	2007–08		2006–07	
SCHEDULE 16 **AGRICULTURAL LOSS/(PROFIT)**				
INCOME				
Sales [including inter-transfers Rs. 1.38 lacs (Rs. 3.35 lacs)]		3.52		9.86
Other Income				
Unspent liabilities written back		0.04		0.27
Miscellaneous Receipts		0.08		0.01
		3.64		**10.14**
EXPENDITURE				
Decrease/(Increase) in Stocks				
Opening Stock	3.70		3.28	
Less: Closing Stock	5.01	(1.31)	3.70	(0.42)
Seeds, Manures and Fodder Consumed		3.33		3.09
Tractor Expenses		0.87		2.11
Rates & Taxes		0.05		0.04
Payments to and Provisions for Employees				
Salaries, Wages, Bonus, etc.	3.96		3.28	
Contribution to Provident and other Funds	0.06	4.02	0.05	3.33
Irrigation Expenses		0.87		0.29
Miscellaneous Expenses		0.04		0.59
		7.87		**9.03**
Loss/(Profit) transferred to Profit & Loss Account		**4.23**		**(1.11)**

	2007–08	2006–07
SCHEDULE 17 **RAW MATERIALS CONSUMED**		
Opening Stock	156.08	78.04
Add: Purchases [including procurement expenses and sugarcane transferred from own farm Rs. 1.38 lacs (Rs. 3.35 lacs)]	21102.11	31912.03
Purchase Tax & Cess (net)	298.13	369.38
	21556.32	32359.45
Less: Closing Stock	89.71	156.08
	21466.61	**32203.37**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08	2006–07
SCHEDULE 18 STORES, SPARES & PACKING MATERIALS CONSUMED		
Stores, Spare Parts, Chemicals etc.	1150.00	1035.94
[after adjusting sales & claims Rs. 95.43 lacs (Rs. 72.10 lacs)]		
Packing Materials	659.37	928.60
	1809.37	**1964.54**

SCHEDULE 19 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Bonus etc.	2870.24	2833.52
Contribution to Provident & other Funds	215.46	225.38
Gratuity	60.29	136.52
Workmen Compensation	0.61	2.61
Employees' Welfare Expenses	98.47	97.57
	3245.07	3295.60
Less: Recoveries	6.49	5.98
	3238.58	**3289.62**

	2007–08		2006–07	
SCHEDULE 20 MANUFACTURING, SELLING AND OTHER EXPENSES				
Repairs to and Maintenance of				
Buildings		87.43		98.80
Machinery		741.49		743.77
Others		10.90		12.30
Rent		11.89		12.24
Rates & Taxes (net)		31.36		26.74
Insurance		85.92		96.47
Auditors' Remuneration				
For Audit Fees		11.56		8.31
For Limited Reviews & Tax Audit Fees		9.90		9.00
In other capacity for certificates & other services		5.53		3.68
For Expenses		2.15		1.40
Cost Auditors' Remuneration:				
As Auditors		0.60		0.60
For Expenses		0.11		0.18
Selling Commission & Expenses				
Commission to wholesellers		77.94		104.94
Brokerage		14.77		18.04
Other Selling Expenses		237.10		264.33
Charity & Donations		7.23		0.90
Items pertaining to previous years (net)		1.24		2.66
Bad debts, irrecoverable advances etc. written off		0.69		1.96
Exchange Rate Fluctuations		3.14		–

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	2007–08		2006–07	
SCHEDULE 20 **MANUFACTURING, SELLING AND OTHER EXPENSES** *(Contd.)*				
Loss on sale of long term Investments	24.75		43.51	
Less: Adjusted against provisions	24.75	–	–	43.51
Sales Tax for earlier years (net)		0.73		–
Loss on fixed assets sold / discarded (net)		50.81		1.31
Molasses Storage & Maintenance Reserve		10.48		10.93
Miscellaneous Expenses [including Directors' travelling Rs. 29.18 lacs (Rs. 19.57 lacs)]		568.18		530.46
		1971.15		**1992.53**

SCHEDULE 21 **DIRECTORS' REMUNERATION**				
Directors' Remunerations				
(A) Managing Director's Remuneration				
Salary	30.00		30.00	
Contribution to Provident Fund	3.60		3.60	
Gratuity	–		0.48	
Provision for Leave	–	33.60	2.50	36.58
(B) Directors' Fees		2.92		2.94
		36.52		**39.52**

Note:

In view of the loss under section 349, no provision for Directors' Commission has been made.

	2007–08	2006–07
SCHEDULE 22 **INTEREST & FINANCE CHARGES (NET)**		
On Fixed Loans & Deposits	3041.70	1509.65
To Income Tax Department	0.30	5.16
To Banks & Others	1776.84	780.12
	4818.84*	**2294.93**
Less: At Credit		
Amount Capitalised	1234.69	945.73
Buffer Stock Subsidy towards Interest	565.85	37.20
On Loans, Deposits etc. (Gross) [Tax at source Rs.14.66 lacs (Rs.16.70 lacs)]	87.50	129.70
	1888.04	**1112.63**
	2930.80	**1182.30**

* Excludes Rs. 115.58 lacs being interest on Excise loan from Banks which is recoverable as subsidy from the Government.

SCHEDULE 23 **DIVIDEND**		
On 300000 Cumulative Redeemable Preference shares (issued by Subsidiary Company to outsiders) @ 10% per annum (redeemed during the year 2006–2007)	–	1.77
	–	**1.77**

SCHEDULE 24 ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Notes annexed to and forming part of the company's Consolidated Balance Sheet and Profit & Loss Account as at and for the year ended 30th June, 2008.

1. **Principles of Consolidated Financial Statements:**
   The consolidated financial statements which relate to Upper Ganges Sugar & Industries Ltd. and its subsidiary company, has been prepared on the following basis:

   (a) The financial statements of the company and its subsidiary are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances, intra group transactions and any unrealized profit / loss included therein.

   (b) The consolidated financial statements have been prepared using uniform accounting policies, except stated otherwise, for like transactions and are prepared, to the extent possible, in the same manner as the company's separate financial statements.

   (c) As the financial year of subsidiary closes on 31st March, it's audited accounts as at and for the year ended 31st March, 2008, has been incorporated in these accounts. However, in order to eliminate the intra-group balances, certain adjustments pertaining to the period from 1st April, 2008 to 30th June, 2008 have been made in the accounts.

   (d) The difference between the cost of the company's investments in the subsidiary and the equity capital of the subsidiary (as defined in Accounting Standard – 21) as on the date of investment, is treated as Goodwill / Capital Reserve, as the case may be, in the financial statements.

   (e) The Subsidiary Company considered in the financial statements is as follows:

Name	Country of Incorporation	% of voting power as on 30.06.2008
Uttar Pradesh Trading Company Ltd.	India	100

2. **Statement of Significant Accounting Policies:**

   (i) Basis of Preparation
   The financial statements have been prepared to comply in all material aspects with the Accounting Standards Notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

   (ii) Revenue Recognition
   (a) Revenue from the sale of goods is recognized upon passage of title to the customers which generally coincides with delivery thereof.

   (b) Dividend income is recognised when the shareholders' right to receive the payment is established by the Balance Sheet date.

   (c) Due to uncertainty in realization, following incomes are accounted for on acceptance/actual recipt basis:-
   (i) Insurance and other claims.
   (ii) Interest on doubtful loans and advances to cane growers.
   (iii) Replanting subsidy.
   (iv) Compensation receivable in respect of land surrendered to / acquired by the Government.

   (iii) Fixed Assets
   Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost comprises the parches price inclusive of duties (net of Cenvat credit), taxes, incidental expenses and erection/commissioning expenses etc. upto the date the asset is ready for its intended use.

   Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual life of the respective assets.

   Assets awaiting disposal are valued at the lower of written down value and net realisable value.

(iv) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital.

(v) Depreciation

(a) The classification of plant and machinery into continuous and non continuous process is done as per technical certification and depreciation thereon is provided accordingly.

(b) Depreciation on fixed assets is provided under straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

(c) Depreciation on fixed assets added / disposed off during the year is provided on pro-rata basis, with reference to the date of addition / disposal.

(d) Leasehold properties are depreciated over the primary period of lease or their respective useful lives, whichever is shorter.

(e) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(vi) Government Grants

Government Grants and subsidies are recognised when there is reasonable assurance that the same will be received. Revenue grants / subsidies are recognised in the Profit & Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to capital reserve.

(vii) Borrowing Costs

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(viii) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current Investments are stated at lower of cost and market rate on individual investment basis. Long term investments are considered "at cost" on individual investment basis, unless there is a decline other than temporary in the value, in which case adequate provision is made against such diminution in the value of investments.

(ix) Inventories

(a) Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

Goods under process and finished goods (including Power- Banked) are valued at lower of cost and net realisable value. Finished goods and Goods under process includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on annual weighted average basis.

By products, Country crop and Saleable scraps, whose cost is not identifiable, are valued at estimated net realisable value.

(b) In case of inter-transferred materials, the transfer price is considered as cost for the purpose of valuation of closing stock.

(x) Foreign Currency Transactions

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the

exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(c) Exchange Differences

Exchange differences arising on the settlement/conversion of monetary items are recognized as income or expenses in the year in which they arise.

The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expense for the year.

(xi) Retirement and other employee benefits

(a) Retirement benefits in the form of Provident Fund and Pension Fund are defined contribution schemes and are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Company has no obligations other than the contribution payable to the respective trusts / funds.

(b) Gratuity liability being a defined benefit obligation is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each year.

(c) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the end of each year.

(d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(xii) Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred Income tax reflects the impact of current year timing differences between taxable income/and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax asset is recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. If the Company has carried forward unabsorbed depreciation and tax losses, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

(xiii) Segment Reporting

(a) Identification of Segments

The Company has identified that its operating segments are the primary segments. The Company's operating

businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Inter Segment Transfers

The Company accounts for inter segment transfers at mutually agreed transfer prices.

(c) Allocation of Common Costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under the head "Unallocated – Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

(xiv) Share issue expenses

Share issue expenses are adjusted against Securities Premium Account.

(xv) Earning per Share

Basic earning per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted number of equity shares outstanding during the year. The weighted average numbers of shares are calculated after adjusting for bonus element in a right issue to the existing share holders.

For the purpose of calculating diluted earnings per share, net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

(xvi) Excise Duty

Excise Duty is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of stocks as on the Balance Sheet date.

(xvii) Hedging

The company has adopted a policy to minimize risks associated with foreign exchange fluctuations with respect to its borrowings.

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract.

(xviii) Research Costs

Research costs of revenue nature are expensed as and when they are incurred, while capital expenditure are added to the cost of the respective fixed assets.

(xix) Provisions

A provision is recognised when an enterprise has a present obligation as a result of any past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation, at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(xx) Derivative Instruments

As per the announcement made by the Institute of Chartered Accountants of India, Derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item, is charged to the income statement. Net gains are ignored as a matter of prudence.

(xxi) Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

(Rs. in lacs)

		2007–08	2006–07
3.	Estimated amount of contracts remaining to be executed on Capital Account (net of advances) and not provided for	1651.26	7242.14
4.	Contingent Liabilities not provided for in respect of:		
	(a) Demands / Claims by various Government Authorities and others not acknowledged as debts:		
	(i) Excise Duty	392.84	219.14
	(ii) Sales & Entry Tax	28.24	42.02
	(iii) Others	89.25	79.12
	Total	510.33	340.28
	(b) (i) Guarantees given to a bank against loans to cane growers	1050.00	1050.00
	(ii) Against the above, the loan facilities actually availed as on the Balance Sheet date	953.33	592.85
	(c) Uncalled capital on partly paid shares held as investment	104.51	–
	(d) Additional liability, if any, under clause 5A of the Sugarcane (Control) Order,1966 for sugarcane purchases for the sugar season 2004-2005 in respect of Company's Hasanpur Sugar Unit (amount unascertainable)		

5. Diminution of Rs. 548.03 lacs in the value of certain quoted investments based on the last quoted prices, has not been provided, as the break up value of the said shares supplemented by the market value as on 30th June 2008, of the quoted investments held by the investee Company, is much higher than the corresponding Book Value.

6. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of Finished goods / By products.

7. Pending disposal of writs/appeals by the court with regard to levy sugar prices for some years, Rs. 72.87 lacs (net) received as excess levy sugar price, against which bank guarantees furnished by the Company for Rs. 50.44 lacs, are in force in terms of the Court Orders, is included under the head 'Current Liabilities'. Necessary adjustment for the above amount together with interest, if any, in this regard will be made in the accounts as and when the matter will be finally settled.

8. Pending decisions of various courts on writ petitions filed by / against the Company, no credit has been taken in the Profit and Loss Account in respect of certain realisations aggregating to Rs. 45.31 lacs in earlier years, which continue to be shown under the head "Liabilities for other Finance" in Schedule – 12. Against the above, fixed deposit receipts / bank guarantees for Rs. 44.47 lacs have been furnished by the Company.

9. The Seohara Sugar unit has accounted for sugarcane purchases in U.P @ Rs. 110 per quintal for sugar season 2007-2008 in terms of Hon'ble Allahabad High Court's (Lucknow Bench) interim order dated 15th November, 2007 as against the State Advised Price (SAP) of Rs. 125 per quintal, upheld by the said High Court vide its final order dated 7th July, 2008 against which the Company along with others through UP Sugar Mills Association, has filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court.

   In the meantime, the Hon'ble Allahabad High Court in its subsequent judgment dated 18th August, 2008 in case of another sugar company has quashed the SAP for sugar season 2007-2008. In view of two different judgments from the two benches of the same court, and based on the legal advice, the Company has accounted for sugarcane liability for the current season @ Rs. 110 per quintal, as paid in accordance with the earlier interim order of the Hon'ble High Court, although in terms of the order dated 18th August, 2008, as stated above, the Company is only liable to pay the Statutory Minimum price fixed by the Central Government (till the finalization of SAP by the State Government as per the Court's directions) which is lower than the amount of Rs. 110 per quintal accounted for by the Company. Pending final decision by the Hon'ble Supreme Court in this matter, the differential price of Rs. 1891.58 lacs between SAP and the amount already provided, as stated above, has not been accounted for.

10. In terms of Accounting Standard – 22, net deferred tax asset (DTA) of Rs. 280.88 lacs arisen for the year ended 30th June, 2008, has been recognised. However, there is a net deferred tax liability of Rs. 445.58 lacs as on 30th June, 2008, as follows:

(Rs. in lacs)

		2007–08	2006–07
(A)	**Deferred Tax Liability**		
	(i) Timing difference in depreciable assets	6331.34	3229.95
		6331.34	**3229.95**
(B)	**Deferred Tax Asset**		
	(i) Carry forward unabsorbed business losses & depreciation	5158.95	2080.61
	(ii) Expenses allowable against taxable income in future years	726.81	395.25
		5885.76	**2475.86**
	Net Deferred Tax Liability (A – B)	**445.58**	**754.09**

11. Assets, Liabilities and Income & Expenditure of Cinnatolliah Tea Garden have been incorporated as at and for the year ended March 31, 2008 as the financial year of the Tea Garden closes on 31st March. The net balance of payments and realizations on account of the said Tea Garden during the period from April 1, 2008 to June 30, 2008 has been shown separately under the head "Tea Department Balance" in the Balance Sheet, pending adjustments in the next year's accounts.

12. The land ceiling matter under the U.P. Imposition of Land Ceiling Act, 1960 / Bihar Land Reforms (Fixation of Ceiling, Area and Acquisition of Surplus Land) Act, 1961 for acquisition of agricultural land by the Government is pending before the Hon'ble High Courts at Allahabad and Patna and the proceedings have been stayed by the Hon'ble Courts.

13. In the current year, the Company has adopted Accounting Standard 15 (revised) - Employee Benefits, which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly, the Company has provided for gratuity and compensated leave encashment based on actuarial valuation done as per projected unit credit method. This change does not have any material impact on the loss for the current year. Further, in accordance with the transitional provisions allowed in the Accounting Standard, a sum of Rs. 53.67 lacs (net of deferred tax asset of Rs. 27.63 lacs) being the impact of such change on the respective liabilities up to 30th June, 2007, has been adjusted against the Profit & Loss Account Credit balance as on 1st July,2007.

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms as per provisions of The Payment of Gratuity Act, 1972. The scheme is funded with an insurance company.

The following tables summarize the components of net benefit expenses recognized in the Profit & Loss Account and the funded status and amounts recognized in the balance sheet for gratuity.

(Rs. in lacs)

		Gratuity
(i)	**Net Employee Expense /(benefit)**	
	Current service cost	43.06
	Interest cost on benefit obligation	59.97
	Expected return on plan assets	(57.54)
	Net Actuarial loss recognised in the year	14.80
	Total employer expense	60.29
(ii)	**Actual return on plan assets**	83.02
(iii)	**Benefit Asset/(Liability)**	
	Fair value of Plan Assets	822.13
	Defined benefit obligation	(841.12)
	Benefit Asset / (Liability)	(18.99)

(Rs. in lacs)

		Gratuity
(iv)	**Movement in benefit liability**	
	Opening defined benefit obligation	777.52
	Interest cost	59.97
	Current service cost	43.06
	Benefits paid	(79.71)
	Actuarial (gains)/losses on obligation	40.28
	Closing benefit obligation	841.12
(v)	**Movement in fair value of plan assets**	
	Opening fair value of plan assets	676.39
	Expected Return on plan assets	57.54
	Contribution by employer	142.43
	Benefits paid	(79.71)
	Actuarial gains/(losses)	25.48
	Closing fair value of plan assets	822.13
(vi)	**The major categories of plan assets as a percentage of the fair value of total plan assets**	
	Funded with insurer	100%
(vii)	The Principal actuarial assumptions are as follows:	
	Discount rate	8.1%
	Expected Return on Plan Assets	8.5%
	Salary Increase	5%
	Withdrawal rates	Varying between 1% to 8% per annum depending upon the duration and age of the employees
(viii)	Amount incurred as expense for defined contribution to Provident / Pension fund plans Rs. 214.54 lacs (including Rs. 8.27 lacs capitalised as pre-operative expenses in Schedule-5)	
(ix)	The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
(x)	The Company expects to contribute Rs. 125 lacs to Gratuity fund in 2008-2009.	
(xi)	Details for the current year are as follows :	
	Defined Benefit Obligation	841.12
	Plan Assets	822.13
	Surplus/(Deficit)	(18.99)
	Experience adjustments on plan liabilities	Not Available *
	Experience adjustments on plan assets	Not Available *
* The management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.		
(xii)	Since AS-15 (revised) on employee benefits is applicable from 1st July, 2007, the disclosures above are given only for the current year.	

14. (a) Salaries and Wages relating to various repairs have not been charged separately to the repairs, as the amount thereof has not been demarcated.

(b) Consumption of raw materials, stores, spare parts and packing materials includes profit/loss on sale thereof.

(c) The following items are included under other heads of expenses in the Profit & Loss Account:

(Rs. in lacs)

	2007–08	2006–07
Salaries & Wages	70.46	105.20
Stores and Spares, etc.	513.54	616.39
Rent	0.73	0.39

15. Earning per Share (EPS)

In terms of Accounting Standard - 20, the calculation of EPS is given below:

	2007–08	2006–07
Profit / (Loss) as per Profit & Loss Account (Rs in lacs)	(469.78)	(2590.83)
Add: Dividend on 10% Cumulative Redeemable Preference Shares (including Dividend Tax)	–	2.07
Profit / (Loss) for equity shareholders (Rs in lacs)	(469.78)	(2592.90)
Weighted average number of Equity Shares outstanding during the year (Rs. 10 each)	11557239	11235396
Basic and Diluted earning per share (Rs.)	(4.06)	(23.08)

16. The subsidiary company has given undertakings to financial institutions/banks and a co-operative society not to transfer, assign, pledge, hypothecate or otherwise dispose of its shareholding in the following Companies without their prior approval in writing till the loans granted by them to these Companies remain outstanding.

(a) Sutlej Textiles & Industries Ltd.

(b) Manavta Holdings Limited

17. a) Derivative instruments outstanding as on the Balance Sheet date:

Currency / Interest rate swap for foreign currency loan of USD 12 millions equivalent to Rs. 5531.10 lacs @ 6 months Libor + 1.30% p.a vis a vis fixed rate of 8.75% p.a.

(b) Foreign currency exposures in respect of foreign creditors of Nil (Rs. 56.96 lacs) are not hedged as on the Balance Sheet date.

18. Based on the information / documents available with the Company, information as per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 are as under:

(Rs. in lacs)

	2007–08	2006–07
(i) Principal amount remaining unpaid to any supplier at the end of accounting year. (including retention money against performance).	110.19	255.16
(ii) Interest due on above.	0.12	–
Total of (i) & (ii)	110.31	255.16
(iii) Amount of interest paid by the Company to the suppliers in terms of section 16 of the Act.	–	–
(iv) Amounts paid to the suppliers beyond the respective due date	23.66	–
(v) Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	0.28	–
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year	0.40	–
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of this Act.	–	–

19. Related Party Disclosures

(a) Names of the related parties

Key Management Personnel	Smt. Nandini Nopany – Chairperson cum Managing Director
	Shri C.B. Patodia – Advisor
	Shri S.K.Poddar - Company Secretary
	Shri B.K. Malpani - Executive President, Seohara Unit
	Shri B.K. Sureka - Executive President, Sidhwalia Unit
	Shri R.K. Gupta - Sr. Executive Vice President, Hasanpur Unit
	Shri S.S. Binani - Executive Vice President, Cinnatolliah Tea Garden
Relatives of Key Management Personnel	Dr. K. K. Birla – Father of Smt. Nandini Nopany
	Shri C.S. Nopany – Son of Smt. Nandini Nopany
	Smt. Jyotsna Poddar - Sister of Smt. Nandini Nopany
	Smt. Shobhana Bhartia - Sister of Smt. Nandini Nopany
	Smt. Prem Lata Malpani - Wife of Shri B.K.Malpani
	Shri Amit Malpani – Son of Shri B.K. Malpani
	Smt. Anchal Malpani - Wife of Shri Amit Malpani
	Shri Prateek Sureka - Son of Shri B.K. Sureka
	Shri Pragati Sureka - Son of Shri B.K. Sureka
Enterprises owned or significantly influenced by Key Management Personnel and their relatives	The Oudh Sugar Mills Ltd.
	H. T. Media Ltd.
	Gobind Sugar Mills Ltd.
	OSM Investment & Trading Co. Ltd.
	Hargaon Investment & Trading Co. Ltd
	Champaran Marketing Co. Ltd.

(b) Aggregated Related Party Disclosures as at and for the year ended 30th June, 2008

(Rs. in lacs)

	Key Management Personnel		Relatives of Key Management Personnel		Enterprises owned by Key Management Personnel or their relatives		Total	
	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008
Sale of Goods & Services								
Gobind Sugar Mills Ltd.	–	–	–	–	0.76	–	0.76	–
	(–)	(–)	(–)	(–)	(0.51)	(–)	(0.51)	(–)
The Oudh Sugar Mills Ltd.	–	–	–	–	37.17	–	37.17	–
	(–)	(–)	(–)	(–)	(19.17)	(–)	(19.17)	(–)
Sale of Fixed Assets								
The Oudh Sugar Mills Ltd.	–	–	–	–	96.11	–	96.11	–
	(–)	(–)	(–)	(–)	(951.78)	(–)	(951.78)	(–)
Purchase of Goods & Services								
The Oudh Sugar Mills Ltd.	–	–	–	–	206.66	–	206.66	–
	(–)	(–)	(–)	(–)	(109.01)	(–)	(109.01)	(–)
Gobind Sugar Mills Ltd.	–	–	–	–	12.97	–	12.97	–
	(–)	(–)	(–)	(–)	(0.52)	(–)	(0.52)	(–)
Purchase of Fixed Assets								
The Oudh Sugar Mills Ltd.	–	–	–	–	130.66	–	130.66	–
	(–)	(–)	(–)	(–)	(115.13)	(–)	(115.13)	(–)
Gobind Sugar Mills Ltd.	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(1.74)	(–)	(1.74)	(–)
Interest Expenses								
H T Media Ltd.	–	–	–	–	59.98	–	59.98	–
	(–)	(–)	(–)	(–)	(10.11)	(–)	(10.11)	(–)
Others	–	–	6.61	6.41	–	–	6.61	6.41
	(–)	(–)	(5.46)	(2.76)	–	(–)	(5.46)	(2.76)
Dividend Paid during the year								
Hargaon Investment & Trading Co. Ltd.	–	–	–	–	–	–	–	–
	(–)	–	(–)	(–)	(32.90)	(–)	(32.90)	(–)
OSM Investment & Trading Co. Ltd	–	–	–	–	–	–	–	–
	(–)	–	(–)	(–)	(11.74)	(–)	(11.74)	(–)
Champaran Marketing Co. Ltd	–	–	–	–	–	–	–	–
	(–)	–	(–)	(–)	(13.04)	(–)	(13.04)	(–)
Dr. K.K. Birla	–	–	–	–	–	–	–	–
	(–)	(–)	(8.89)	(–)	(–)	(–)	(8.89)	(–)
Smt. Nandini Nopany	–	–	–	–	–	–	–	–
	(27.81)	(–)	(–)	(–)	(–)	(–)	(27.81)	(–)
Others	–	–	–	–	–	–	–	–
	(0.08)	(–)	(1.99)	(–)	(0.96)	(–)	(3.03)	(–)
Dividend Received								
The Oudh Sugar Mills Ltd.	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(88.34)	(–)	(88.34)	(–)
Others	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(4.00)	(–)	(4.00)	(–)
Intercorporate Loans and Fixed Deposits Taken								
H T Media Ltd.	–	–	–	–	–	500.00	–	500.00
	(–)	(–)	(–)	(–)	(500.00)	(500.00)	(500.00)	(500.00)
Others	–	–	23.95	70.02	–	–	23.95	70.02
	(–)	(–)	(41.07)	(62.19)	(–)	(–)	(41.07)	(62.19)

(b) Aggregated Related Party Disclosures as at and for the year ended 30th June, 2008

(Rs. in lacs)

	Key Management Personnel		Relatives of Key Management Personnel		Enterprises owned by Key Management Personnel or their relatives		Total	
	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008	Transaction Value	Balance Outstanding as on 30.06 2008
Intercorporate Loans and Fixed Deposits Refunded								
Smt. Premlata Malpani	–	–	6.40	–	–	–	6.40	–
	(–)	(–)	(5.41)	(–)	(–)	(–)	(5.41)	(–)
Shri Amit Malpani	–	–	5.33	–	–	–	5.33	–
	(–)	(–)	(4.44)	(–)	(–)	(–)	(4.44)	(–)
Hargaon Investment & Trading Co. Ltd.	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(300.00)	(–)	(300.00)	(–)
OSM Investment & Trading Co. Ltd	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(115.00)	(–)	(115.00)	(–)
Champaran Marketing Co. Ltd.	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(40.00)	(–)	(40.00)	(–)
Others	–	–	4.39	–	–	–	4.39	–
	(–)	(–)	(16.78)	(–)	(–)	(–)	(16.78)	(–)
Balance Outstanding On Current Account (Net) Debit / (–)Credit								
Gobind Sugar Mills Ltd.	–	–	–	–	–	–12.44	–	–12.44
	(–)	(–)	(–)	(–)	(–)	(–0.75)	(–)	(–0.75)
The Oudh Sugar Mills Ltd.	–	–	–	–	–	48.47	–	48.47
	(–)	(–)	(–)	(–)	(–)	(58.02)	(–)	(58.02)
Directors' Commission & sitting fees								
Shri C.S. Nopany	–	–	0.48	–	–	–	0.48	–
	(–)	(–)	(0.40)	–	(–)	(–)	(0.40)	–
Remuneration								
Shri C.B. Patodia	101.28	1.32	–	–	–	–	101.28	1.32
	(91.57)	(1.27)	(–)	(–)	(–)	(–)	(91.57)	(1.27)
Shri S.K. Poddar	15.24	–	–	–	–	–	15.24	–
	(13.32)	(–)	(–)	(–)	(–)	(–)	(13.32)	(–)
Shri B.K. Malpani	13.77	0.36	–	–	–	–	13.77	0.36
	(11.63)	(0.31)	(–)	(–)	(–)	(–)	(11.63)	(0.31)
Shri B.K. Sureka	11.07	0.39	–	–	–	–	11.07	0.39
	(10.71)	(0.62)	(–)	(–)	(–)	(–)	(10.71)	(0.62)
Sri S.S. Binani	10.97	–	–	–	–	–	10.97	–
	(10.51)	(–)	(–)	(–)	(–)	(–)	(10.51)	(–)
Shri R.K. Gupta	4.96	0.55	–	–	–	–	4.96	0.55
	(5.11)	(0.21)	(–)	(–)	(–)	(–)	(5.11)	(0.21)

(c) The remuneration paid to Smt. Nadini Nopany, Managing Director, has been disclosed in Schedule–21 to the accounts.

20. The Company's segment information as at and for the year ended 30th June, 2008 are as below:

(Rs. in lacs)

		Sugar	Spirit	Co-generation	Tea	Others	Total
(a)	**Revenue (net of excise duty and cess)**						
	External Sales	20743.41 (27583.88)	4935.06 (2919.76)	2706.36 (226.99)	1028.44 (1015.13)	441.95 (615.03)	29855.22 (32360.79)
	Inter-segment Sales	3000.77 (1394.59)	1.38 (2.48)	1146.08 (1.91)	– (–)	– (–)	4148.23 (1398.98)
	Total Revenue	23744.18 (28978.47)	4936.44 (2922.24)	3852.44 (228.90)	1028.44 (1015.13)	441.95 (615.03)	34003.45 (33759.77)
(b)	**Results**						
	Segment Results	–286.85 (–3889.42)	1378.06 (1079.06)	1178.41 (2.60)	181.97 (137.19)	15.35 (5.52)	24666.94 (–2665.05)
	Unallocated expenses net of unallocated income						229.19 (165.65)
	Operating Profit/(–) Loss						2237.75 (–2830.70)
	Interest & Finance Charges (net)						2930.80 (1182.30)
	Income Tax Provision no longer required written back						0.58 (82.50)
	Income, Wealth & Fringe benefit Tax						58.19 (48.77)
	MAT Credit entitlement Reversal						– (6.85)
	Deferred Tax Asset (net)						280.88 (1395.29)
	Net Profit/(–) Loss						–469.78 (–2590.83)
(c)	**Total Assets**						
	Segment Assets	52397.58 (42177.32)	6027.69 (5314.00)	10734.29 (10296.42)	893.81 (841.89)	39.24 (36.79)	70092.61 (58666.42)
	Unallocated Corporate Assets						4723.68 (4411.11)
							74816.29 (63077.53)
(d)	**Total Liabilities**						
	Segment Liabilities	7033.73 (10993.16)	165.65 (316.63)	311.91 (789.96)	101.80 (105.34)	24.52 (5.06)	7637.61 (12210.15)
	Unallocated Corporate Liabilities						52201.67 (35377.40)
							59839.28 (47587.55)
(e)	**Other Information**						
	(i) Non Cash expenses included in Segment expenses for arriving at Segment Results	10.48 (10.93)	– (–)	– (–)	– (–)	– (–)	10.48 (10.93)
	(ii) Capital Expenditure	8293.91 (11515.63)	691.61 (2078.72)	791.70 (8295.40)	100.95 (121.59)	– (–)	9878.17 (22011.34)
	(iii) Depreciation for the year	1288.99 (875.37)	249.02 (141.91)	471.45 (42.25)	41.91 (38.70)	0.09 (0.09)	2051.46 (1098.32)
(f)	**Geographical Segments**						
	Revenue						
	India						29855.22 (32360.79)
	Overseas						– (–)
							29855.22 (32360.79)

Notes:

(i) Business Segment: The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified "Sugar", "Spirit", "Co–generation" and "Tea" as the operating segments.

Sugar - Consists of manufacture and sale of Sugar, Molasses & Bagasse.
Spirit - Consists of manufacture & sale of Industrial Spirits (including denaturants), Bio Compost & Fusel Oil.
Co Generation - Consists of generation and transmission of power.
Tea - Consist of cultivation, manufacture and sale of tea.
Others – Consist of miscellaneous business comprising of less than 10% revenues.

(ii) Geographical Segment: The Company primarily operates in India and therefore the analysis of geographical segment is demarcated into its Indian and Overseas Operations.

(iii) The Company has common fixed assets for producing goods for domestic and overseas. Hence, separate figures for fixed assets / additions to the fixed assets thereof cannot be furnished.

21. Figures given in brackets are for the previous year and the previous years figures have been regrouped and/or rearranged, wherever necessary.

Signatories to Schedules 1 to 24

For **S. R. Batliboi & Co.**
Chartered Accountants

Per **R. K. Agrawal**
Partner
Membership No. 16667
Place: Kolkata
Dated : 22nd August, 2008

S. K. Poddar
Secretary

C. S. Nopany
Director

Nandini Nopany
Chairperson-cum-Managing Director

DIRECTORS' REPORT

To
The Shareholders,

Your Directors have pleasure in presenting their Report and the audited Accounts of the Company for the year ended 31st March, 2008

2. **Financial Results**

	Rs.	Rs.
The Profit & Loss Account shows a profit of		1,70,78,665
To which is added the balance brought forward from the previous year		6,78,35,736
Making a total of		8,49,14,401
Out of this provisions have been made for -		
Reserve Fund	32,00,000	
Taxation (including Rs. 1,13,375 short provision in respect of an earlier year)	11,33,375	43,33,375
Balance to be carried forward		8,05,81,026

3. **Dividend**
Your Directors have not recommended any dividend.

4. **Directors**
Shri R.N. Jhunjhunwala and Shri I.P. Singh Roy retire from the Board by rotation and are eligible for re-appointment.

5. **Auditors**
The Auditors, Messrs S. S. Kothari & Co., Chartered Accountants, retire and are eligible for re-appointment.

6. **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

As the Company has no manufacturing activity, it is not required to furnish any information with regard to conservation of energy. There is no information to furnish with regard to technology absorption. During the year, no foreign exchange was earned or used by the Company.

7. **Particulars of Employees**
The provisions of Section 217 (2A) of the Companies Act, 1956 are not applicable to the Company as there is no employee.

8. **Directors' Responsibility Statement**

Your Directors confirm that -

i) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) they have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that year;

iii) they have taken proper and sufficient care 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;

iv) they have prepared the annual accounts on a going concern basis.

9. **Audit Committee**
As required under the provisions of the Companies Act, 1956, an Audit Committee has been constituted by the Board of Directors consisting of Shri R.N. Jhunjhunwala as Chairman and Smt. Nandini Nopany and Shri A.L. Tulsian as Members.

9/1, R. N. Mukherjee Road,
Kolkata 700 001,
Dated : 16th April, 2008

R. N. Jhunjhunwala *Director*
I. P. Singh Roy *Director*
A. L. Tulsian *Director*
C. S. Nopany *Managing Director*
Nandini Nopany Chairperson

AUDITORS' REPORT

To
The Members

1. We have audited the attached Balance Sheet of Uttar Pradesh Trading Company Limited as at 31st March, 2008 and also the Profit and Loss Account for the year ended on that date annexed 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.

2. We conducted our audit in accordance with the 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 the 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, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.

   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 and Profit & Loss Account, dealt with by this report, are in agreement with the books of account as submitted to us.

   d) In our opinion, the Balance Sheet and Profit & 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.

   e) On the basis of written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 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 31st March, 2008; and

      ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For **S. S. Kothari & Co.**
Chartered Accountants

Centre Point
21, Old Court House Street,
Kolkata - 700001
Dated : 16th April, 2008

A. Datta
Partner
Membership No. 5634

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in Paragraph 3 of our report of even date

1. The Company has maintained proper records showing full particulars and location of land. The fixed assets of the Company have been physically verified by the management during the year and no fixed assets were disposed of during the year.
2. The Company has no manufacturing and/or trading activities and as such the question of having any stock and maintenance of record in respect thereof and physical verification of inventory does not arise.
3. a) The Company has granted unsecured interest free loan to the holding company which considering the strategic relationship are stated to be on reasonable terms.

   b) The Company has not taken any loans, secured or unsecured from or granted any loan to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. According to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company for purchase of fixed assets. No major weaknesses have been noticed in the internal control system.
5. There was no transaction which required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. The internal audit was conducted by a service company and in our opinion the internal audit system is commensurate with the size of the Company and the nature of its business.
8. The Company is not required to maintain the cost records as prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
9. The Company is regular in depositing undisputed statutory dues with the appropriate authorities as applicable. As the Company has no employee and no manufacturing and/ or trading activities are carried on by the Company the question of payment of provident fund, employees' state insurance, sale-tax, custom duty, excise duty, cess etc. does not arise. According to the information and explanations given to us no undisputed amounts payable in respect of statutory dues relating to Income Tax, Wealth Tax, Service Tax and Cess were outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable. There are no dues outstanding in respect of statutory dues on account of any dispute.
10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. According to information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank and debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities hence maintenance of records in respect thereof does not arise.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
14. In respect of dealing in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.
15. The Company has not given any guarantee for loans taken by others, from bank and financial institutions.
16. The Company has not taken any term loan from any financial institutions or bank. The Company does not have any borrowing by way of debentures.
17. We have been informed by the management that no funds raised on short term basis have been used for long term purposes.
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. The Company has not raised any money through a public issue during the year.
19. The Company has not issued any debentures during the year.
20. The Company, during the year has not raised any money by public issue.
21. Based upon the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. S. Kothari & Co.**
Chartered Accountants

Centre Point
21, Old Court House Street,
Kolkata - 700001
Dated : 16th April, 2008

A. Datta
Partner
Membership No. 5634

BALANCE SHEET As at 31st March, 2008

(Amount in Rupees)

	Schedule	31st March, 2008	31st March, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	16,36,24,995	16,36,24,995
Reserves & Surplus	2	15,25,31,026	13,65,85,736
		31,61,56,021	**30,02,10,731**
APPLICATION OF FUNDS			
Fixed Assets			
Land (at cost)		**16,00,382**	**16,00,382**
Investments	3	**24,71,69,891**	**24,45,57,083**
Current Assets, Loans & Advances			
Current Assets	4	36,428	55,867
Loans & Advances	5	6,83,75,320	5,42,10,144
		6,84,11,748	**5,42,66,011**
Less : Current Liabilities & Provisions :	6		
Current Liabilities		6,000	6,000
Provisions		10,20,000	2,06,745
		10,26,000	**2,12,745**
Net Current Assets		**6,73,85,748**	**5,40,53,266**
		31,61,56,021	**30,02,10,731**
Accounting Policies and Notes on Accounts	8		

As per our Report attached.

For **S. S. Kothari & Co.**

Chartered Accountants

A. Datta	**R. N. Jhunjhunwala**	**I. P. Singh Roy**	**A. L. Tulsian**	**C. S. Nopany**	**Nandini Nopany**
Partner	*Director*	*Director*	*Director*	*Managing Director*	Chairperson

Membership No. 5634

Centre Point

21, Old Court House Street

Kolkata 700 001

Dated: 16th April, 2008

PROFIT AND LOSS ACCOUNT For the year ended 31st March, 2008

(Amount in Rupees)

	Schedule	2007–08	2006–07
INCOME			
Dividend		1,38,85,009	2,23,28,643
Interest on Loans (Tax deducted at source Rs. 7,49,320; previous year Rs. 10,144)		33,06,794	45,205
Miscellaneous Receipt		–	74
Land Rent		29	–
		1,71,91,832	**2,23,73,922**
EXPENDITURE			
Directors' Fees		5,200	6,000
Loss on Sale of Investments		–	11,34,092
Other Expenses	7	1,07,967	83,529
		1,13,167	**12,23,621**
Profit before Taxation		**1,70,78,665**	**2,11,50,301**
Less : Provision for taxation (including short provision in respect of an earlier year Rs. 1,13,375)		11,33,375	123
Profit after Taxation		**1,59,45,290**	**2,11,50,178**
Add: Balance brought forward from last year		6,78,35,736	5,43,92,303
Profit available for appropriation		**8,37,81,026**	**7,55,42,481**
APPROPRIATIONS			
Transfer to Reserve Fund		32,00,000	45,00,000
Transfer to Capital Redemption Reserve		–	30,00,000
Proposed Dividend on 3,00,000 Cumulative Redeemable Preference Shares of Rs. 10 each @ 10% per annum		–	1,76,712
Provision for Dividend Tax		–	30,033
Balance carried to Balance Sheet		8,05,81,026	6,78,35,736
		8,37,81,026	**7,55,42,481**
Accounting Policies and Notes on Accounts	8		

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

For **S. S. Kothari & Co.**

Chartered Accountants

A. Datta	**R. N. Jhunjhunwala**	**I. P. Singh Roy**	**A. L. Tulsian**	**C. S. Nopany**	**Nandini Nopany**
Partner	*Director*	*Director*	*Director*	*Managing Director*	Chairperson

Membership No. 5634

Centre Point

21, Old Court House Street

Kolkata 700 001

Dated: 16th April, 2008

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	31st March, 2008	31st March, 2007
SCHEDULE 1 SHARE CAPITAL		
Authorised		
16,70,00,000 Ordinary Shares of Re.1 each	16,70,00,000	16,70,00,000
3,00,000 Preference Shares of Rs.10 each	30,00,000	30,00,000
	17,00,00,000	**17,00,00,000**
Issued		
16,37,25,000 Ordinary Shares of Re.1 each	16,37,25,000	16,37,25,000
3,00,000 10% Cumulative Redeemable Preference Shares of Rs.10 each	30,00,000	30,00,000
	16,67,25,000	**16,67,25,000**
Subscribed & Paid-up		
16,36,24,995 Ordinary Shares of Re.1 each fully paid up	16,36,24,995	16,36,24,995
	16,36,24,995	**16,36,24,995**

Notes:

1. Out of 16,36,24,995 Ordinary Shares 7,20,000 Shares have been allotted as fully paid Bonus Shares by capitalisation of General Reserve.
2. The entire Subscribed Ordinary Share Capital is held by Upper Ganges Sugar & Industries Ltd., the holding company.

SCHEDULE 2 RESERVES & SURPLUS		
Share Premium Account		
As per last Account	**1,07,50,000**	**1,07,50,000**
Reserve Fund		
As per last Account	2,70,00,000	2,25,00,000
Add: Transfer from Profit & Loss Account	32,00,000	45,00,000
	3,02,00,000	**2,70,00,000**
General Reserve		
As per last Account	**2,80,00,000**	**2,80,00,000**
Capital Redemption Reserve		
As per last Account	30,00,000	–
Add: Transfer from Profit & Loss Account	–	30,00,000
	30,00,000	**30,00,000**
Surplus as per Profit & Loss Account	**8,05,81,026**	**6,78,35,736**
	15,25,31,026	**13,65,85,736**

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	No. of Shares	Face Value Rs.	31st March, 2008	31st March, 2007
SCHEDULE 3 **INVESTMENTS** *(At Cost)*				
Quoted				
Equity Shares (Fully Paid)				
Chambal Fertilisers & Chemicals Ltd.	12,62,635	10	2,79,11,525	2,79,11,525
The Oudh Sugar Mills Ltd.	19,63,127	10	9,01,26,179	9,01,26,179
Haryana Oxygen Ltd.	5,000	10	50,000	50,000
New India Retailing & Investment Ltd. (Formerly Known as New India Sugar Mills Ltd.)	83,073	10	63,60,619	63,60,619
SIL Investments Ltd. (Formerly Known as Sutlej Industries Ltd.)	20,19,339	10	4,78,35,629	4,78,35,629
Sutlej Textiles & Industries Ltd. *	20,27,798	10	5,93,89,117	5,93,89,117
Manbhawani Investment Ltd.	73,500	10	2,25,296	2,25,296
Manavta Holdings Ltd.	73,500	10	2,25,296	2,25,296
Gobind Sugar Mills Ltd.	3,20,000	10	1,02,00,000	1,02,00,000
			24,23,23,661	**24,23,23,661**
Unquoted				
Equity Shares (Fully Paid)				
Taparia Ltd.	3,500	10	40,105	40,105
Shree Vihar Properties Ltd.	2,24,307	10	19,73,070	19,73,070
Modern DiaGen Services Ltd. (Formerly Known as Damanganga Processors Ltd.)	13,196	10	1,31,960	1,31,960
Moon Corporation Ltd.	2,874	5	39,287	39,287
India Educational & Research Institutions Pvt. Ltd.	4,900	10	49,000	49,000
Leas Communications Ltd.(value written off)	21,000	10	–	–
Chandausi Rice Mills Ltd. (value written off)	1,000	10	–	–
Maruti Ltd. (In liquidation – value written off)	40,000	10	–	–
APV Texmaco Ltd.(In liquidation – value written off)	20,400	10	–	–
			22,33,422	**22,33,422**
Equity Shares (Fully Paid)				
Modern DiaGen Services Ltd. (Rs. 2 paid up per share)	13,06,404	10	26,12,808	–
			24,71,69,891	**24,45,57,083**
Aggregate Book Value of Quoted Investments			24,23,23,661	24,23,23,661
Aggregate Book Value of Unquoted Investments			48,46,230	22,33,422
			24,71,69,891	**24,45,57,083**
Market Value of Quoted Investments			**52,67,30,669**	**65,81,42,622**

SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	31st March, 2008	31st March, 2007
SCHEDULE 4 CURRENT ASSETS		
Cash and Bank Balances		
With Scheduled Banks on Current Accounts	36,428	55,867
	36,428	**55,867**
SCHEDULE 5 LOANS & ADVANCES *(Unsecured, Considered Good)*		
Loans:		
Loan to Upper Ganges Sugar & Industries Ltd.,		
the holding company (not bearing Interest)	3,73,50,000	2,42,00,000
To a body corporate	3,00,00,000	3,00,00,000
Advance payment of Income-tax & tax deducted at source	10,25,320	10,144
	6,83,75,320	**5,42,10,144**
SCHEDULE 6 CURRENT LIABILITIES & PROVISIONS		
Current Liabilities:		
Sundry Creditors for Expenses	6,000	6,000
	6,000	**6,000**
Provisions:		
For Taxation	10,20,000	–
For Proposed Dividend	–	1,76,712
For Dividend Tax	–	30,033
	10,20,000	**2,06,745**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

	2007–08	2006–07
SCHEDULE 7 OTHER EXPENSES		
Rates & Taxes	7,300	6,600
Service Charges	44,944	40,406
General Charges	48,723	30,523
Auditors Remuneration:		
As Audit Fees	6,000	6,000
For Certificates etc.	1,000	–
	1,07,967	**83,529**

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 8 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. **Accounting Policies**

   a) **Fixed Assets:**
   Fixed Assets are stated at cost.

   b) **Recognition of Income and Expenditure**
   Income and Expenditure are recognised on accrual basis.

   (c) **Investments:**
   Long Term Investments are considered at cost on individual basis, unless there is permanent decline in value thereof, in which case adequate provision is made against the diminution in the value of investments.

2. No provision has been made in respect of diminution in the value of certain quoted investments aggregating Rs. 39,18,021 as the same, in the opinion of management, is not permanent in nature. However, there is no diminution in the overall market value of the quoted investments.

3. The Company has given undertakings to financial institutions/banks not to transfer, assign, pledge, charge or create any lien or otherwise dispose of its shareholdings in Sutlej Textiles & Industries Ltd. without their prior approval in writing till the financial assistance provided by them to the said companies remain outstanding.

4. The Company has given an undertaking to Darbhanga Mansion Co-operative Housing Society Ltd. not to transfer, create any charge, pledge or encumbrance or otherwise dispose of its shareholding in Manavta Holdings Ltd. without their written consent.

Signatories to Schedules '1' to '8'

For **S. S. Kothari & Co.**
Chartered Accountants

A. Datta
Partner
Membership No. 5634
Centre Point
21, Old Court House Street
Kolkata 700 001
Dated: 16th April, 2008

R. N. Jhunjhunwala
Director

I. P. Singh Roy
Director

A. L. Tulsian
Director

C. S. Nopany
Managing Director

Nandini Nopany
Chairperson

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	U51109WB1951PLC019450	State Code	21
Balance Sheet Date	31 03 2008		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousands)*

Total Liabilities	3161561	Total Assets	3161561
Sources of Funds		**Application of Funds**	
Paid-up Capital	163625	Net Fixed Assets	1600
Reserves & Surplus	152531	Investments	2471700
Secured Loans	NIL	Net Current Assets	673866
Unsecured Loans	NIL	Misc. Expenditure	NIL
		Accumulated Losses	NIL

IV. Performance of Company *(Amount in Rs. Thousands)*

Turnover	171792	Total Expenditure	1113
Profit before Tax	170779	Profit after Tax	159455
Earning per Share in (Rs.)	0.10	Dividend Rate	NIL

V. Generic Names of Principal Products / Services of the Company (As per Monetary terms)

Item Code No. (ITC Code)
Product Description

} Not Applicable since the Company is an Investment Company.

R. N. Jhunjhunwala	I. P. Singh Roy	A. L. Tulsian	C. S. Nopany	Nandini Nopany
Director	*Director*	*Director*	*Managing Director*	Chairperson

SCHEDULES TO THE BALANCE SHEET OF A NON-BANKING FINANCIAL COMPANY

(As required in terms of paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998)

(Rs. in lacs)

Particulars	Amount outstanding	Amount overdue
	As on 31.03.2008	As on 31.03.2008
Liabilities Side		
1. Loans and Advances availed by the NBFC'S inclusive of interest accrued thereon but not paid:		
(a) Debentures		
Secured	Nil	Ni
Unsecured (Other than falling within the meaning of Public Deposits)	Nil	Nil
(b) Deferred Credits	Nil	Ni
(c) Term Loans	Nil	Nil
(d) Inter-Corporate Loans and Borrowings	Nil	Nil
(e) Commercial Paper	Nil	Ni
(f) Other Loans (specify nature)	Nil	Nil

Assets Side:	Amount outstanding
2. Break-up of Loans and Advances including Bills receivables (other than those included in (4) below)	
(a) Secrued	Nil
(b) Unsecured	683.75
3. Break-up of Leased Assets and Stock on Hire and other assets counting towards AFC activities	
i) Lease Assets including lease rentals under sundry debtors :	
(a) Financial Lease	Nil
(b) Operating Lease	Nil
ii) Stock on hire including hire charges under sundry debtors :	
(a) Assets on Hire	Nil
(b) Repossessed Assets	Nil
iii) Other Loans counting towards AFC activities :	
(a) Loans where assets have been repossessed	Nil
(b) Loans other than (a) above	Nil
4. Break-up of Investments :	
Current Investments :	
1. Quoted :	
(i) Shares :	
(a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (please specify)	Nil
2. Unquoted :	
(i) Shares	
(a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (please specify)	Nil

(Rs. in lacs)

	Amount outstanding
Long Term Investments:	
1. Quoted:	
(i) Shares :	
(a) Equity	2423.24
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (please specify)	Nil
2. Unquoted	
(i) Shares :	
(a) Equity	48.46
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (please specify)	Nil

5. Borrower group-wise classification of Assets, financed as in (2) and (3) above :

Category *(Rs. in lacs)*

	Amount (net of provisions)		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	373.50	373.50
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	300.00	300.00
Total	**Nil**	**673.50**	**673.50**

6. Investor group-wise classification of all Investments

(current and long term) in shares and securities (both quoted and unquoted) :

Category	Market Value/ Break-up or Fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties	5324.32	2471.70
Total :	**5324.32**	**2471.70**

7. Other Information

Particulars	Amount
i) Gross Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
ii) Net Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
iii) Assets acquired in satisfaction of debt	Nil

R. N. Jhunjhunwala	I. P. Singh Roy	A. L. Tulsian	C. S. Nopany	Nandini Nopany
Director	*Director*	*Director*	*Managing Director*	Chairperson

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