

7th

7th

ANNUAL REPORT

1st January 1999

to

31st December 1999

SWOJAS ENERGY FOODS LIMITED

SWOJAS ENERGY FOODS LIMITED

7th ANNUAL REPORT

BOARD OF DIRECTORS

FORTUNATO GUADALUPI	CHAIRMAN & MANAGING DIRECTOR (with effect from 23 rd September, 1999.)
GIORGIO LACOVARA	CHAIRMAN & MANAGING DIRECTOR (upto 23 rd September, 1999.)
ANDREA DALL'OLIO	WHOLE TIME DIRECTOR (with effect from 23 rd September, 1999 to 20 th April, 2000)
ALBERTO FERRARIS	NOMINEE DIRECTOR OF PARMALAT S.p.A. (with effect from 23 rd September, 1999.)
DR. FRANCESCO GIUFFREDI	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 23 rd September, 1999.)
ANGELO UGOLOTTI	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 23 rd September, 1999.) (Since 13 th July, 2000)
NUGGEHALLI J. KESHAVDAS	NOMINEE DIRECTOR OF PARMALAT S.p.A.
ASHISH R. SHAH	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 13 th July, 2000)
ASHUTOSH R. SHAH	DIRECTOR

AUDITORS :

M/S. Deloitte Haskins & Sells
Chartered Accountants
Mafatlal House,
Backbay Reclamation,
Mumbai 400 020.

REGISTERED OFFICE :

S. No. 106-A/1, Plot No. 17
Nirmiti Chambers,
Off Senapati Bapat Road
Shivajinagar, PUNE 411 016.

FACTORY :

Gat No. 328/1-1, Village Sarvad
Taluka & District Dhule 424001
MAHARASHTRA

SECURITIES LISTED AT :

THE STOCK EXCHANGE, MUMBAI
PUNE STOCK EXCHANGE LIMITED
THE STOCK EXCHANGE, AHMEDABAD

NOTICE

NOTICE IS HEREBY GIVEN that the **Seventh Annual General Meeting of the Members of Swojas Energy Foods Limited** will be held on **Thursday, the 31st day of August, 2000 at 10.30 a.m.** at registered office at **S. No.106-A/1, Plot No. 17, Nirmiti Chambers, Off. Senapati Bapat Raod, Shivajinagar, Pune 411016** to transact the following business :

1. To receive, consider and adopt the audited Profit and Loss Account of the company for the year ended 31st December,1999, the Balance Sheet as on that date and the Report of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N.J.Keshavdas, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashutosh R. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and authorise the Board to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification/s the following Resolution as an **Ordinary Resolution**

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 and the approval received from the Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000, the Company hereby accord its approval to the appointment of Mr. Fortunato Guadalupi as a Managing Director of the Company for a period of five years with effect from 23rd September, 1999 on the following terms and conditions with a liberty to the Board of Directors to decide, alter and vary the terms and conditions of the said appointment without any further reference to the members of the Company in General Meeting during the tenure of his appointment.

REMUNERATION:

1. Rs. 1,25,000/-per month inclusive of all allowances and perquisites for the period from 23.9.1999 to 01.03.2000.
2. Rs. 1,34,000/-per month inclusive of all allowances and perquisites for the period from 2.3.2000 till 22.09.2004 or such other maximum remuneration as may be permissible from time to time within the Section II of Part II of Schedule XIII of the Companies Act, 1956.

PERQUISITES :

In addition to the above remuneration the appointee is entitled for the following perquisites, which shall not be included in computation of ceiling on remuneration.

1. Leave Travel Concession : Return passage for self and family in accordance with the rules specified by the Company where it is proposed that the leave be spent in home country instead of anywhere in India. Explanation : Since the appointee is the ex-patriate managerial person the perquisite shall not to be included in the computation of the ceiling on remuneration.
2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
3. The Gratuity payable shall not exceed half a month's salary for each completed year of service.
4. The appointee is entitled for earned/privilege leave as per rules of the Company. Leave accumulated and not availed of during the tenure may be encashed at the time of retirement or at the end of the tenure

as per rules of the Company. Encashment of leave will not be included in the computation on ceiling on perquisites.

5. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to Managing Director.

The Managing Director, so long as he function as such, shall not be paid any sitting fees for attending any meetings of the Board of Directors or committee thereof.

The Company shall reimburse to the Managing Director entertainment, travelling and all other expenses incurred by him for the business of the Company subject to a maximum ceiling of 50% of the remuneration per month.

6. To consider and if thought fit to pass with or without modification/s the following Resolution as an ordinary Resolution

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 and the approval received from the Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000, the Company hereby accord its approval to the appointment of Mr. Andrea Dall'Olio as a Whole Time Director of the Company for a period of five years with effect from 23rd September, 1999 on the following terms and conditions with a liberty to the Board of Directors to decide, alter and vary the terms and conditions of the said appointment without any further reference to the members of the Company in General Meeting during the tenure of his appointment.

REMUNERATION:

1. Rs. 1,25,000/-per month inclusive of all allowances and perquisites for the period from 23.9.1999 to 01.03.2000.
2. Rs. 1,30,000/-per month inclusive of all allowances and perquisites for the period from 02.03.2000 till 20.04.2000 as per Section II of part II of Schedule XIII of the Companies Act, 1956.

PERQUISITES :

In addition to the above remuneration the appointee is entitled for the following perquisites, which shall not be included in computation of ceiling on remuneration.

1. Leave Travel Concession : Return passage for self and family in accordance with the rules specified by the Company where it is proposed that the leave be spent in home country instead of anywhere in India. Explanation : Since the appointee is the ex-patriate managerial person this perquisite shall not to be included in the computation of the ceiling on remuneration.
2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
3. The Gratuity payable shall not exceed half a months' salary for each completed year of service.
4. The appointee is entitled for earned/pre-leave as per rules of the Company. Leave accumulated and not availed of during the tenure may be encashed at the time of retirement or at the end of the tenure as per rules of the Company Encashment of leave will not be included in the computation on ceiling on perquisites.
5. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed

by the company to the Whole Time Director.

The Whole Time Director, so long as he function as such, shall not be paid any sitting fees for attending any Meetings of the Board of Directors or Committee thereof.

The Company shall reimburse to the Whole Time Director entertainment, travelling and all other expenses incurred by him for the business of the Company subject to a maximum ceiling of 50% of the remuneration per month.

By Order of the Board of Directors

Place : Pune

Date : 14 / 07 / 2000

FORTUNATO GUADALUPI

CHAIRMAN & MANAGING DIRECTOR

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE MEETING.
3. Members of the company requested to notify immediately any change in their addresses to the company.
4. Members are requested to note that demat facility has been made available with effect from 3rd April, 2000.
5. Explanatory statement pursuant to section 173(2) of the companies Act, 1956 in respect of item No. 5 & 6 has been attached with this notice.
6. Members are requested to bring the copy of the annual report at the annual general meeting.

ANNEXURE TO THE NOTICE

Explanatory statement as required under section 173 (2) of the Companies Act,1956.

Item No.5 & 6

In view of the position of the Company, Parmalat S.p.A., Italy has decided to restructure the managerial positions and organisation hierarchy of the company and therefore vide their letter dtd. 22nd September,1999, nominated Mr. Fortunato Guadalupi as a Managing Director of the Company and Mr. Andrea Dall' Olio as a Whole Time Director of the Company with effect from 23rd September, 1999. The Board of Directors have appointed Mr. Fortunato Guadalupi as Chairman and Managing Director and Mr. Andrea Dall' Olio as a Whole Time Director and designated him as a Chief Financial Officer of the Company. Their appointment was subject to the approval of the Central Government and members of the Company on the terms and conditions mentioned in the resolution set out at item No. 5 and 6 respectively of the Notice.

The Company has received the approval from Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000. A copy of the said approval is open for inspection by the members of the Company at the registered office of the Company during the business hours on any working day. The Company will entered into necessary supplementary agreement with the Managing Director and Whole Time Director after incorporating provisions of Central Government's approval.

The Proposed appointees are associated with Parmalat S.p.A., Italy for several years. Both have completed several assignments before taking up this task in India. Considering their expertise knowledge and experience, Parmalat S.p.A., Italy has nominated them on the Board of the Company to improve the position of the Company.

After the said appointment but before this Annual General Meeting Mr. Andrea Dall' Olio resigned from the Board of the Company w.e.f. 20.04.2000 on his transfer by Parmalat. Therefore members are requested to grant their approval for his appointment for the period from 23.9.1999 to 20.04.2000.

None of the other Directors are concerned or interested in this resolutions.

This may be treated as abstract of the terms and conditions of contract of apoinment of Managing Director and Whole Time Director under section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Place : Pune

FORTUNATO GUADALUPI

Date : 14 / 07 / 2000

CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Report together with the Audited Accounts of the Company for the year ended 31st December, 1999.

FINANCIAL RESULTS :

PARTICULARS	FOR THE YEAR ENDED 31.12.1999 (12 MONTHS)	FOR THE PERIOD ENDED 31.12.1998 (9 MONTHS)
TURNOVER	98,454,376	69,260,736
PROFIT/(LOSS) BEFORE TAX, DEPRECIATION INTEREST & FINANCE CHARGES	(97,971,828)	(82,474,177)
PROFIT/(LOSS) AFTER TAX, DEPRECIATION INTEREST & FINANCE CHARGES	(83,000,388)	(62,704,247)
BALANCE CARRIED TO BALANCE SHEET	(232,745,547)	(149,745,158)

1. BOARD'S NOTE :

- 1) As You may be well aware, Your Company has been poorly performing in the whole of every past year, as also stated by the new Auditors appointed in 1999.
- 2) The parent Company hence decided to appoint a new team of managers in order to verify the reasons of such poor results and identify any possible solution/strategy to revamp the business.
- 3) New management, arrived in late September, has spent quite some time to assess the overall current situation, mainly due to the absence of a well organized accounting department, as well as to weak local managerial structure.
- 4) Conclusions with reference to such main facts can be summarized as follows:
 - i. Company has been operating in a commodity market largely dominated by co-operatives and characterized not only by very limited margins (if any), but also, very sensitive to factors beyond the control of any management, i.e. sharp increases in the cost of raw milk, which are not reversible on consumers' prices. (see rep. last year also,p.2)
 - ii. The attempts made to add value to some products, by packing them in small consumer portions and launching the Parmalat brand has been hindered by the lack of adequate constant supply of quality raw materials (mainly milk), and availability of local skilled and committed workforce. It is the present management belief that advertisement and promotion of such products could not be performed effectively in the absence of appropriate support from production quality, goods distribution and, above all, product profitability (as better specified below).

- iii. The sub-contracts and agreement in which the Company entered with the scope of enhancing sales of more value added products both in the retailer market and to institutional customers, along with the outsourcing for production of some selected items under the brand Parmalat, resulted unsuccessful, mainly for the totally different views and scopes of the other parties involved.
- iv. Along with the change of management appointed by the parent Company, a quick turnover of previous local management also took place by means of several immediate resignations. The aforementioned, read in conjunction with an organizational structure to be sharply strengthened, resulted in some difficulties in sourcing and perusing of some key information.
- v. Nevertheless Your Board has managed to reconcile the financial flows of the Company and to install, inter alia, a cash management system which resulted in an effective immediate control over day to day management, as well as planning.
- vi. Discontinuation of liquid pasteurized milk, even if strongly affecting the Company's turnover, paradoxically resulted in significantly reduced losses, due to the fact that pasteurized milk was not even recovering direct costs.
- vii. In the meantime a restructuring exercise began, with the scope of reducing the overall strength of Company's employees, mainly in the distribution area, where several D.Cs. had been previously set up, with a sharp increase in fixed costs for the Company, not justified by volumes and margins.
- viii. A new budgeting exercise based on a deeper understanding of the market and its opportunities, as well as a precise and detailed cost accounting has been performed.
- ix. After the beginning of the New Year an entire business plan, including hypothesis of variation of the profile of Your Company has been developed.
- x. Board is still taking in consideration all possible, viable actions to reduce losses.

2. BOARD'S CONSIDERATIONS AND ANSWER TO NOTES AND QUALIFICATIONS STATED IN THE AUDITOR'S REPORT.

Auditor's report :

Paragraph 2. item (i) and paragraph 3. item (g):

As stated in para 1 of the Board's notes, the overall situation of the Company was known, hence the measures undertaken, as specified also in para 4, items (viii) and (ix), with reference to a new budget and a brand new business plan, respectively.

Paragraph 2. item (ii):

Attention is drawn on Board's notes, paragraph 3 and paragraph 4, items (iv) and (v).

Paragraph 2. item (iii):

With its letter dated June 30th, 2000, the Central Government, through the Ministry of Law, Justice and Company Affairs Department of Company Affairs, approved the appointment of two whole-time Directors, w.e.f. September 23rd, 1999.

Paragraph 2, item (iv):

As also stated in Annexure to the Auditors' report, paragraph 1, item (a), the Accounting Department is updating the fixed assets register. Furthermore, in order to get an even better detailed situation of its fixed assets, the Company has appointed a chartered engineer and registered valuer, to produce a fully comprehensive list of all the existing fixed assets pertaining to the Company.

Paragraph 2, item (v):

It's a normal auditing procedure, often delayed and affected, by the large number of very small customers' and their accounting systems. Nevertheless the Company has taken this issue into proper account.

Paragraph 2, item (vi):

Note is self explanatory.

Paragraph 2, item (vii):

At current point in time Your Board doesn't see any reason why such a provision should be made.

5. Y2K COMPLIANCE :

All the systems of the Company are Y2K Compliant.

6. PUBLIC DEPOSITS :

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

7. DIRECTORS :

At the previous Annual General Meeting of the Company resolution for re-appointment of Capt. R. K. Shah as a Director was not carried.

In accordance with the Article 138(1) of Articles of Association of the Company, Mr. N. J. Keshavdas and Mr. Ashutosh R. Shah, Directors of the Company are liable to retire by rotation and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

8. AUDITORS :

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company, are retiring at the conclusion of this Annual General Meeting and being eligible offer themselves for the re-appointment.

The Board of directors recommends the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants as Auditors of the Company. The Company has received a certificate from M/s. Deloitte Haskins & Sells, Chartered Accountants conveying their eligibility under sub-section (1B) of section 224 of the Companies Act, 1956, that if appointed, their appointment will be within the limits.

9. THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure

of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' and forms part of this Report.

10. PARTICULARS OF EMPLOYEES :

The particulars of employees as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are set out in Annexure 'B' and forms part of this Report.

11. ACKNOWLEDGMENT :

Your Directors wish to place on record their deep desire of appreciation for the devoted services of the executives, staff and workers of the Company. Finally the Directors wish to express their gratitude to the members for their continued support.

For and on behalf of the Board of Directors

Place : Pune

Date : 14 / 07 / 2000

FORTUNATO GUADALUPI

CHAIRMAN & MANAGING DIRECTOR

ANNEXURE 'A' TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM A

Form for disclosure of particulars with respect to conservation of energy.

A. CONSERVATION OF ENERGY :

The Company has already installed efficient equipments while establishing the plant as to improve power factor and reduce power consumption. Also there are continuous and systematic efforts to optimise energy consumption and reduce energy costs through evaluation of performance.

1) POWER AND FUEL CONSUMPTION :

i) ELECTRICITY CONSUMPTION :

	CURRENT YEAR ENDED ON 31.12.1999	PREVIOUS PERIOD ENDED ON 31.12.1998
Total No. of units	957145 units	1010573 units
Total amount paid	Rs. 43, 02,587/-	Rs. 40,40,173/-
Per unit cost	Rs. 4.50	Rs. 3.99
For the period from	01.01.99 to 31.12.99	01.04.98 to 31.12.98

ii) OWN GENERATION :

	CURRENT YEAR	PREVIOUS PERIOD
Total electricity generated through		
D. G. Set	104829 units	52088 units
Total Cost Spent	Rs. 14,25,892/-	Rs. 1,69,235/-
Per unit Cost	Rs. 4.92	Rs. 3.24

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION :

There is no technology absorption, adaption and innovation during the year under review.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

There was no Foreign Exchange Earnings and Outgo during the year under review.

ANNEXURE 'B' TO DIRECTORS' REPORT

A) Details of the Employees who were in receipt of remuneration of not less than Rs. 6,00,000/- per annum, who were employed throughout the financial year in terms of Section 217 (2A) (i) of the Companies Act, 1956.

NIL

B) Details of Employees employed for part of the financial year, who were in receipt of remuneration at a rate of not less than Rs. 50,000/- per month in terms of Section 217 (2A) (i) of the Companies Act, 1956.

(i) Name : GIORGIO LACOVARA*
Gross Remuneration : Rs. 18,85,260
Designation : CHAIRMAN & MANAGING DIRECTOR (UPTO 23.9.99)
Nature of Employment : Contractual
Nature of Duties : Overall management of the Company
Qualification : Engineer
Experience : 30 years
Date of commencement
Of employment : 5th November, 1997
Age : 59 years.
Previous employment : Parmalat, Russia

(ii) Name : FORTUNATO GUADALUPI*
Gross Remuneration : Rs. 4,90,944
Designation : CHAIRMAN & MANAGING DIRECTOR (FROM 23.9.99)
Nature of Employment : Contractual
Nature of Duties : Overall management of the Company
Qualification : Manager
Experience : 16 years
Date of commencement
Of employment : 23rd September, 1999
Age : 34 years.
Previous employment : Parmalat, Ukraine

ii) Name : ANDREA DALL'OLIO*
Gross Remuneration : Rs. 4,73,325
Designation : Whole Time Director & Chief Financial Officer (FROM 23.9.99)

Nature of Employment : **Contractual**
Nature of Duties : **Overall Incharge of finance & accounts functions of the Company.**
Qualification : **Manager**
Experience : **13 years**
Date of commencement : **23rd September, 1999**
Of employment
Age : **34 years.**
Previous employment : **Parmalat, Hungary**

*** Employed for part of the year**

AUDITORS' REPORT

To
The Members
Swojas Energy Foods Limited

We have audited the attached Balance Sheet of **SWOJAS ENERGY FOODS LIMITED** as at 31st December 1999, and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Attention is invited to the following notes in schedule 'Q':
 - (i) Note No. 5 regarding the accounts having been prepared under the going concern assumption. However, as stated in the note, the Company has been facing continuing operating losses and negative cash flows and has stopped production from May 2000. Although the management has been exploring alternative business strategies and plans, owing to the aforementioned factors, the ability of the Company to continue in operations for the foreseeable future is seriously impaired.
 - (ii) Note No. 6 regarding all relevant supporting documentary evidence for some of the transactions of purchases, expenses and sales and for quantitative details for goods manufactured, turnover and consumption of raw materials and stores and spares that could not be located by the Company at the time of audit, and furnished for our verification.
 - (iii) Note No. 7 (B) regarding provision for managerial remuneration, which is subject to approval of the Central Government and the shareholders.
 - (iv) Note No. 9 regarding the updation of fixed asset register and non-verification of fixed assets.
 - (v) Note No. 10 regarding debtors, loans and advances and creditors aggregating to Rs.25,38,096 (net of provision), Rs. 31,04,324 (net of provision) and Rs. 1,38,51,262 respectively that are subject to adjustments on them being reconciled/confirmed.
 - (vi) Note No.11 regarding disclosure of certain information pertaining to small-scale industrial undertakings, not made in the balance sheet for the reasons explained in the note.
 - (vii) Note No. 12 regarding repayment of sales tax incentive enjoyed by the Company Rs. 1,25,00,000 (estimated), for which no provision has been made in the books. We are unable to state whether a provision is necessary at this stage.
3. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) The internal controls particularly with regard to the maintenance of records and supporting documentary evidence for transactions need to be strengthened.
 - b) Except as stated in paragraph 2 items (ii),(iv) and (vi) foregoing, 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.
 - c) Except as stated in paragraph 2 item (ii) foregoing, 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 the books.
 - d) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the above books of account.

- e) In our opinion, the Profit and Loss Account and Balance Sheet complies with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956, specified by the Institute of Chartered Accountants of India.
- f) Subject to our observations in paragraph 2 foregoing, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required.
- g) On account of our observations in paragraph 2 and 3(a) foregoing and more so because of the possible effect of the limitation in the evidence available to us as detailed in para 2, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1999 and of its loss for the year then ended.

For Deloitte Haskins and Sells
Chartered Accountants

P. B. Pardiwalla
Partner

Mumbai, dated : 14 / 07 / 2000

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 of our report of even date)

1. (a) We are informed that the Company is presently updating its fixed asset records.
(b) The fixed assets of the Company have not been physically verified by the management during the year. The extent of discrepancies, if any, between the fixed assets on physical verification and the records of fixed assets are not ascertainable due to the reasons explained in (a) above.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spares and raw materials have been physically verified by the management during the year. As explained to us, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. Attention is invited to Note No.15 (D) of Schedule Q. In the absence of supporting documentary evidence and records, we are unable to state whether there were material discrepancies between physical stocks and book records.
6. Subject to our observations in 5 above, on the basis of our examination of stocks, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
8. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Attention is however invited to paragraph 9 below. We are informed that there are no companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
9. The Company had rented premises from Swojas Associates against which it had given an interest free deposit of Rs. 20,00,000. The Company vacated these premises in 1997-98, but has not yet received back the money deposited. We are informed that the Company has in the past, sent several reminders and has now taken legal steps to recover this amount. The employees to whom advances in the nature of loans have been given by the Company are adjusting/repaying the principal amounts as stipulated.
10. In our opinion, internal control procedures for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets, and for sale of goods need to be considerably strengthened to be commensurate with the size of the Company and the nature of its business. Attention in this regard is invited to Note Nos. 6 and 15 (D) of Schedule Q.

11. According to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or agreements entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of any party.
12. According to the information and explanations given to us, the Company does not have a formal system for determination of unserviceable or damaged stores, raw materials and finished goods. However, adequate provision has been made in the accounts for possible losses arising on account of such items.
13. The Company has not accepted any deposits during the year from the public.
14. Attention is invited to Note Nos. 6 and 15 (D) of Schedule Q. We are therefore unable to state that reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.
15. The Company had maintained an internal audit system, at its plant, till August, 1999.
16. As informed by the management, the Central Government has not prescribed maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956, for any of its products.
17. The Company has not been regular in depositing the Provident Fund dues with the appropriate authorities though the delays in deposits have not been very serious. Provident Fund dues aggregating to Rs.1,63,776 which had fallen due for deposit with the appropriate authorities had not been so deposited as at 31st December 1999. Out of this, Rs.1,62,443 have been deposited subsequently. As informed by the Company, it is yet to receive registration under the Employee State Insurance Act and accordingly a sum of Rs. 1,15,479 outstanding on this account, at the year end, has not been deposited with the appropriate authorities. Out of this, Rs. 53,372 have been deposited subsequently.
18. According to the information and explanations given to us, at the last day of the financial year, except for Rs. 56,908 relating to Income tax deducted at source, there were no amounts outstanding in respect of undisputed Income Tax, Sales Tax, Wealth Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In relation to the service activities of the Company, according to the explanations given to us:
 - (a) The Company undertakes processing jobs which are carried out together with the over all process of manufacture of the Company's own products and which form an insignificant part of its overall activities;

- (b) In view of the quantum of the service activities being insignificant, specific system for recording receipts, issues and consumption of materials and stores, allocating materials consumed and man hours utilised to the relative jobs and system of authorisation at proper levels is not considered practicable by the Company.
22. In relation to the trading activity of the Company, we were informed that the Company does not have a formal system for determination of damaged goods. However, adequate provision has been made in the accounts for possible losses arising on account of such items.

For Deloitte Haskins and Sells

Chartered Accountants

P. B. Pardiwalla

Partner

Mumbai, dated : 14 / 07 / 2000

AUDITORS' CERTIFICATE

**The Board of Directors,
Swojas Energy Foods Limited,**

We have examined the attached cash flow statement of Swojas Energy Foods Limited for the year ended 31st December 1999. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreements with the relevant Stock Exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report of 14th July 2000 to the Members of the Company.

For Deloitte Haskins and Sells
Chartered Accountants

P. B. Pardiwalla
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1999

	31-12-99	31-12-98
A. CASH INFLOW FROM OPERATING ACTIVITIES		
Loss for the year	83,000,388	62,704,246
<u>Adjustments for :</u>		
Depreciation	9,105,529	6,631,911
Finance charges	5,865,911	13,138,019
Amortisation of Miscellaneous expenses	1,223,476	802,926
Provision for investments	15,000	-
Loss on sale of fixed assets	343,533	-
Interest received	(99,630)	(240,076)
Excess provision written back	-	(151,952)
	<u>16,453,819</u>	<u>20,180,828</u>
Operating loss before working capital changes	66,546,569	42,523,418
<u>Adjustments for :</u>		
Trade and other receivables	3,794,945	10,281,600
Inventories	14,118,665	(4,220,092)
Trade payables	4,441,793	(859,802)
	<u>22,355,403</u>	<u>5,201,706</u>
Cash generated from operations	(44,191,166)	(37,321,712)
Finance charges	(5,865,911)	(13,138,019)
Share issue expenses	-	(390,118)
Net cash flow from operating activities	<u>(50,057,077)</u>	<u>(50,849,849)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,502,043)	(28,046,448)
Sale of fixed assets	2,775,000	2,020,412
Decrease in capital advance	47,169	6,646,791
Interest received	99,630	240,076
Net cash used in investing activities	<u>419,756</u>	<u>(19,139,169)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	44,590,530	-
Proceeds from issue of share capital	-	164,575,000
Repayment of borrowings	-	(111,740,440)
Net cash inflow from financing activities	<u>44,590,530</u>	<u>52,834,560</u>
Net increase/(decrease) in cash and cash equivalents	(5,046,791)	(17,154,458)
Cash and cash equivalents as at 1st January 1999	6,608,678	23,763,136
Cash and cash equivalents as at 31st December 1999	1,561,887	6,608,678

Note: Components of cash and cash equivalents consist of cash and bank balances as stated in Schedule H of the Balance Sheet.

For and on behalf of the Board

Fortunato Guadalupi
Chairman and Managing Director

Romano Mattamira
Director

Pune, Dated : 13th July, 2000

SWOJAS ENERGY FOODS LIMITED
BALANCE SHEET AS AT DECEMBER 31, 1999

	Schedule	Rupees	Rupees	Dec. 31, 1998 Rupees
SOURCES OF FUNDS				
Shareholders' Funds :				
Capital	A	309,626,500		309,626,500
Reserves and Surplus	B	<u>19,575,000</u>		<u>19,575,000</u>
			329,201,500	329,201,500
Loan Funds :				
Unsecured Loans	C		49,515,834	4,925,304
TOTAL			<u>378,717,334</u>	<u>334,126,804</u>
APPLICATION OF FUNDS				
Fixed Assets :	D			
Gross Block		191,796,686		193,349,754
Less : Depreciation		<u>35,624,611</u>		<u>27,455,661</u>
Net Block			156,172,075	165,894,093
Advance for Capital Assets			15,000	62,169
			<u>156,187,075</u>	<u>165,956,263</u>
Investments	E		200,000	215,000
Current Assets, Loans and Advances :				
Inventories	F	3,965,908		18,084,573
Sundry Debtors	G	2,538,096		1,804,853
Cash and Bank Balances	H	1,561,887		6,608,678
Other Current Assets	I	2,000		4,000
Loans and Advances	J	<u>3,374,980</u>		<u>7,901,169</u>
			11,442,870	34,403,273
Less : Current Liabilities and Provisions :				
Current Liabilities	K		<u>23,761,959</u>	<u>19,320,166</u>
Net Current Assets			(12,319,089)	15,083,107
Miscellaneous Expenditure (to the extent not written off or adjusted)	L		1,903,801	3,127,276
Profit and Loss Account			232,745,547	149,745,158
TOTAL			<u>378,717,334</u>	<u>334,126,804</u>

Accounting policies and Notes to Balance Sheet and Profit & Loss Account - Schedule Q

Schedules referred to above form an integral part of the Balance Sheet

As per our attached report of even date
For Deloitte Haskins & Selis
Chartered Accountants

For and on behalf of the Board

Porus B.Pardiwalla
Partner

Fortunato Guadalupi
Chairman and Managing Director

Romano Mattamira
Director

Mumbai, Dated : 14th July, 2000

Pune, Dated : 13th July, 2000

SWOJAS ENERGY FOODS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999.**

	Schedule	Rupees	Rupees	April 1 '1998 to December 31 '1998 Rupees
INCOME				
Sales	M	98,454,376		69,260,736
Other Income	N	<u>853,524</u>		<u>592,638</u>
			99,307,900	<u>69,853,374</u>
EXPENDITURE				
Manufacturing and Other Expenses	O	167,336,848		112,787,691
Depreciation		9,105,529		6,631,911
Finance charges	P	<u>5,865,911</u>		<u>13,138,019</u>
			182,308,288	<u>132,557,621</u>
Loss for the year			<u>83,000,388</u>	62,704,247
Loss brought forward from previous year			149,745,158	87,040,911
Balance carried to Balance sheet			<u>232,745,547</u>	<u>149,745,158</u>

Accounting policies and Notes to Balance Sheet and Profit & Loss Account - Schedule Q

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

As per our attached report of even date
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

Porus B.Pardiwalla
Partner

Fortunato Guadalupi
Chairman and Managing Director

Romano Mattamira
Director

Mumbai, Dated : 14th July, 2000

Pune, Dated : 13th July, 2000

SWOJAS ENERGY FOODS LIMITED**Schedules annexed to and forming part of the Balance Sheet as at December 31, 1999.**

	Rupees	December 31, 1998 Rupees
Schedule A		
SHARE CAPITAL		
AUTHORISED :		
31,000,000 Equity Shares of Rs.10 each	310,000,000	310,000,000
ISSUED AND SUBSCRIBED:		
30,962,650 Equity Shares of Rs.10 each fully paid-up.	309,626,500	309,626,500
Note:		
Of the above equity shares at December 31,1999, 22,895,850 (Previous year 22,895,850) shares of Rs10/- each are held by Parmalat S.p.A,Italy the holding company.		
	309,626,500	309,626,500
SCHEDULE B		
RESERVES AND SURPLUS		
Share Premium Account : Balance as per last Balance Sheet	19,575,000	19,575,000
	19,575,000	19,575,000
SCHEDULE C		
UNSECURED LOANS		
Other loans and advances: Cash Credit facility with Citibank.	49,515,834	4,925,304
	49,515,834	4,925,304

SCHEDULE D : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at January 1, 1999 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at December 31, 1999 Rs.	Upto January 1, 1999 Rs.	For the year Rs.	Deductions during the year Rs.	Upto December 31, 1999 Rs.	As at December 31, 1999 Rs.	As at December 31, 1998 Rs.
Land	3,512,764	-	-	3,512,764	-	-	-	-	3,512,764	3,512,764
Buildings	63,114,918	30,000	-	63,144,918	3,638,455	1,821,237	-	5,459,692	57,685,226	59,476,462
Plant and Machinery	109,862,783	1,741,919	4,398,009	107,206,693	20,960,285	5,722,192	843,279	25,839,198	81,367,495	88,902,498
Furniture, Fixtures and Equipments	13,313,325	627,589	-	13,940,915	1,985,557	1,156,964	-	3,142,521	10,798,394	11,327,768
Vehicles	3,545,965	1,016,772	571,340	3,991,397	871,364	405,136	93,300	1,183,200	2,808,197	2,674,601
Total	193,349,755	3,416,280	4,969,349	191,796,686	27,455,661	9,105,529	936,579	35,624,611	156,172,075	165,894,093
Previous year	167,323,719	28,046,448	2,020,412	193,349,754	20,975,702	6,631,911	151,952	27,455,661	165,894,093	146,348,017
Capital Advances									15,000	62,169
									156,187,075	165,956,263

(24)

SWOJAS ENERGY FOODS LIMITED

Schedules forming part of the Balance Sheet as at December 31, 1999.

	Rupees	Rupees	December 31, 1998 Rupees
SCHEDULE E			
INVESTMENTS (At cost unless otherwise stated)			
Long Term, Unquoted			
1. In Government Securities			
Kisan Vikas Patra		10,000	10,000
National Saving Certificates		5,000	5,000
2. In other securities			
Industrial Credit and Investment Corporation of India bonds (40 Bonds of Rs. 5,000 each fully paid)		200,000	200,000
		215,000	215,000
Less : Provisions		(15,000)	-
		200,000	215,000
SCHEDULE F			
INVENTORIES (At lower of cost and market value)			
Raw Materials	127,967		667,876
Work in Progress	142,035		501,600
Finished Goods	2,745,620		10,038,447
Packing material, Stores and Spare Parts	830,621		5,562,120
Crates & Cans	119,665		1,314,530
		3,965,908	18,084,573
SCHEDULE G			
SUNDRY DEBTORS (Unsecured)			
Outstanding for a period exceeding six months	3,681,131		612,750
Others	5,352,862		1,435,608
		9,033,993	2,048,358
Less: Provision for Doubtful Debts		(6,495,897)	(243,505)
		2,538,096	1,804,853
Note : Debts considered Good		2,538,096	1,804,853
Debts considered Doubtful		6,495,897	243,505
SCHEDULE H			
CASH AND BANK BALANCES			
1. Cash on hand		118,415	300,880
2. Remittances in transit		51,703	1,163,995
3. Bank balances			
With Scheduled Banks			
In Current Accounts		1,386,769	5,034,803
In Deposit Account		5,000	109,000
		1,561,887	6,608,678

SWOJAS ENERGY FOODS LIMITED

Schedules forming part of the Balance Sheet as at December 31, 1999.

	Rupees	Rupees	December 31, 1998 Rupees
SCHEDULE I			
OTHER CURRENT ASSETS			
Interest Accrued on investments - On ICICI Bonds		2,000	4,000
		<u>2,000</u>	<u>4,000</u>
SCHEDULE J			
LOANS AND ADVANCES (Unsecured)			
Advances Recoverable in cash or in kind or for value to be received	5,329,244		8,398,891
Deposits	6,478,306		4,612,947
Balance with Central Excise	-		30,091
Income Tax Deducted at Source	<u>98,719</u>		<u>107,399</u>
		11,906,269	13,149,328
Less : Provision for Doubtful Advances		<u>(8,531,289)</u>	<u>(5,248,159)</u>
		<u>3,374,980</u>	<u>7,901,169</u>
Notes: -			
1) Advances Considered good		3,374,980	7,901,169
Advances Considered doubtful		8,531,289	5,248,159
2) Advances include			
Rs.2,000,000 (previous year - Rs.2,000,000) due from a firm in which Directors are partners. Maximum amount outstanding during the year Rs 2,000,000. Rs. 248,298 (previous year - Rs. 248,298) due from a Company in which a Director is a Director. Maximum amount outstanding during the year Rs. 248,298 and Rs.16,470 (previous year Nil) due from a Director. Maximum amount outstanding during the year Rs. 100,000			
SCHEDULE K			
CURRENT LIABILITIES AND PROVISIONS			
A. Current Liabilities			
Sundry Creditors		21,264,102	18,342,237
Interest accrued but not due		1,702,999	296,877
B. Provisions			
For Gratuity		396,300	323,905
For Leave encashment		398,558	357,147
		<u>23,761,959</u>	<u>19,320,166</u>
SCHEDULE L			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary expenses		113,849	182,161
Public issue expenses		911,678	1,458,682
Debenture issue expenses		-	203,040
Deferred revenue expenditure		445,076	712,124
Expenses on issue of equity shares to Parmalat S.p.A.		433,197	571,269
		<u>1,903,801</u>	<u>3,127,276</u>

SWOJAS ENERGY FOODS LIMITED

Schedules forming part of the Profit and Loss Account for the year ended December 31, 1999.

	Rupees	Rupees	April 1998 to December 31, 1998 Rupees
SCHEDULE M			
SALES :			
Sale of Milk		4,295,834	35,216,438
Sale of Cream, Butter & Ghee		2,166,173	15,684,434
Sale of Milk Powders		2,264,430	17,694,712
Sale of other products		,593,985	383,148
Processing and Conversion Charges		33,955	282,003
		<u>9,454,376</u>	<u>69,260,736</u>
SCHEDULE N			
OTHER INCOME :			
Interest on investments		90,024	240,076
Interest other		9,606	-
Sales Tax Refund		363,674	-
Miscellaneous Income		390,219	352,562
		<u>353,524</u>	<u>592,638</u>
SCHEDULE O			
MANUFACTURING AND OTHER EXPENSES:			
Materials consumed			
a) Raw materials	85,663,871		82,665,773
b) Packing materials	8,402,876		5,247,691
c) Consumables, stores & spares	4,591,512		426,457
		<u>9,658,259</u>	<u>88,339,921</u>
Increase/(decrease) in stocks of finished goods			
Opening stock	10,038,447		1,813,753
Closing stock	<u>2,745,620</u>		<u>10,038,447</u>
		(7,292,827)	8,224,694
Increase/(decrease) in stocks of work-in-progress			
Opening stock	501,600		364,773
Closing stock	<u>142,035</u>		<u>501,600</u>
		(359,565)	136,828
UTILITIES:			
Power and fuel	8,386,093		6,119,570
Other utilities			131,008
		<u>8,386,093</u>	<u>6,250,578</u>
PAYMENT TO AND PROVISIONS FOR EMPLOYEES:			
Salaries and wages	11,073,027		7,915,537
Contribution to provident and other funds	793,396		263,325
Welfare expenses	156,637		83,116
Gratuity	<u>214,222</u>		<u>323,905</u>
		<u>12,237,282</u>	<u>8,585,883</u>

SWOJAS ENERGY FOODS LIMITED

Schedules forming part of the Profit and Loss Account for the year ended December 31, 1999.

	Rupees	Rupees	April 1998 to December 31, 1998 Rupees
Rent, rates and taxes	2,740,143		1,202,220
Repairs and maintenance - Plant and Machinery	377,206		80,975
Electricity	859,962		97,663
Insurance	471,826		225,072
Security charges	1,009,828		511,046
Travelling and conveyance	2,576,157		3,725,383
Communication expenses	2,880,878		1,381,728
Legal and professional charges	1,635,459		1,157,265
Lease rentals	1,526,652		1,144,989
Carriage outward & transportation	7,715,316		2,161,785
Sales promotion & commission	454,319		746,405
Miscellaneous expenses	7,052,548		2,572,030
Amortisation of miscellaneous expenditure	1,223,476		802,926
Provision for doubtful debts	6,252,392		163,344
Provision for doubtful advances	3,283,128		2,000,000
Loss on sale of fixed assets	343,533		
		40,402,822	17,972,831
TOTAL		167,336,848	112,787,691

**SCHEDULE P
FINANCE CHARGES**

Interest on term loans		6,334,955
Bank charges	339,899	517,634
Interest on overdraft	5,526,012	6,285,430
	5,865,911	13,138,019

**Accounting Policies & Notes to Balance Sheet and Profit & Loss Account for
the year ended 31st December 1999**

Schedule Q

1. SIGNIFICANT ACCOUNTING POLICIES :

(A) Basis of Accounting :

The Financial Statements are prepared under the historical cost convention in accordance with generally accepted accounting principles.

(B) Fixed Assets :

Fixed Assets are recorded at cost of acquisition or construction. They are stated at historical cost.

Depreciation on fixed assets has been provided on Straight-line method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on assets added / disposed off during the year has been provided on *prorata basis with reference to the month of addition / disposal.*

(C) Investments :

Investments classified as long term investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of investments.

(D) Inventories :

Inventories are valued at lower of cost and net realisable value.

Cost for the purpose of valuation of inventory includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(E) Retirement benefits :

(i) Company's contribution to Provident fund is charged to the Profit and Loss account.

(ii) Provision for gratuity has been made in accordance with The Payment of Gratuity Act, 1972 on the basis of 15 days' salary for each completed year of service or part thereof exceeding six months.

(iii) Provision for leave encashment is made for the value of unutilised leave due to the employees at the end of the period.

(F) Foreign Currency Transactions :

Transactions in foreign currency are recorded at the original rates of exchange in force at the time when the transaction is effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognised in the Profit and Loss Account.

The values of fixed assets acquired through specific foreign currency loans are adjusted at the end of each financial year by any change in liability arising out of expressing the outstanding foreign currency loans at the closing rates of exchange prevailing at the date of balance sheet or rate specified in the related forward contract.

Monetary items (other than those related to acquisition of fixed assets) denominated in a foreign currency are restated using the exchange rates prevailing at the date of balance sheet and the resulting net exchange difference is recognised in the Profit and Loss Account. In the case of forward contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract.

(G) Miscellaneous expenditure (to the extent not written off or adjusted) –

Expenditure as detailed in Schedule L, where benefit is expected to be derived in the future is treated as miscellaneous expenditure and written off to the Profit and Loss account over a period of five years.

(H) Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after the year end, till the finalisation of accounts and have material effect on the position stated in the Balance Sheet.

2. NOTES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31.12.99 Rupees	As at 31.12.98 Rupees
1. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for	Nil	1,06,832
(b) Future lease obligations in respect of assets taken on lease	12,72,210	27,98,862
2. Prior period expenses :		
Utilities	373,337	-
Communication	331,549	-
Miscellaneous expenses	307,085	-
3. Other liabilities include Rs.32,56,125/- (Previous year - Rs.32,56,125/-) being the excess share application money received from Parmalat S.p.A., Italy, the Holding Company. Approval of the Reserve Bank of India for remittance thereof is yet to be obtained.		
4. Auditors Remuneration	01.01.1999 to 31.12.1999 Rupees	01.04.1998 to 31.12.1998 Rupees
- As Audit Fees	2,25,000	2,25,000
- As advisor, or in any other capacity, in respect of group reporting.	198,000	80,000
- As expenses	39,452	-
5. The accounts have been prepared under the "going concern" assumption. The Company has however been facing continuing operating losses and negative cash flows and has stopped production from May 2000. Although the management has been exploring different alternative business strategies and plans for the revival and growth of the business, owing to the aforementioned factors, the ability of the Company to continue in operations for the foreseeable future is seriously impaired.		

6. During the year there was a change of senior management appointed by the Parent Company, a regular turnover of local management and several staff resignations that led to the need for the organizational structure to be sharply strengthened. This resulted in some difficulties in locating, sourcing and perusing of some key information related to transactions for purchases, expenses and sales and for quantitative details of goods manufactured, turnover and consumption of raw materials and stores and spares. (Also refer Note No. 15 (D) below)

7. **Managerial Remuneration :**

	01.01.1999 to 31.12.1999 Rupees	01.04.1998 to 31.12.1998 Rupees
(A)		
(i) Salaries	22,21,334	12,06,000
(ii) Perquisites.	5,52,195	4,56,461
(iii) Gratuity	76,000	37,500
	28,49,529	16,99,961

(B) The Company has provided for payment of managerial remuneration to two of its directors aggregating to Rs. 8,68,000 which exceeds the amount payable under Schedule XIII to the Companies Act, 1956 by Rs 3,43,000. Applications for approval of the managerial remuneration have been made to the Central Government. Pending the receipt of such approval the Company has not made any payment to the directors. The payment of managerial remuneration to the two directors is also subject to the approval of the shareholders at the ensuing Annual General Meeting.

8. Computation of net profit/(loss) in accordance with Section 349 of the Companies Act, 1956, has not been given, as commission by way of percentage of profits is not payable for the year to the directors of the Company.
9. The Company is taking steps to update its fixed assets records. The fixed assets have not been physically verified during the year. The extent of discrepancies, if any, between fixed assets on physical verification and records of fixed assets will be determined when the records are updated.
10. Debtors Rs. 25,38,096 (net of provision), Loans and Advances Rs. 31,04,324 (net of provision) and Creditors Rs. 1,38,51,262 respectively have remained unreconciled/unconfirmed and are therefore subject to adjustments, on them being reconciled/confirmed.
11. In view of the multiplicity and identification of accounts relating to Small Scale Industrial Undertakings, information for determining the particulars relating to current indebtedness to such undertakings as required by Schedule VI, Part I to the Companies Act, 1956 is not readily available.
12. In terms of the 1993 Package Scheme of Incentives of the Government of Maharashtra, operative for the period from 1/9/1996 to 31/7/2005, the Company enjoys exemption from the payment of sales tax up to Rs 10,36,00,000. The scheme provides that the amount of incentive availed of by way of exemption from payment of sales tax (together with interest), would become payable to the government, if the eligible unit is closed or remains below normal production for any year during the operative period. The estimated amount of sales tax incentive enjoyed till 31/12/1999 is Rs. 1,25,00,000. No provision for this amount has been made in the books as it is not considered necessary at this stage.
13. No provision for taxation has been made in view of the loss for the year
14. The Company has not appointed a Company Secretary as required u/s 383A (1) of the Companies Act, 1956 and as such, these accounts are not authenticated by the Company Secretary.

15. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 :

(A) Goods manufactured

Product Name	Unit	Licensed Capacity	Installed Capacity Refer Note 1 below	Actual Production	Opening Stock		Closing Stock	
					Qty.	Amount Rs.	Qty.	Amount Rs.
1. Pasteuried Milk	Ltrs.	20,000 Ltrs./Day	50,000 Ltrs./Day	4,166,280 (3,968,534)	20,504 (12,050)	208,877 (107,330)	- (20,504)	- (208,877)
2. Ghee	Kgs.	1,000 Kgs./Day	4,000 Kgs./Day	128,192 (184,418)	38,811 (2,339)	4,124,852 (262,575)	637 (38,811)	78,398 (4,124,852)
3. Skimmed Milk Powder	Kgs.	7,000 Kgs./Day	5,000 Kgs./Day	227,225 (251,126)	2,300 (11,825)	130,125 (638,550)	18,723 (2,300)	1,225,857 (130,125)
4. Other Milk Products	Kgs.	-	-	261,060 (236,487)	91,868 (12,370)	5,574,593 (805,297)	61,095 (91,868)	1,441,365 (5,574,593)

- As certified by the Managing Director of the Company and accepted by the Auditors without verification, as this is a technical matter.
- Captive consumption of Skimmed Milk Powder, Instant Dairy Mix and Dairy Whitener are not included in actual production.
- Difference in quantitative details are due to samples distributed, testing, curdling of milk, leakages, spoilages, shortages and other losses for which details are not readily ascertainable.
- Previous year figures are shown in brackets.

(B) Raw Material Consumed - Indigenous

Sr. No.	Type of Material	Unit	Quantity		Value	
			01.01.99 to 31.12.99	01.04.98 to 31.12.98	01.01.99 to 31.12.99	01.04.98 to 31.12.98
1.	Milk	Ltrs.	8,289,982	7,171,658	80,614,121	66,452,140
2.	Other Raw Mat.					
2.1	Instant Dairy Mix	Kgs.	23,600	170,550	1,383,800	9,023,953
2.2	Skimmed Milk Powder	Kgs.	200	97,975	11,340	5,782,322
2.3	Dairy Whitener	Kgs.	39,978	20,000	2,679,991	1,280,000
2.4	Others Kgs.	Kgs.	-	-	974,619	127,358
	TOTAL				85,663,871	82,665,773

(C) Turnover

Sr. No.	Product Name	Unit	Quantity		Value	
			01.01.99 to 31.12.99	01.04.98 to 31.12.98	01.01.99 to 31.12.99	01.04.98 to 31.12.98
1.	Sale of Milk	Ltrs.	4,164,114	3,939,109	40,295,834	35,216,438
2.	Sale of Ghee	Kgs.	165,871	147,259	20,421,162	15,684,434
3.	Sale of SMP	Kgs.	210,342	261,183	14,061,023	15,831,640
4.	Sale of Other Milk Products	Kgs.	289,460	152,540	23,542,403	2,246,221
	TOTAL				98,320,421	68,978,733

(D) The quantitative details in respect of items in Note No. 15 (A), (B) and (C) above are based on the information provided by the management for which supporting documentary evidence was not available at the time of year end audit as stated in note no. 6 above.

Quantitative details for consumption of stores and spares are not available with the Company for the reasons explained in Note No. 6 above.

(B) Expenditure in Foreign Currency

01.01.1999 to 31.12.1999 Rupees	01.04.1998 to 31.12.1998 Rupees
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Expenditure in foreign currency on account of

Other matters (Foreign travel) **14,554**

16. Figures of the current year are for a period of 12 months, while figures of the previous period are for nine months and hence not comparable.

17. Figures of the previous period have been regrouped wherever necessary to correspond with those of the current year.

18. Balance Sheet Abstract and Company's General Profile

I. REGISTRATION DETAILS

Registration No.	74424	State Code	11
Balance Sheet Date	31.12.99		

II. CAPITAL RAISED DURING THE YEAR

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	Rs.402,479	Total Assets	Rs. 402,479
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SOURCES OF FUNDS

Paid up Capital	Rs.309,627	Reserves and Surplus	Rs.19,575
Secured Loans	Rs. Nil	Unsecured Loans	Rs.49,516

APPLICATIONS OF FUNDS

Net Fixed Assets	Rs.156,187	Investments	Rs. 200
Net Current Assets	(Rs.12,319)	Miscellaneous Expenditure	Rs. 1,904
Accumulated Losses	Rs.232,746		

IV. PERFORMANCE OF THE COMPANY (Amount in Rs.Thousands)

Turnover	Rs. 98,454
Total Expenditure	Rs.182,308
Profit/(Loss) Before Tax	Rs.(83,000)
Profit/(Loss) After Tax	Rs.(83,000)
Earning Per Share (Rs.)	Nil
Dividend Rate (%)	Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	04040002
Product Description	WHEY, DRY, BLOCKS & POWDERED
Item Code No. (ITC Code)	04050003
Product Description	MELTED BUTTER (GHEE)
Item Code No. (ITC Code)	04050001
Product Description	BUTTER FRESH (WHETHER SALTED OR NOT)

SWOJAS ENERGY FOODS LIMITED

Regd. Office : S.No. 106-A/1,Plot No. 17, Nirmiti Chambers,
Off Senapati Bapat Road, Shivajinagar, Pune - 411 016.

ATTENDANCE SLIP

The Folio No. and Name(s) of the Member/Joint Members are to be furnished in BLOCK LETTERS.

Folio No. _____

No. of shares held _____

Full Name(s) of the Member/ Joint Members

1. _____

2. _____

3. _____

4. _____

Full Name of the Proxy if attending the Meeting.

I hereby record my presence at the 7th Annual General Meeting of the Company, being held on Thursday, the 31st day of August, 2000 at 10.30 a.m.

Signature of the Member(s) / proxy(ies) attending the meeting. _____

Date :- _____

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTERANCE OF THE MEETING HALL.

SWOJAS ENERGY FOODS LIMITED

Regd. Office : S.No. 106-A/1,Plot No. 17, Nirmiti Chambers,
Off Senapati Bapat Road, Shivajinagar, Pune - 411 016.

PROXY

I/We _____ of _____ being a Member/ (s) of Swojas Energy Foods Limited, hereby appoint _____ of _____ or failing him _____ or failing him _____ of _____ as my/our Proxy to vote for me/us on my/our behalf at the 7th Annual General Meeting of the Company to be held on Thursday, the 31st day of August, 2000 at 10.30 a.m. and at any adjournment thereof.
Signed at _____ this _____ day of _____

30 Paise
Revenue
Stamp

Regd. Folio No. _____ No. of shares held _____

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY STAMPED AND SIGNED NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. A Thirty Paise Revenue Stamp should be affixed to this and it should then be signed by the member/s.