

SCHLAFHORST ENGINEERING (INDIA) LIMITED

29TH ANNUAL REPORT & ACCOUNTS - 1ST **JANUARY** 2010 TO 31ST DECEMBER 2010

BOARD OF DIRECTORS

- | | |
|-----------------------|---|
| Mr. Adrian Oehler | - Chairman (from 3rd January 2011) |
| Mr. Shalin S. Divatia | - Additional Director (from 3rd January 2011) |
| Mr. Jayvant H. Merita | - Additional Director (from 3rd January 2011) |
| Mr. Mahendra Sanghvi | - Additional Director (from 3rd January 2011) |
| Mr. Hemraj C. Asher | - Director (up to 18th February 2011) |
| Mr. Sanjay K. Asher | - Director (up to 18th February 2011) |
| Mr. Leen Osterloh | - Director (up to 23rd June 2010) |
| Mr. Ulrich Wunder | - Director (up to 3rd January 2011) |
| Mr. K.M. Thanawalla | - Director (up to 3rd January 2011) |
| Mr. CBK Pillai | - Managing Director (up to 30th June 2010) |

COMPANY SECRETARY

Mr. CBK Pillai (up to 30th June 2010)

COMPLIANCE OFFICER

Mr. Y.J. Shah

AUDITORS

Shah & Shah Associates

REGISTERED OFFICE & WORKS

Chandrapura Village, Tal. Halol - 389 350

Dist. Panchmahals, Gujarat State

Telephone No. (02676) 221870

Fax No. (02676) 220887

E-mail : seilhalol@sify.com

IMPORTANT NOTICE

1. Members / Shareholders are requested to lodge their Equity Share **certificates** for transfer with the Company at its Registered Office.
2. With effect from 9th October 2000, the Company got admitted its Equity Shares to be dealt in dematerialized format and a tripartite agreement was signed between the Company, The Central Depository Services (India) Ltd., & Sharepro Services for providing electronic connectivity.

NOTICE

Notice is hereby given that the TWENTY NINTH ANNUAL GENERAL MEETING of the Members of SCHLAFHORST ENGINEERING (INDIA) LIMITED will be held at the Registered Office of the Company, Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat on Monday, the 18th April, 2011 at 12.00 noon to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account of the Company for the year ended 31st December 2010 and the Balance Sheet as at that date together with the reports of the **Directors'** and Auditors'.
2. To appoint the Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Adrian Oehler, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Shalin S. Divatia, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Jayvant H. Mehta, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. **Mahendra** Sanghvi, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 21 of the Companies Act, 1956 and subject to the approval of the Registrar of Companies - Gujarat, the name of the Company be changed from **Schlafhorst** Engineering (India) Limited to "INTEGRA Engineering India Limited" and such other name and immediately upon the said change in name be substituted for the existing name wherever it appears in the Memorandum and Articles of Association of the Company and on such other documents as may be deemed necessary."

By order of the Board of Directors
SCHLAFHORST ENGINEERING (INDIA) LTD.

DIRECTOR

Registered Office:
Chandrapura Village, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat.
Place: Halol
Date : 27th January 2011

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An instrument appointing a proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. Members are requested to intimate the change of address, if any, immediately to Share Dept., Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat, quoting their Folio Number(s).
4. Shareholders seeking information on accounts published herein are kindly requested to furnish their queries to the Company at least TEN days before the date of the meeting addressed to the Secretary, Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat.
5. In view of the high cost of paper and printing, the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued. Shareholders are therefore requested to bring their copies of the Report to the Meeting.
6. The Share Transfer Deeds should be sent to the Company at its Registered Office. In case the Share Certificates duly transferred are not received by the Members within one month from the date of lodgment and for resolving any Investors' Grievances, please write to the Secretariate (Investors' Grievances) at the Registered Office of the Company.
7. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 15th April, 2011 to Saturday, the 16th April, 2011 (both days inclusive).

By order of the Board of Directors
SCHLAFHORST ENGINEERING (INDIA) LTD.

DIRECTOR

Registered Office:

Chandrapura Village, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat.

Place: Halol

Date : 27th January, 2011

EXPLANATORY STATEMENT

The following Explanatory Statement sets out all material facts relating to Item No. 3, 4, 5, 6 & 7 in the accompanying Notice of the Annual General Meeting to be held on Monday, the 18th April, 2011 at the Registered Office of the Company at Halol.

Item No. 3

Mr. Adrian Oehler was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Adrian Oehler as Director of the Company at the ensuing Annual General Meeting.

Mr. Oehler born on 7th November 1970 and is Lic. Oec HSG Master of Advanced Studies in Corporate Finance CFO with wide experience in Change Management, Strategic Management, Turnaround including Corporate Finance and Market Development and he is the CEO & Chairman of Integra Holding AG and Director of some other companies as mentioned in the Directors' Report.

Except Mr. Adrian Oehler, none of the other Directors is in any way concerned or interested in the above resolution.

Item No. 4

Mr. Shalin S. Divatia was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Shalin S. Divatia as Director of the Company at the ensuing Annual General Meeting.

Mr. Divatia born on 8th January 1965 and is B.Com, LLB & FCA with 22 years experience of practicing Chartered Accountant and Director of other companies as mentioned in the Directors' Report.

Except Mr. Shalin S. Divatia, none of the other Directors is in any way concerned or interested in the above resolution.

Item No. 5

Mr. Jayvant H. Mehta was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Jayvant H. Mehta as Director of the Company at the ensuing Annual General Meeting.

Mr. Mehta born on 21st January 1939 and is B.Com, MBA from Liverpool (UK), Fellow, Institute of Cost and Management Accountants, London with experience as Chief Accountant and Management consultant for

various companies in UK for a period of 8 years, Managing Director of Ireland based company for 5 years, Financial Controller of an Indian based company for 4 years and currently as Management Consultant & Financial Controller of various companies in India and abroad and is a Director of Sameer **E-clipse** (Products) Pvt. Ltd.

Except Mr. **Jayvant** H. Mehta, none of the other Directors is in any way concerned or interested in the above resolution.

Item No. 6

Mr. **Mahendra** Sanghvi was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Mahendra Sanghvi as Director of the Company at the ensuing Annual General Meeting.

Mr. Sanghvi born on 22nd February 1948 and is Chemical Engineer from Wayne State University, USA, MBA from Toronto University, Canada with more than 36 years of experience in Plastic Industries. Presently he is the Managing Director of Shaily Engineering Plastics Ltd. He is a Member of Committee of Administration of the Plastics Export Promotion Council, Member of Managing Committee of the Federation of Gujarat Industries and has been Co-chairman of Overseas of **Plastindia** Foundation and Director of other companies as mentioned in the Directors' Report.

Except Mr. Mahendra Sanghvi, none of the other Directors is in any way concerned or interested in the above resolution.

Item No. 7

As a result of acquisition of the Company by INTEGRA Holding AG and as per the agreement, the Directors proposed to change the name of the Company to INTEGRA Engineering India Limited. As the Board of Directors could not approve the change of name in the 27th January 2011 meeting and have accordingly at their meeting held on 8th March 2011 approved the change in the name of the Company from Schlafhorst Engineering (India) Limited to "INTEGRA Engineering India Limited", subject to the approval of the Members and the approval of Registrar of Companies - Gujarat.

Under the provisions of Section 21 of the Companies Act, 1956 the approval of Shareholders of the Company in General Meeting by way of a Special Resolution is necessary for any change in the name of the Company. Accordingly, Special Resolution at item 7 is placed before the Members for their approval.

The Directors recommended the above resolution for the approval of Members.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

By order of the Board of Directors
SCHLAFHORST ENGINEERING (INDIA) LTD.

DIRECTOR

Registered Office:
Chandrapura Village, Tal. **Halol** - 389 350
Dist. Panchmahals, Gujarat.
Place: Halol
Date : 27th January, 2011

DIRECTORS' REPORT

To,
The Shareholders,
SCHLAFHORST ENGINEERING (INDIA) LIMITED

Your Directors submit their Twenty Ninth Annual Report & Audited Statement of Accounts for the year ended on 31st December, 2010.

1. FINANCIAL RESULTS

	Current Year Rupees ('000)	Previous Year Rupees ('000)
Net Income from manufacturing	46,362	37,990
Income from trading in spare parts	8,184	11,632
Other income (Interest, Lease Rent, etc.)	17,237	22,418
Total operating income	71,783	72,040
Operating profit before depreciation, Interest & taxation	5,558	15,298
Depreciation	3,292	3,732
Profit / (Loss) before Tax	2,266	11,566
Provision for taxation	-	1,345
Profit / (Loss) after tax	2,266	10,221
Brought forward balance of previous year losses (before prior year item)	196,162	206,383
Cumulative losses carried forward	192,636	196,162

2. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

- a) During the year under review, 7 Draw Frame machines sold aggregating to **Rs.53.75** lacs as against 4 Draw Frame machines aggregating to **Rs.28.55** lacs in the previous year. Job work has been executed worth **Rs.409.87** lacs as against **Rs.351.35** lacs previous year. The decrease of income from sale of spare parts from **Rs.116.32** lacs in the previous year to **Rs.81.84** lacs during the year under review is mainly on account of phasing out of old model Autoconers AC 138, which was discontinued in 1993 and AC 238, which was discontinued in 1997 from the

market. The other income mainly includes interest from deposits of **Rs.71.85** lacs (**Rs.88.42** lacs in the previous year) reduced due to reduction in interest rate and rent from lease of Company's Factory premises, surplus to its current requirement, **Rs.84.31** lacs (previous year **Rs.78.74** lacs). The net profit after provision for tax is **Rs.22.66** lacs (after providing for write off of **obsolete/slow/non moving inventory of Rs.44.56** lacs) as against **Rs.102.21** lacs in the previous year.

- b) The current liabilities have decreased to **Rs.115.74** lacs from **Rs.134.39** lacs in the previous year. The Current assets includes cash/Bank balance of **Rs.1222.65** lacs.

3. SEGMENT WISE PERFORMANCE

The operations of the company are in a single segment of Textile Machinery - High Speed Draw Frame. The job work and the sale of spare parts are not considered as separate product segments.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

- (a) Industry structure and development

The Company was set up in 1983 to produce Autoconers (Yarn Tester & Rectifier). The Autoconer was discontinued in 1997 due to high cost of production and competition from imported Autoconers of superior technology from various countries. The resources so released are being used for job work since 1998.

Since 1984, your Company has been manufacturing Draw Frame, which is used as a spinning preparatory machine by textile mills. It is a very old product designed by Zinser several years back. Due to paucity of funds, difficulty in getting competent technical hands and lack of R&D facilities, the Company has made technological improvement in it, by replacing PCB with PLC and some other minor changes. It is a small value product.

- (b) Opportunities and Threats

The fortunes of Textile Machinery Industry are tied with the fortunes of Textile Mills Industry which has enormous scope for enormous growth. Your Company was set up

during an era of protected market and has not been able to face the onslaught of competitive product with superior technology under the liberalized economy policies initiated since 1991. The Draw Frame being manufactured by your Company is of very old design and technology. Draw Frames of superior technology are available in the market. The Mills increasingly prefer Autoleveller Draw Frame for which your Company does not have the required technology and R & D facilities. In the case of mills setting up new projects, the tendency is to source the Draw Frames from the manufacturers, who supply a line/range of products.

(c) Outlook, risk and concerns:

During the year 2010, the company has booked orders for 11 Draw Frames and executed orders for 7 Draw Frames. However, during the year 2011, Company expects improvement in sale of Draw Frames. During the year 2010, the Company achieved sale of Rs.410 lacs from Job Work activities. The Company is also sourcing avenue for job work to utilize the existing capacity.

(d) Material development in Human Resources:

There has not been any material development during the year under review.

(e) Internal control systems and their adequacy:

The company has adequate internal control systems commensurate with its size. The Internal Auditors submit their quarterly reports to the Audit Committee / the Board of Directors. Every month, a detailed Management report containing statistics on sales, income, expenses and cash flow of the company is being submitted to the Audit Committee and the Board for their review. All the fixed assets of the company are physically examined and recorded at regular intervals. In all operational matters, the Company follows the systems and procedures as set out in ISO 9001 : 2008 certification manual.

5. QUALITY ACCREDITATION

The Company got ISO 9001 : 2000 certification in December 2006, through M/s. TÜV India Pvt. Ltd.

Further, in 2009 re-certification Audit was conducted and subsequently in December 2010, Annual Surveillance Audit was conducted by M/s. TÜV India Pvt. Ltd. and the company has complied with the norms successfully advancing to ISO 9001 : 2008.

This ensures the continuous improvement in the existing quality system and laid processes, which lead to total customer satisfaction for both product as well as services rendered. This is a result of the efforts and inherent culture of the employees who yearn to deliver the best (optimum quality) in all faces of activities.

6. DIVIDEND

In view of the accumulated losses, your Directors do not recommend any dividend for the year under review.

7. PARTICULARS OF EMPLOYEES:

- a) The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year are as under:

Name & Date of commencement of Employment	Designation & nature of duties	Qualification & Experience (including experience in previous concerns, If any)	Remuneration received during the year (Rupees)	Age	Last employment held Name of Employer, Post held & period
Mr. CBK Pillai 09-02-1995	Managing Director Overall Management	B.A., LLB, A.C.S. 41 years	Rs.39,41,054/-	60	Eimco Elecon (India) Ltd. Company Secretary 4 years

* Retired and also ceased from Directorship w.e.f. 30th June 2010.

Notes: Remuneration as above includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Assistance, Medical Expense Reimbursement, other Allowances, Bonus/Ex-gratia, Personal Accident Insurance Premium, Company's Furniture, Equipments, Gas, Electricity and Gratuity - where applicable and Retirement benefit. None of the employees is relative of any Director of the Company.

- b) All the employees' liabilities namely Superannuation, Gratuity & Leave Encashment have been fully funded with Life Insurance Corporation of India as on the date of this report.

8. DIRECTORS

- a) Mr. Adrian Oehler, has been appointed as Additional Director on 3rd January 2011 and shall hold office up to the conclusion of the forthcoming Annual General Meeting. The Board recommended the name of Mr. Oehler as Director of the Company liable to retire by rotation. The resolution recommending the name of Mr. Oehler as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Oehler born on 7th November 1970 and is Lic. Oec HSG Master of Advanced Studies in Corporate Finance CFO with wide experience in Change Management, Strategic Management, Turnaround including Corporate Finance and Market Development and he is the CEO & Chairman of Integra Holding AG and Director of following other companies such as:

Aquametro AG
 INTEGRA Biosciences AG
 INTEGRA Holding AG
 Immobiliengesellschaft **Fadmatt**
 INTEGRA Immobilien AG
 INTEGRA **Personalvorsorgestiftung**
 ORGU Stiftung
 Signal AG
 SunVesta Holding AG
 INTEGRA India Group Co. Ltd.

Mr. Oehler is not holding any share of the Company.

- b) Mr. Shalin S. Divatia has been appointed as Additional Director on 3rd January 2011 and shall hold the office up to the conclusion of forthcoming Annual General Meeting. The Board recommended the name of Mr. Divatia as Director of the Company liable to retire by rotation. The resolution recommending the name of Mr. Divatia as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Divatia born on 8th January 1965 and is B.Com, LLB & FCA with 22 years experience of practicing Chartered Accountant and Director of other companies as under:

Paradigm Esop Consultants Pvt. Ltd.
 Pyramid Referral Laboratories Pvt. Ltd.

Mr. Divatia is not holding any share of the Company.

- c) Mr. Jayvant H. Mehta has been appointed as Additional Director on 3rd January 2011 and shall hold the office upto the conclusion of

forthcoming annual general meeting. The **Board** recommended the name of Mr. Mehta as Director of the company Company liable to retire by rotation. The resolution recommending the name of Mr. Mehta as mentioned in the notice attached to this **report** is with a request to accord your consent.

Mr. Mehta born on 21 st January 1939 and is B.Com, MBA from Liverpool (UK), Fellow, Institute of Cost and Management Accountants, London with experience as Chief Accountant and Management consultant for various companies in UK for a period of 8 years, Managing Director of Ireland based company for 5 years, Financial Controller of an Indian based company for 4 years and currently as Management Consultant & Financial Controller of various companies in India and abroad and is a Director of Sameer **E-clipse** (Products) Pvt. Ltd.

Mr. Mehta is not holding any share of the Company.

- d) Mr. Mehendra Sanghvi has been appointed as Additional Director on 3rd January 2011 and shall hold the office upto the conclusion of forthcoming annual general meeting. The Board recommended the name of Mr. Sangvi as Director of the company liable to retire by rotation. The resolution recommending the name of Mr. Sanghvi as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Sanghvi born on 22nd February 1948, Chemical Engineer from Wayne State University, USA, **MBA from Toronto** University, Canada with more than 36 years of experience in Plastic Industries. Presently he is the Managing Director of Shaily Engineering Plastics Ltd. He is a Member of **Committee** of Administration of the Plastics Export Promotion **Council**, Member of Managing Committee of the Federation of Gujarat Industries and has been Co-chairman of Overseas of Plastindia Foundation and Director of other companies such as:

Shaily Engineering Plastics Ltd.
 Panax Appliances Pvt. Ltd.
 Stallion Textiles Pvt. Ltd.
 Sunido Textiles Pvt. Ltd.
 IQMS ERP India Pvt. Ltd.
Shaily-IDC (India) Pvt. Ltd.
 Munjal Auto Industries Ltd.

Mr. Sanghvi is not holding any share of the Company.

- e) Mr. CBK Pillai's term as Managing Director & Company Secretary came to an end on 30th June 2010 and ceased to be a Director from 30th June 2010. The Board also put on records its appreciation of the valuable services rendered by Mr. Pillai.
- f) With effect from 3rd January 2011, Mr. Ulrich Wunder & Mr. K.M. Thanawalla resigned. The Board put on records its appreciation of the valuable services rendered by Mr. Wunder & Mr. Thanawalla during their tenure as Nominee Directors of the Board.
- g) With effect from 18th February 2011, Mr. Hemraj Asher & Mr. Sanjay Asher resigned. The Board put on records its appreciation of the valuable services rendered by Mr. Hemraj Asher & Mr. Sanjay Asher during their tenure as Directors of the Board.

9. DISCLOSURE OF INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

A) Conservation of Energy

The Company continues to take all possible steps to conserve energy.

B) Technology Absorption, Research & Development and Technology Absorption, Adaptation and Innovation: NIL

C) Foreign Exchange earnings and outgo:

The total foreign exchange earned by the Company during the year under review from exports and other activities amounted to Rs. 2.94 lacs (previous year **Rs.NIL**). The total foreign exchange used for imports and on account of various remittances amounted to **Rs.16.47** lacs (previous year **Rs.33.01** lacs).

10. AUDITORS

The tenure M/s. Shah & Shah Associates as Auditors of the Company expires at the conclusion of the ensuing Annual General meeting. They have expressed their unwillingness to be re-appointed as Auditors. You are requested to appoint Auditors and fix their remuneration. M/s. K.C. Mehta & Co., Chartered Accountants, 2nd Floor, Meghdhanush, Race Course, Vadodara - 390 007, has expressed their willingness to act as Auditors of the Company.

11. INSURANCE

All the properties of the Company are adequately insured against various perils.

12. CEO / CFO CERTIFICATION:

This is to certify that -

a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered in to by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit Committee

- (i) significant changes in internal control over financial reporting during the year;
- (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

SWAMI PRASAD	Y.J. SHAH
CHIEF EXECUTIVE OFFICER	GENERAL MANAGER

13. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors confirm that

- a) in the preparation of the annual accounts, the applicable accounting standards have been

followed along with proper explanation relating to material departures.

- b) The Directors had selected appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of the profit of the Company for the financial year 1st January 2010 to 31st December 2010.
- c) That they had 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. The annual accounts have been prepared on a going concern basis.

14. CORPORATE GOVERNANCE:

A. Company's Philosophy:

Transparency, accountability, full disclosure and compliance with the law are the governing factors at SEIL, which is committed to enhance the shareholders' value in the long term as its ultimate objective, while contributing to the welfare of the employees, state revenue and public interest.

B. Board of Directors

i Board Meetings:

During 2010, 5 meetings of the Board of Directors were held on January 27, 2010, on April 30, 2010, on June 23, 2010, on July 27, 2010 and on October 28, 2010.

ii. Composition of the Board:

The present Board consisting of 4 Directors and all 4 Directors are non-executive Directors. The Company does not have any Executive Director. The Chairman of the Company is non-executive and Independent Director. Mr. Adrian Oehler and Mr. Shalin Divatia are representatives of M/s. INTEGRA Holding AG. All other Directors are Independent Directors. Therefore, the composition of Board of Directors is in conformity with the Clause 49 of the Listing Agreement.

The name and categories of Directors on the Board, their attendance record, the number of Directorship and Committee position as on date of this report are as under:

Name of the Director	Category	Attendance of Board Meetings	Attendance of last AGM	Director ship	In other Companies Committee Member	Chairman ship of
*Mr. Hemraj Asher	Chairman from 23.06.2010 Independent/ Rotational	3	YES	17	-	-
*Mr. Sanjay Asher	(Chairman from 28.10.2009 to 23.06.2010) Independent/ Rotational	4	NIL	33	9	6
*Mr. KM Thanawalla	Promoter's Nominee/ Rotational	5	YES	16	3	-
*Mr. Ulrich Wunder	Promoter's Nominee/ Non-Rotational	2	NIL	8	-	1
**Mr. Leen Osterloh	Promoter's Nominee/ Non-Rotational	1	NIL	5	-	-
***Mr. CBK Pillai	Ng. Director Rotational/ Executive	1	YES	NIL	NIL	NIL
#Mr. Adrian Oehler	Promoter/ Rotational	1	NIL	10	-	-
!Mr. Shalin S. Divatia	Promoter/ Rotational	1	NIL	2	-	-
##Mr. Jaywant H. Mehta	Independent/ Rotational	1	NIL	1	-	-
!Mr. Mahendra Sanghvi	Independent/ Rotational	1	NIL	7	-	-

* Ceased from Directorship w.e.f. 18th February 2011

** Ceased from Directorship w.e.f. 3rd January 2011

*** Ceased from Directorship w.e.f. 23rd June 2010

! Ceased from Directorship w.e.f. 30th June 2010

Appointed Directors w.e.f. 3rd January 2011

Note: None of the Directors are inter se related to each other except Mr. Hemraj AZsher & Mr. Sanjay Asher.

C. AUDIT COMMITTEE:

- i. The Company has constituted an Audit Committee on 30th January 2001. During 2010, the members of the committee were (i) Mr. Hemraj Asher (Independent Director) Chairman from 23rd June 2010 to 27th January 2011 (ii) Mr.K.M. Thanawalla (Promoter's Nominee) up to 3rd January 2011 with Mr.CBK Pillai as its Secretary up to 30th June 2010, (iii) Mr.Sanjay Asher (Independent Director) Chairman up to 23rd June 2010, (iv) Mr. Jaywant Mehta (Independent Director) Chairman from 27th January 2011, (v) Mr. Adrian Oehler (Promoter) from 27th January 2011 & (vi) Mr. Mahendra Sanghvi (Independent Director) from 27th January 2011.
- ii. The Audit Committee is vested with the power to examine all the aspects of the Company's business, recommend capital expenditure and suggesting remedial measures on issues that are raised in the Internal Auditors' Report,

Statutory Auditors' Report and other Management reports, review of quarterly performance, cost reduction measures, compliance with statutory regulations, interaction with the Statutory Auditors and officers of the Company and other matters specified in Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

- iii. The Audit Committee had its meetings on January 27, 2010, April 30, 2010, July 27, 2010 & October 28, 2010. These meetings were attended by Mr. Hemraj Asher (2 Meetings), Mr. Sanjay Asher (all Meetings), Mr. K.M. Thanawalla (all Meetings) Mr. CBK Pillai (2 meetings). Mr. Mukesh B. Banker, Statutory Auditor (all Meetings).

D. COMPENSATION AND REMUNERATION:

- i. Remuneration paid to the Managing Director during 1st January 2010 to 30th June 2010:

Particulars	For the period 1st January 2010 to 30th June 2010. (Rs. (in '000))
i) Salaries	900
ii) Contribution to Provident & other funds	243
iii) Gratuity	2250
iv) Perquisites	548
Total	3941

- ii. Sitting fee paid to the Directors

Name of the Director	Amount paid (Rs.)			
	Board Meeting	Audit Committee Meeting	Shareholders' Grievance Committee Meeting	Managerial Remuneration Committee
Mr. Hemraj Asher	80,000/-	40,000/-	-	-
Mr. Sanjay Asher	1,00,000/-	80,000/-	-	20,000/-
Mr. K.M. Thanawalla	1,00,000/-	80,000/-	86,000/-	20,000/-

- iii. None of the Non-Executive Directors hold any Equity Share of the Company.
- iv. No remuneration is paid to any other Non-executive Directors other than the sitting fee as permissible under the companies Act 1956, no separate remuneration policy has been laid down for the Directors generally.

E SHARE TRANSFER COMMITTEE & SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

- i. On 29th January, 2002 a Shareholders'/Investors' Grievance Committee was formed by the Board to review the status of investors'

grievances and redressal mechanism and to suggest measures to improve the level of investor services. Mr. K.M. Thanawalla was heading this Committee (up to 3rd January 2011) with Mr. CBK Pillai (up to 30th June 2010) and Mr. Y.J. Shah (from 1st July 2010 to 27th January 2011) as the other Member. During 2010 the Committee had its meetings on January 27, 2010, April 30, 2010, July 27, 2010 & October 28, 2010.

- ii. On 27th July 2010, a Share Transfer Committee of Directors for transfer of Shares, issue of Duplicate/consolidated/sub-divided share certificates was formed. Mr. K.M. Thanawalla was heading this Committee (up to 3rd January 2011) with Mr. Sanjay Asher as the other Member. During 2010, the Committee had its meetings on September 9, 2010, September 29, 2010, October 19, 2010, November 9, 2010, November 29, 2010 & December 16, 2010.

- iii. The above Committees have reconstituted w.e.f. 27th January 2011 as Share Transfer Committee & Shareholders'/Investors' Grievance Committee with Mr. Jayvant Mehta as Chairman, Mr. Adrian Oehler and Mr. Mahendra Sanghvi as Member.

iv. COMPLIANCE OFFICER:

Mr. CBK Pillai, Company Secretary (up to 30th June 2010), was the Compliance Officer and from 1st July 2010 Mr. Y.J. Shah is the Compliance Officer. He can be contacted at Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat, Telephone No. (02676) 221870, Fax No. (02676) 220887, E-mail: seilhalol@sify.com

- v. During the year the Company has received 10 complaints and all the complaints have been resolved well in time. No complaints are pending at the end of the financial year.

F. GENERAL BODY MEETING:

The previous 3 General Body Meetings were held as under :

Annual General Meeting	Day, Date & Time	Venue
26th Annual General Meeting	Friday 27.06.2008 at 2.30 p.m.	Registered Office of the Co. Chandrapura Village Tal. Halol-389 350 Dist. Panchmahals, Gujarat
27th Annual General Meeting	Thursday 25.06.2009 at 2.30 p.m.	Registered Office of the Co. Chandrapura Village Tal. Halol-389 350 Dist. Panchmahals, Gujarat
28th Annual General Meeting	Wednesday 23.06.2010 at 2.30 p.m.	Registered Office of the Co. Chandrapura Village Tal. Halol-389 350 Dist. Panchmahals, Gujarat

No special resolution was passed in the 26th or in the 27th Annual General Meetings & one Special Resolution in respect of

appointment of Mr. CBK Pillai as Managing Director was passed in the 28th Annual General Meeting. No Special Resolution was passed by way of Postal Ballot during the year under review.

G. DISCLOSURES:

- i. The Company has not entered into any contract or transaction of material nature that may have a potential conflict with the interest of the company with any of the directors or their relatives or promoters during the year. There were no penalties or strictures imposed on the company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to Capital Markets during the last 3 years.
- ii. There are no criminal cases by or against the Company pending in any Court. If there are any other disputes with financial implications, they are shown in the contingent liabilities in the Accounts under review.
- iii. The Company's Factory Shed No.2 admeasuring around 4915 sq. meter was let out to ArcelorMittal Dhamm Processing Pvt. Ltd. for a period of 3 years from 1st March 2010. Around 2445 sq. meter of Factory Shed No.4 has also been let out to another company namely Oerlikon Textile Components Pvt. Ltd (OTC) for a period of 5 years from 1st March 2008.
- iv. It is affirmed that no personnel has been denied access to the Audit committee and that the company has complied with all the mandatory and some of the non mandatory requirements under the corporate governance.
- v. No Director holds any Equity Shares of the Company.
- vi. The Company is *inter-alia* in compliance with the non-mandatory requirements relating to the Remuneration Committee and Whistle Blower Policy. Additionally, the Company is in the process of adoption of other non mandatory guidelines issued by the Ministry of Corporate Affairs in November 2009.

H. MEANS OF COMMUNICATION:

i. QUARTERLY RESULTS

The Quarterly results of 2010 are published as under:

	Date of Publication
First Quarter	01.05.2010
Second Quarter	28.07.2010
Third Quarter	29.10.2010
Fourth Quarter	29.01.2011

- ii. The quarterly results and half yearly results of the Company are sent to the Stock Exchange immediately after the Board's approval. The quarterly results are also published in Loksatta/Jansatta in vernacular language and in Business Standard in English language within 48 hours of the approval by the Board. There have been no news releases or presentation to the institutional investors or analysts.

I. GENERAL SHAREHOLDERS' INFORMATION

- i. The 29th Annual General Meeting of the company will be held on Monday, the 18th April, 2011 at 12.00 noon at its Registered Office at Chandrapura Village, Tal Halol - 389 350, Dist Panchmahals, Gujarat State . The company follows calendar year (January - December) as its financial year. The Register of Members and the Share Transfer Books of the company will remain closed from Friday, the 15th April, 2011 to Saturday, the 16th April, 2011 (both days inclusive).

In view of accumulated losses, no dividend has been recommended. The Company's equity shares are listed on the Stock Exchange Mumbai. The stock code allotted is 505358.

ii. MARKET PRICE DATA:

The High & Low market prices of the shares at The Stock Exchange, Mumbai are as under:

Month	Sensex			
	Highest	Lowest	Highest	Lowest
January 2010	10.45	8.07	17701.13	16289.82
February 2010	9.20	7.10	16496.05	15790.93
March 2010	8.20	6.52	17711.35	16772.56
April 2010	8.87	6.75	17970.02	17380.08
May 2010	9.07	5.57	17386.08	16022.48
June 2010	8.26	6.00	17876.55	16572.03
July 2010	9.49	7.90	18130.98	17441.44
August 2010	13.10	8.87	18454.94	17971.12
September 2010	12.04	9.51	20117.38	18204.55
October 2010	11.77	8.50	20687.88	19872.15
November 2010	16.78	10.23	21004.94	19136.61
December 2010	12.12	9.05	20509.09	19242.36

Source The Economic Times

iii. SHARE TRANSFER AGENTS :

The Company is doing in house all physical delivery share transfer work since 15th April 1999. All the share transfer deeds are processed quickly and share certificates are

posted within 15 to 20 days from the date of receipt on an average. Incomplete share transfer deeds are returned to the transferees with a request to return after rectifying the deficiencies pointed out.

iv. **DISTRIBUTION OF SHAREHOLDING AS ON 31st DECEMBER 2010.**

Equity Shares:

Sr. No.	No. of Equity Shares No. nominal value of Rs.	No. of Share -holders	Shares Amount Rs.	Percentage of Shareholding
i)	Up to 5,000	20776	2,35,39,190	12.14
ii)	5,001 - 10,000	951	79,26,980	4.09
iii)	10,001 - 20,000	436	68,60,160	3.54
iv)	20,001 - 30,000	164	41,78,790	2.16
v)	30,001 - 40,000	63	22,40,750	1.16
vi)	40,001 - 50,000	77	36,84,480	1.90
vii)	50,001 - 1,00,000	118	87,07,460	4.49
viii)	1,00,001 & above	99	13,68,14,150	70.52
		22684	19,39,51,960	100.00

v. With effect from 9th October 2000, the Company's Equity Shares are admitted in Dematerialized Form through the Central Depository Services (India) Ltd. (CDSL). The **Sharepro Services**, 13 AB, **Samhita** Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off. **Andheri-Kurla** Road, Sakinaka, **Andheri (East)**, **Mumbai - 400 072** has provided the Company necessary connectivity for the purpose. Around 77.96% of the company's equity shares are dematted as on 31st December 2010.

vi. Since inception of the Company, the **Mafatlal** Consultancy Services were the Registrar to the Company. Due to several complaints of repeated nature, the Company took in house the share transfer work from 1st April 1999. On verification it was found that 8000 Folios of the shareholders were corrupted. The Company transferred these corrupted folios in a dummy folder and over the period rectified several folios leaving a balance of 182 Folios to be rectified, which is possible only over a period of time when the shares are received for the transfers. It was, therefore, not possible for the Company (in the interest of shareholders) for appointment of a common Registrar and because there is no common Registrar, the other depository i.e. National Security Depository Limited is not prepared to admit the Company's equity shares.

However, the Shareholders can deal with Central Depository Services (India) Ltd. The Company has been able to provide efficient and quick services to the shareholders over the last several years. It takes a maximum of 15 to 20 days to dispatch the share certificates duly transferred and 48 hours to respond to any complaint or any reasonable query from the shareholders.

vii. The company has not issued any GDRs/ ADRs/warrants. The company has only one plant at Chandrapura Village, **Tal Halol** 389 350 Dist **Panchmahals**, Gujarat State which is also its Registered Office. All communications should be addressed to the Registered Office.

viii. On 20th October 2010, INTEGRA Holding AG, Wallisellen has entered into a Share Purchase Agreement to acquire 54.40% of the Equity Shares and 100% of the Preference Shares of **Schlafhorst Engineering (India) Ltd.** from the Oerlikon Group.

With this transaction, INTEGRA Holding AG gains a controlling majority over the Company. As required by the Companies Act, 1956, INTEGRA Holding AG has to make an open offer to buy up to 20% of the Equity Shares from the market.

The association with INTEGRA Holding AG will enable the Company to continue and further expand the existing activities in the field of Sheet Metal work and other job work. The Company will also be in a position to leverage its relationship with INTEGRA Holding AG to expand the current business portfolio with other brands of the INTEGRA Group Companies as well as further strategic partnerships with foreign and local companies.

15. ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the whole-hearted support given by the Company's Collaborators, valuable customers and suppliers. The Directors also wish to express their appreciation of the co-operation received from the Shareholders and the employees at all levels.

For and on behalf of the Board

Place: Halol
Date : 27th January, 2011

CHAIRMAN

CERTIFICATE ON CLAUSE 49 COMPLIANCE

The Members

Schlafhorst Engineering (India) Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Schlafhorst Engineering (India) Limited, for the financial year ended 31st December, 2010 as stipulated in amended clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

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

We state that as per the records maintained, no investor grievances against the Company are pending for a period exceeding one month before shareholders / investors Grievance Committee.

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

Place : Vadodara.

Dated: 27th January 2011

Niraj Trivedi

Company Secretary

CP. No. 3123

AUDITORS' REPORT

TO THE MEMBERS OF
SCHLAFHORST ENGINEERING (INDIA) LIMITED.

We have audited the attached Balance Sheet of SCHLAFHORST ENGINEERING (INDIA) LIMITED, as at 31st December, 2010, the Profit & Loss Account & 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, including Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government Of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we enclose Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

- (iii) The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion the Balance Sheet and Profit & Loss Account dealt with by the report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors as on 31 st December 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 st December 2010 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and other notes thereon; give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2010,
 - (b) in the case of Profit & Loss Account, of the profit 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 SHAH & SHAH ASSOCIATES.

Chartered Accountants.

**Place : Halol
Dated : 27/01/2011**

**PARTNER.
(MUKESH B. BANKER)
M. No. 30367
Firm Regn.No. 109458W**

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of SCHLAFHORST ENGINEERING (INDIA) LTD., Halol for the year ended on 31st December 2010)

- (i) (a) The company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodic manner, which in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) The company has not disposed of substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management. In our opinion the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of the business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on such physical verification between physical stock and book records were not material.
- (iii) According to the information and explanation given to us, the company has neither taken nor granted any loans or advances in the nature of loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence question of reporting whether the terms and condition of such loans are prejudicial to the interest of the Company, and regularity on payment of principal amount and interest does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangement entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) During the year, the company has not accepted deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records by the company under section 209 (1) (d) of the act for any of its products.
- (ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom duties, Service Tax, Excise duty, Cess and any other statutory dues with the appropriate authorities.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess were in arrears, as at 31st December 2010 for the period of more than six month from the date they became payable.
- (c) According to the information and explanations given to us, there are no disputed dues which are not deposited of sales tax / Income Tax / Wealth Tax / Custom Duty / Excise Duty or cess except as stated below:

Name of Statute	Nature of Dues	Amount (Rs in Lacs)	Period to which Amount relates	Forum where Dispute is pending
Sale Tax Act	Sales Tax	13.51	89-90 - 2.91 93-94 - 1.91 1999 - 8.69	Asstt Commissioner
Income Tax Act	Income Tax	31.03	2007-08 - 26.20 2008-09 - 4.83	Income Tax Appeals - Addl. Commissioner.
Labour Act	Contract labour Godhara Labour Court Order on Labour Contractor	21.56	2010	Mamlatdar, Halol
	In 2007 not paid. Hence notice to Principal In 2010.			

- (x) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and the company has not incurred cash losses in such financial year & in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to a Financial Institution, Bank or Debenture holders.
- (xii) According to the information and explanations given 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) The company is not a Chit fund or a Nidhi mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the company.
- (xiv) According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the company.
- (xv) As per the information & explanations given to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- (xvi) The company has not obtained any term loans during the year. Accordingly the provision of clause (xvi) of the Order is not applicable to the company.
- (xvii) **According** to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, during the year the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 **of the** Act.
- (xix) During the period covered by our audit report, **the** company has not issued debenture.
- (xx) During the year, the Company has not made any public issues of shares.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For SHAH & SHAH ASSOCIATES.

Chartered Accountants.

**Place : Halol
Dated : 27/01/2011**

**PARTNER.
(MUKESH B. BANKER)
M. No. 30367
Firm Regn.No. 109458W**

SCHLAFHORST ENGINEERING (INDIA) LIMITED**16**BALANCE SHEET AS AT **31ST** DECEMBER, 2010

	Schedule	As at 31.12.2010 Rupees (in'000)	As at 31.12.2009 Rupees (in'000)
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS :			
Capital	1	317,952	317,952
Reserves and Surplus	2	<u>39,331</u>	<u>39,331</u>
		<u>357,283</u>	<u>357,283</u>
		<u>357,283</u>	<u>357,283</u>
APPLICATION OF FUNDS :			
FIXED ASSETS :			
Gross Block	3	159,309	161,047
Less: Depreciation		<u>134,294</u>	<u>131,756</u>
Net Block			25,015
Net Block			29,291
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	4	24,479	35,380
Sundry Debtors	5	2,006	8,899
Cash and Bank Balances	6	122,265	98,637
Loans and Advances	7	<u>16,236</u>	<u>13,059</u>
		<u>164,986</u>	<u>155,975</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	8	9,629	11,425
Provisions	9	<u>1,945</u>	<u>2,014</u>
		11,574	13,439
NET CURRENT ASSETS			153,412
MISCELLANEOUS EXPENDITURE :			
(To the extent not written off or adjusted)	10		
Payment under Voluntary Retirement Scheme			9,220
			12,294
PROFIT AND LOSS ACCOUNT :			
Debit Balance as per Profit and Loss Account		192,636	196,162
Less : Credit Balance in General Reserve deducted as per contra		<u>23,000</u>	<u>23,000</u>
		<u>169,636</u>	<u>173,162</u>
		<u>357,283</u>	<u>357,283</u>

Notes to the Accounts

15

Schedules referred to herein and the attached notes form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For and on Behalf of the Board

For and on behalf of
Shah & Shah Associates
Chartered Accountants

Chairman Mr. Adrian Oehler
Director Mr. **Shalin** S. Divatia
Director Mr. Jayvant H. Mehta
Director Mr. Mahendra **Sanghvi**
Director Mr. Hemraj C. Asher
Director Mr. Sanjay K. Asher

M.B.BANKER
Partner

M. No. 30367, Firm Regn. No. 109458W
Dated: 27/01/2011, Halol

Dated: 27/01/2011, Halol

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Schedule	01-01-2010 to 31-12-2010 Rupees (in '000)	01-01-2009 to 31-12-2009 Rupees (in '000)
Income :			
[See Note 1(vii) - Schedule 15]			
Net Sales & Operating Income	11	54,546	49,622
Other Income	12	17,237	22,418
Increase/(Decrease) in Stocks of Finished Goods and Work - in - Progress	13	<u>(5,114)</u>	<u>(7,079)</u>
		66,669	64,961
Expenditure :			
Manufacturing and other Expenses	14	61,111	49,663
Depreciation (See Note 1(i) - Schedule 15)		<u>3,292</u>	<u>3,732</u>
		64,403	53,395
PROFIT / (LOSS) BEFORE TAX		2,266	11,566
Provision For Taxation			
- Income Tax		500	1,260
- Less : MAT credit		(500)	-
- Wealth Tax		-	10
- Fringe Benefit Tax		-	75
PROFIT / (LOSS) AFTER TAX		2,266	10,221
Balance brought forward from previous year		(196,162)	(206,383)
Less : Prior year item - MAT credit		1,260	-
Balance Carried to Balance Sheet		<u>(192,636)</u>	<u>(196,162)</u>
Earning per share (See Note 24 of Schedule 15)			
Basic		0.12	0.53
Diluted		0.12	0.53
Notes to the Accounts	15		

Schedules referred to herein and the attached notes form an integral part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our report of even date. For and on Behalf of the Board

For and on behalf of
Shah & Shah Associates
Chartered Accountants

M.B.BANKER

Partner
M. No. 30367, Firm Regn. No. 109458W
Dated: 27/01/2011, Halol

Chairman Mr. Adrian Oehler
Director Mr. Shalin S. Divatia
Director Mr. Jayvant H. Mehta
Director Mr. Mahendra Sanghvi
Director Mr. Hemraj C. Asher
Director Mr. Sanjay K. Asher

Dated: 27/01/2011, Halol

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2010

	Rupees (in'000)	As at 31.12.2010 Rupees (in'000)	As at 31.12.2009 Rupees (in'000)
Schedule 1			
CAPITAL			
Authorised :			
20,000,000	(Previous Year 20,000,000) Equity Shares of Rs. 10/- each	200,000	200,000
14,000,000	(Previous Year 14,000,000) Cumulative Redeemable Preference Shares of Rs.10 each (Payable at par)	140,000	140,000
		<u>340,000</u>	<u>340,000</u>
Issued and Subscribed :			
19,395,196	(Previous year 19,395,196) Equity Shares of Rs.10 each Fully paid up (See Note below)	193,952	193,952
12,400,000	(Previous Year 12,400,000) 4% Cumulative Redeemable Preference share (payable at par) of Rs.10/- each Fully paid up issued to the Collaborators & redeemable anytime after 15th December,2006 but before 28th October 2024	124,000	124,000
		<u>317,952</u>	<u>317,952</u>

Note:

Of the above Equity Shares, 10,551,248 Shares are held by
M/s. W. Reiners **Verwaltungs GmbH.**, Germany - Holding Company.

Schedule 2**RESERVES AND SURPLUS****Capital Reserve :**

Central and State Government Cash Subsidy	2,500	2,500
Profit on Re-issue of Forfeited Shares	33	33
	<u>2,533</u>	<u>2,533</u>

Share Premium Account :

As per last Balance Sheet	36,798	36,798
---------------------------	--------	--------

General Reserve :

As per last Balance Sheet	23,000	23,000
Less : Deducted from debit balance of Profit and Loss Account as per contra	<u>23,000</u>	<u>23,000</u>
	<u>-</u>	<u>-</u>
	<u>39,331</u>	<u>39,331</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31 ST DECEMBER, 2010

Schedule : 3

FIXED ASSETS

	GROSS BLOCK AT COST				DEPRECIATION *				NET BLOCK	
	As at January 1, 2010 Rupees (in '000)	Additions during the Year Rupees (in '000)	Deductions during the Year Rupees (in '000)	As at December 31, 2010 Rupees (in '000)	As at January 1, 2010 Rupees (in '000)	For the Year Rupees (in '000)	On deduction during the year Rupees (in '000)	As at December 31, 2010 Rupees (in '000)	As at December 31, 2010 Rupees (in '000)	As at December 31, 2009 Rupees (in '000)
Freehold Land	700		-	700	-			-	700	700
Buildings	41,693			41,693	26,492	1,390		27,882	13,811	15,202
Plant and Machinery	106,387		127	106,260	97,735	1,145	127	98,753	7,507	8,652
Computers	2,286		186	2,100	1,446	315	119	1,642	458	841
Furniture, Fixtures and Equipments	5,755		170	5,585	4,528	132	120	4,540	1,045	1,225
Vehicles	4,226		1,255	2,971	1,555	310	388	1,477	1,494	2,671
Total	161,047	-	1,738	159,309	131,756	3,292	754	134,294	25,015	29,291
As at 31 st December, 2009	166,240	364	5,557	161,047	131,642	3,732	3,618	131,756	29,291	

* See Notes 1 (i) - Schedule 15

	Rupees (in'000)	As at 31.12.2010 Rupees (in'000)	As at 31.12.2009 Rupees (in'000)
Schedule 4			
INVENTORIES			
(As valued and certified by the Management) [See Notes 1(iii) - Schedule 15]			
Stores and Spare - Parts		1,687	1,783
Raw Materials and Components Including goods in transit Rs.NIL (in '000) (Previous year Rs.NIL (in '000))		8,760	10,795
Trading Components Including goods in transit Rs.114 (in '000) (Previous year Rs. 128 (in '000))		5,230	8,886
Work-in-Progress		8,802	11,274
Finished Goods		-	2,642
(See Note 18 - Schedule 15)		<u>24,479</u>	<u>35,380</u>
Schedule 5			
SUNDRY DEBTORS (Unsecured) (Considered good)			
Debts outstanding over six months		-	-
Other Debts		2,006	8,899
		<u>2,006</u>	<u>8,899</u>
Schedule 6			
CASH & BANK BALANCES			
Cash on Hand		105	121
With Scheduled Banks :			
- On Current Accounts		4,989	1,588
- Short Term Deposits		117,171	96,928
		<u>122,160</u>	<u>98,516</u>
		<u>122,265</u>	<u>98,637</u>
Schedule 7			
LOANS AND ADVANCES (Unsecured) (Considered good)			
Advances recoverable in Cash or in kind or for value to be received		4,727	4,577
Advances to Suppliers		35	141
Balance with Central Excise		49	14
Balance with Life Insurance Corporation - Gratuity (Net) (See Note 1 (v) & 19 - Schedule 15)		893	1,492
Balance with Life Insurance Corporation - Leave Encashment (Net) (See Note 1 (vi) - Schedule 15)		36	61
Advance payment of Tax (Tax Deducted at Source)		8,736	6,774
MAT (Income Tax) receivable		1,760	-
		<u>16,236</u>	<u>13,059</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2010

	As at 31.12.2010 Rupees (in '000)	As at 31.12.2009 Rupees (in '000)
Schedule 8		
CURRENT LIABILITIES		
Sundry Creditors	285	2,816
Advances from Customers	790	1,217
Other Liabilities	8,554	7,392
	<u>9,629</u>	<u>11,425</u>

Schedule 9**PROVISIONS**

Provision for Income Tax - MAT	1,760	1,260
Provision for Wealth Tax	20	89
Provision for Fringe Benefit Tax	165	665
	<u>1,945</u>	<u>2,014</u>

Schedule 10

Payment under Voluntary Retirement Scheme	12,294	-
Add: Addition during the year	-	15,368
Less: Written off during the year	3,074	3,074
	<u>9,220</u>	<u>12,294</u>

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Rupees (in '000)	As at 31.12.2010 Rupees (in '000)	01-01-2009 to 31-12-2009 Rupees (in '000)
Schedule 11			
SALES AND OPERATING INCOME			
Gross Sales	14,369		14,944
Job work	45,102		38,152
		59,471	53,096
Less: Excise Duty		4,925	3,474
Net sales		54,546	49,622
Schedule 12			
OTHER INCOME			
Income from services		78	272
Sundry Receipts		929	687
Rent received		8,431	7,874
(Tax deducted at source RS.9,23,489 (Prev year, Rs.15,89,769))			
Profit on sale of fixed assets - Net		-	54
Interest Received		7,185	8,842
(Tax deducted at source RS. 9,84,783 (Prev.year, Rs.16,80,040))			
Excess Provision / Liability written back		614	4,689
		17,237	22,418
Schedule 13			
INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS AND WORK-IN-PROGRESS			
Stock as at 31st December, 2010			
Finished Goods		-	2,642
Work-in-Progress		8,802	11,274
		8,802	13,916
Less :			
Stock as at 1 st January, 2010			
Finished Goods		2,642	4,746
Work-in-Progress		11,274	16,249
		13,916	20,995
		(5,114)	(7,079)

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	As at 31.12.2010 Rupees (in '000)	01-01-2009 to 31-12-2009 Rupees (in '000)
Schedule 14		
MANUFACTURING AND OTHER EXPENSES		
RAW MATERIALS AND COMPONENTS CONSUMED	22,575	17,020
PAYMENTS TO AND PROVISION FOR EMPLOYEES :		
Salaries, Wages and Bonus	8,303	11,088
Contribution to Provident and other Funds	874	1,289
Staff Welfare Expenses	2,840	2,517
Gratuity	2,498	600
Expenses for Voluntary Retirement Scheme amortised	<u>3,074</u>	<u>3,074</u>
	17,589	18,568
Stores and Spare parts consumed	1,745	1,123
Processing Charges	118	44
Power & Fuel	1,648	1,472
Rent	-	81
Repairs to Buildings	1,703	349
Repairs to Machinery	411	119
Repairs & Maintenance of general assets incl.computers	470	319
Insurance	149	159
Rates & Taxes	120	101
Printing & Stationery	297	267
Postage, Telegrams & Telephones	308	381
Commission / Brokerage	185	327
Legal & Professional Charges	5,387	1,462
Travelling Expenses	524	482
Security Service & Other service Charges	4,415	1,866
Advertisements	18	35
Provision for Excise duty on Finished Goods	-	321
Loss on Sale of Fixed Assets (Net)	818	-
Miscellaneous Expenses	2,631	5,167
	<u>61,111</u>	<u>49,663</u>

Schedule 15 : Notes to the Accounts**1. SIGNIFICANT ACCOUNTING POLICIES**

These accounts have been prepared under the historical cost convention on accrual basis and comply with Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 of India.

i) FIXED ASSETS AND DEPRECIATION:

- a. Fixed assets are stated at cost of acquisition inclusive of any other cost attributable to bringing the same into working condition. They are stated at historical cost.
- b. Depreciation is provided on Straight Line Method in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956 of India.
- c. In respect of assets acquired /sold/discarded during the financial year, depreciation is provided on prorata basis.

ii) INVESTMENTS:

Investments are stated at cost of acquisition or are marked down if there is a permanent diminution in value.

Hi) INVENTORIES:

- a. Stores and spare parts are valued at weighted average cost.
- b. Raw materials and components are valued at weighted average cost.
- c. Work-in-progress is valued at cost. Finished goods are valued at cost or market value whichever is lower. Cost represents historical cost arrived at on the basis of absorption costing.

iv) FOREIGN CURRENCY TRANSACTIONS :

Transactions in foreign currencies, to the extent not covered by forward contracts, are accounted at current exchange rates. Gains and losses arising out of subsequent fluctuations in exchange rates are accounted for on realisation. Conversion losses/gains at the year end in respect of current assets and current liabilities are dealt with in the Profit & Loss Account.

v) GRATUITY :

Effective January 01, 2007 the Company has adopted the revised Accounting Standards (AS) 15 on Employee Benefits.

The Company has taken Master Policy from Life Insurance Corporation (LIC) under Employees Group Gratuity cum Life Assurance (Cash Accumulation) Scheme. All employees are covered under Employees Gratuity Scheme which is a defined plan. The Company contributes to the fund on the basis of the liability actuarially determined in pursuance of the Scheme. All actuarial gains / losses arising during the accounting year are recognised immediately in the profit and loss account as income or expense.

vi) LEAVE ENCASHMENT:

Provision has been made in respect of accumulated encashable leave balances of the employees on the basis of their current salaries. Since 2006, the Leave Encashment liability has been fully funded with Life Insurance Corporation of India.

vii) REVENUE RECOGNITION:

- a) Sale of goods is recognised on transfer of property therein. Sales are inclusive of Excise duty and net of sales tax / value added tax and sales returns.
- b) Insurance and other claims are recognised only on acceptance of claims by the appropriate authorities.
- c) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.

viii) INCOME AND DEFERRED TAXES :

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each Balance Sheet date the Company reassesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

ix) **MISCELLANEOUS EXPENDITURE :**

The expenditure in respect of the Voluntary Retirement Scheme is being amortised over a period of five years.

X) **IMPAIRMENT OF ASSETS**

The Company evaluates the impairment of losses on the fixed assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such assets are considered to be impaired the impairment loss is then recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the smallest level for which there is separately identifiable cash flows.

2. **Contingent Liabilities in respect of:**

Particulars	As at	As at
	31.12.2010	31.12.2009
	Rupees (in '000)	Rupees (in '000)
A Demand raised by Sales Tax Authorities & disputed by the Company	13.51	13.51
B Demand raised by Income Tax Authorities & disputed by the company	31.03	26.20
C Demand raised by Mamalatdar, Halol & disputed by the company	21.56	NIL
D Claims against the Company not acknowledged as debts	9.58	9.50
E Dividend on 4% Cumulative Redeemable Preference Shares	306.30	256.70

The above **Contingent** liabilities do not include the following, as the same are not **ascertainable**.

- i) Continuity Bonds given to Customs Authorities from time to time and
- ii) Pending labour cases.

3. The Accounts have been prepared on a going concern basis.

4. During the year, no Research & Development expenditure have been incurred.

5. The tax year of the Company being March 31, 2011, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2011 and the provision based on the figures for the remaining nine months up to December 31, 2010, the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2010 to March 31, 2011.

6. Provision (net) has been made for Obsolete/slow moving / non moving inventory aggregating Rs.4456 (in '000)

7. As per the information available with the Company and as **certified** by the management, there are no dues outstanding including interest as on 31st December, 2010 to Small and Micro enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

8. During the year 2009, the Company has given Voluntary Retirement Scheme to its employees. Expenditure in respect of Voluntary Retirement Scheme is being amortised over a period of five years. Accordingly, an amount of Rs.3074 (in 000) has been expensed during the year and a balance of Rs. 9220 (in '000) has been carried forward and disclosed under Miscellaneous Expenditure as at December 31, 2010.

9. Remuneration to Directors:

(a) Managerial Remuneration

Particulars	For the	For the
	Year 2010	Year 2009
	Rs. (in'000)	Rs. (in'000)
i) Salaries	900	1323
ii) Contribution to Provident and other funds	243	356
iii) Gratuity	2250	64
iv) Perquisites	548	182
	<u>3941</u>	<u>1925</u>

- (b) Computation of net loss in accordance with Section 309(5) of the Companies Act, 1956 has not been made in view of the brought forward losses.
- (c) Perquisites have been valued as per Income tax rules 1962, where applicable.

10. Remuneration to Auditors:

Particulars	For the Year 2010 Rs. (in'000)	For the Year 2009 Rs. (in'000)
Audit Fees	200	150
In other capacity for		
- Tax Audit	50	50
- Other services	217	68
	<u>467</u>	<u>268</u>

11. Contracts on capital account:

Particulars	31.12.2010 Rupees (in '000)	31.12.2009 Rupees (in '000)
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	NIL	NIL

12. Stock and Turnover

Class of goods	Opening stock				Turnover				Closing stock			
	As at January 1, 2010		As at January 1, 2009		01.01.2010 to 31.12.2010		01.01.2009 to 31.12.2009		As at December 31, 2010		As at December 31, 2009	
	Nos.	Rs. (in'000)	Nos.	Rs. (in'000)	Nos.	Rs. (in'000)	Nos.	Rs. (in'000)	Nos.	Rs. (in'000)	Nos.	Rs. (in'000)
Draw frames	5	2642	9	4746	7	5929	4	3090	-	-	5	2642
Spares			-	-		8440	-	11854			-	-
		<u>2642</u>		<u>4746</u>		<u>14369</u>		<u>14944</u>				<u>2642</u>

Note: Due to large variety and numbers, the quantitative details of spares are not ascertainable.

13. *Licensed & Installed Capacity & Production

Class of Goods	Installed Capacity(**)		Production per annum	
	01.01.2010 to 31.12.2010 Nos.	01.01.2009 to 31.12.2009 Nos.	01.01.2010 to 31.12.2010 Nos.	01.01.2009 to 31.12.2009 Nos.
Automatic Cone Winding Machines	-	-	-	-
Draw Frame Machines	24	24	2	-
Speed Frame Machines	-	-	-	-

* Licensing has been abolished vide notification dated 25th July 1991 and therefore the information relating to licensed capacity has not been given above.

** The Speed Frame and Automatic Cone Winding Machine were discontinued in 1996 & 1997 respectively due to lack of demand and their installed capacity was redeployed for job work.

14. Raw materials & Components Consumed:

Class of Goods	Quantity (M.T.)		Amount (Rs. in '000)	
	01.01.2010 to 31.12.2010	01.01.2009 to 31.12.2009	01.01.2010 to 31.12.2010	01.01.2009 to 31.12.2009
Steel Rounds, Bars, Plates & Castings	79.06	97.80	12888	9228
Components	-	-	5231	7792
			<u>18119</u>	<u>17020</u>

* Due to large variety and numbers quantitative details are not readily ascertainable.

	01.01.2010 to 31.12.2010		01.01.2009 to 31.12.2009	
	Value Rupees (in'000)	% of total consumption	Value Rupees (in'000)	% of total consumption
Indigenous	14770	81.52%	10228	60.09%
Imported	3349	18.48%	6792	39.91%
	18119	100.00%	17020	100.00%

15. Value of Stores & Spare parts Consumed

	01.01.2010 to 31.12.2010		01.01.2009 to 31.12.2009	
	Value Rupees (in'000)	% of total consumption	Value Rupees (in'000)	% of total consumption
Indigenous	1745	100.00%	1123	100.00%
Imported	0		0	
	1745	100.00%	1123	100.00%

16. Value of Imports Calculated on C.I.F. basis in respect of :

	01.01.2010 to 31.12.2010 Rupees (in '000)	01.01.2009 to 31.12.2009 Rupees (in '000)
Raw Material and Components	1647	3301

17. Earnings in Foreign Exchange

	01.01.2010 to 31.12.2010 Rupees (in '000)	01.01.2009 to 31.12.2009 Rupees (in '000)
FOB Value of Exports	294	NIL

18. The Company has provided an amount of Rs. NIL (in '000) for excise duty payable on finished manufactured goods but not cleared from the factory in accordance with the 'Guidance Note on Accounting Treatment for Excise Duty' and other professional pronouncements issued by the Institute of Chartered Accountants of India. However, the same has no effect on the profit for the year.

19. GRATUITY

Provision of gratuity liability on actuarial valuation under Projected Unit Credit (PUC) Method has been done on going concern basis, in accordance with revised AS 15.

Since 2006, Gratuity liability has been fully funded with Life Insurance Corporation of India.

The amount recognized in the Balance Sheet are as follows :

For the Year ended 31.12.2010	
Present Value of funded obligations	3529504
Fair Value of plan assets	4422801
Over funded liability	893297
Over funded liability recognized in Balance Sheet as asset	893297

The amount recognized in the statement of Profit & Loss Sheet are as follows :

For the year ended 31.12.2010	
Current service cost	102902
Interest on obligation	253506
Expected return on plan assets	425927
Net actuarial losses (gains) recognized in year	2567952
Total included in 'employee benefit expense'	2498433

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows :

For the year ended 31.12.2010	
Opening defined benefit of obligation	3168824
Service cost	102902
Interest cost	253506
Actuarial losses (gains)	2567952
Benefits paid	2563680
Closing defined benefit obligation	3529504

Changes in the fair value of plan assets representing reconciliation of the opening balance and closing balance thereof as follows :

For the year ended 31.12.2010	
Opening fair value of plan assets	4660554
Expected return	425927
Contributions by employer	1900000
Benefits paid	2563680
Closing fair value of plan assets	4422801

20. Segment reporting:

In the opinion of the Company, the Company has only one segment viz., Textile machines, hence no separate disclosure of segment wise information has been made. The surplus capacity is being deployed for the Job work which are not considered permanent identifiable product of the company.

21. Operating Lease :

The Company has given certain factory premises on non-cancellable operating lease.

The tenure of these lease agreements ranges from 36 months to 60 months.

The details are as under

Particulars	As at and for the year ended	As at and for the year ended
	31 st December, 2010	31 st December, 2009
	Rupees in Lacs	Rupees in Lacs
Gross Block of Assets	224.21	224.32
Accumulated Depreciation	158.49	151.10
Net block of Assets	65.72	73.22
Receivable	As at and for the year ended	As at and for the year ended
	31 st December, 2010	31 st December, 2009
	Rupees in Lacs	Rupees in Lacs
Not later than one year	95.26	29.49
Later than one year and not later than five years	111.14	57.89
Later than five years	-	-

Other Income includes income from lease of **Rs.84.31** Lacs in schedule 12.

22. Related parties disclosures:

Related parties disclosures as required by Accounting Standard 18 are given below:

Sr. No.	Name of the related parties	Nature of relationship With Company	Nature of transaction	Volume of transaction (Rs in lacs)	Balance at the end of the year (Rs in lacs)	Payable (P) or Receivable(R)
1.	Oerlikon Schlafhorst Zweignied Erlassung Der Oerlikon Textile GmbH & Co. KG (Formerly Known as Saurer GmbH & Co.) Germany	Associate Company	Purchase of spares Sale of Spares	16.47 2.94	- -	- -
2.	Mr.CBK Pillai	Key Management Personnel	Remuneration & sale of Fixed Assets	39.41 1.35	- -	- -
3.	ZinserTextile Systems Pvt. Ltd., Ahmedabad	Associate Company	Services / Job work & Rent	11.87 3.06	- -	- -
4.	Oerlikon Textile Components India Pvt Ltd., Halol	Associate Company	Services / Job work & Rent	2.16 31.93	- -	- -

23. Taxes on income:

The Company has net deferred tax assets as at 1 st April, 2009 as well as at 31 st March, 2010. Deferred tax assets arising mainly on account of unabsorbed depreciation and carried forward losses under the tax laws have not been considered for recognition as there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Therefore, such deferred tax assets has not been recognized in the accounts of the Company.

24. Earning per share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings per share.

		2010	2009
Basic Earnings per share before Extra Ordinary Items :			
Profit attributable to the shareholders (Rs.)	A	2266000	10221000
Weighted average number of Equity Shares Outstanding during the year	B	19395196	19395196
Nominal value of Equity Shares (Rs.)		10.00	10.00
Basic Earnings per Share (Rs.)	AB	0.12	0.53
Diluted Earnings per share before Extra Ordinary Items :			
Profit attributable to the shareholders (Rs.)	A	2266000	10221000
Weighted average number of Equity Shares Outstanding during the year	B	19395196	19395196
Nominal value of Equity Shares (Rs.)		10.00	10.00
Diluted Earning per share (Rs.)	MB	0.12	0.53

25. The previous year's figures have been regrouped wherever necessary.

26. Refer Annexure 1 for additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956 of India

Signature to Schedules 1 to 15 forming part of the Accounts

This is the Balance Sheet referred to in our report of even date.

For and on Behalf of the Board

For and on behalf of
Shah & Shah Associates
Chartered Accountants

Chairman Mr. Adrian Oehler
Director Mr. Shalin S. Divatia
Director Mr. Jayvant H. Mehta
Director Mr. Mahendra Sanghvi
Director Mr. Hemraj C. Asher
Director Mr. Sanjay K. Asher

M.B.BANKER

Partner
M. No. 30367, Firm Regn. No. 109458W
Dated: 27/01/2011, Halol

Dated: 27/01/2011, Halol

Annexure - I

Additional Information as required under Part - IV of Schedule - VI of the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I	Registration Details :	
	Registration No.	28741
	State Code	04
	Balance Sheet Date	31.12.2010
II	Capital Raised during the year	(Amount in Rs. '000)
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
III	Position of Mobilisation and Deployment of Funds	(Amount in Rs. '000)
	Total liabilities	357283
	Total Assets	357283
	Sources of Funds	
	Paid-up capital	317952
	Reserves & Surplus	39331
	Secured Loans	0
	Unsecured Loans	0
	Application of Funds	
	Net Fixed Assets	25015
	Investments	0
	Net Current Assets	153412
	Misc. Expenditure	9220
	Accumulated Lossess	169636
IV	Performance of the Company	(Amount in Rs. '000)
	Turnover	71783
	Total Expenditure	69517
	Profit / (Loss) Before Tax	2266
	Profit / (Loss) After Tax	2266
	Earnings per share in Rs.	0.12
	Dividend Rate %	Nil
V	Generic Names of Three Principal Products / Services of Company (as per monetary terms)	
	Item Code No (ITC Code)	8445900
	Product Description	Automatic Winding Machine
	Item Code No (ITC Code)	84451300
	Product Description	Draw Frame
	Item Code No (ITC Code)	84451300
	Product Description	Speed Frame

Signature to Schedules forming part of the Balance Sheet and Profit and Loss Account and to the above notes.

For and on Behalf of the Board

For and on behalf of
Shah & Shah Associates
 Chartered Accountants

M.B.BANKER

Partner

M. No. 30367, Firm Regn. No. 109458W

Dated: 27/01/2011, Halol

Chairman Mr. Adrian **Oehler**
 Director Mr. Shalin S. Divatia
 Director Mr. **Jayvant H. Mehta**
 Director Mr. **Mahendra** Sanghvi
 Director Mr. Hemraj C. **Asher**
 Director Mr. Sanjay K. Asher

Dated: 27/01/2011, Halol

CASH FLOW FOR THE YEAR ENDED 31-12-2010

PARTICULARS	Rupees (in '000)	CURRENT YEAR Rupees (in '000)	PREVIOUS YEAR Rupees (in '000)
A) Cash Flow From Operating Activities			
1) Net profit / (loss) before Tax		2,266	11,566
2) Add: Adjustments for :			
Depreciation	(3,292)		(3,732)
Profit / (Loss) on Assets sold, demolished or discarded	(818)		54
Interest & Finance charges			-
		<u>(4,110)</u>	<u>(3,678)</u>
		6,376	15,244
Less:- Exchange Gain on foreign currency loan			
3) Operating (Loss)/Gain before working capital changes		<u>6,376</u>	<u>15,244</u>
4) Adjustments for working capital changes			
i) Inventories	10,901		9,626
ii) Sundry Debtors	6,893		(4,025)
hi) Other Current Assets, Loans & Advances	(1,917)		28
iv) Employee Liabilities (decrease) / increase	3,074		(12,294)
		<u>18,951</u>	<u>(6,665)</u>
Trade Payables	(1,865)		(662)
		<u>17,086</u>	<u>(7,327)</u>
5) Net Cash Generated from operations after Working Capital changes		23,462	7,917
6) (Less:-) Tax Paid		-	(1,345)
7) Cash flow before extra ordinary item (5 - 6)		23,462	6,572
Extra ordinary item (Deferred VRS Expenditure)			
Net cash from Operating Activities (A)		<u>23,462</u>	<u>6,572</u>
B) Cash Flow From Investing Activities			
1			
i) Sale of Fixed Assets	166		1,992
ii) Sale of Investments	-		-
iii) Income from investing activities	-		-
Profit on sale of investments (net)	-		-
iv) Interest	-		-
Sub- total (i) to (iv)	<u>166</u>		<u>1,992</u>
2			
i) Purchase of fixed assets	-		364
ii) Profit on sale of assets	-		-
iii) VRS Dues ex-employees	-		-
3			
Net Cash used in investing Activities { 1 - 2 } (B)		166	1,628
C) Cash Flow From Financing Activities			
i) Interest & Finance charges paid	-		-
ii) Un secured loans taken / (paid)	-		-
iii) Cash credit	-		-
iv) secured loans taken / (paid)	-		-
Net cash used in Financing Activities (C)			-
D) Net increase in Cash & Cash Equivalents (A+B+C)		23,628	8,200
E) Cash & Cash Equivalents as at 01.01.10 (opening balance)		98,637	90,437
F) Cash & Cash Equivalents as at 31.12.10 (closing balance)		122,265	98,637

Notes: 1 Cash flow statement has been prepared following indirect method.
2 Previous year's figures have been regrouped where necessary.

This is the Cash Flow Statement referred to in our report of even date.

For and on Behalf of the Board

For and on behalf of
Shah & Shah Associates
Chartered Accountants

M.B.BANKER

Partner
M. No. 30367, Firm Regn. No. 109458W
Dated: 27/01/2011, Halol

Chairman Mr. Adrian Oehler
Director Mr. Shalin S. Divatia
Director Mr. Jayvant H. Mehta
Director Mr. Mahendra Sanghvi
Director Mr. Hemraj C. Asher
Director Mr. Sanjay K. Asher

Dated: 27/01/2011, Halol

SUMMARISED YEAR END FINANCIAL DATA

Rs. in Lacs

Sr.	01.01.00	01.01.01	01.01.02	01.01.03	01.01.04	01.01.05	01.01.06	01.01.07	01.01.08	01.01.09	01.01.10
No. PARTICULARS	to	to	to	to	to	to	to	to	to	to	to
	31.12.00	31.12.01	31.12.02	31.12.03	31.12.04	31.12.05	31.12.06	31.12.07	31.12.08	31.12.09	31.12.10
PROFIT AND LOSS A/C											
1 Sales & Other Income	809.74	682.69	546.28	611.49	865.76	968.38	1,342.47	1,421.29	1028.97	755.14	767.08
2 Materials	253.10	179.72	220.75	229.79	288.40	344.01	497.33	491.80	282.71	170.20	225.75
3 Personnel Expenses	181.87	166.62	128.00	119.78	119.38	146.00	240.50	237.22	189.85	185.68	175.89
4 Excise Duty	42.46	22.00	31.41	47.55	76.27	86.10	144.06	155.47	95.08	34.74	49.25
5 Other Expenses	319.28	257.23	474.66	391.65	186.33	169.68	294.48	295.50	263.49	211.06	260.61
6 Profit/(loss) before Depreciation Interest & Tax and Extra ordinary items Exceptional items	13.03	57.12	(308.54)	(177.28)	195.38	222.59	166.10	241.30	197.84	153.46	55.58
7 Interest/ Debt remission by F.I./ Bank				893.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8 Interest/ Debt remission by WSC				878.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9 Profit on Sale of Vadodara Property							1,572.24	0.00	0.00	0.00	0.00
10 Loss on obsolete assets sold/discarded				83.78	0.00	0.00	623.09	0.00	0.00	0.00	0.00
11 Depreciation	112.77	93.60	84.23	82.28	62.77	64.26	54.62	53.04	49.24	37.32	32.92
12 Interest	274.20	258.26	280.46	284.01	101.66	93.86	42.11	1.19	0.91	0.48	0.00
13 Profit/(loss) before Tax	(373.94)	(294.74)	(673.23)	1,143.79	30.95	64.47	1,018.52	187.07	147.69	115.66	22.66
14 Taxation	0.37	0.37	0.44	0.37	0.37	0.37	2.02	3.05	2.15	13.45	0.00
15 Profit/(loss) after Tax	(374.31)	(295.11)	(673.67)	1,143.42	30.58	64.10	1,016.50	184.02	145.54	102.21	22.66
16 Dividend	-	-	-	-	-	-	-	-	-	-	-
17 Earning per Share (annualised)	(1.93)	(1.52)	(3.47)	5.90	0.16	0.33	5.24	0.95	0.75	0.53	0.12
BALANCE SHEET											
Sources of Fund											
18 Capital	1,939.52	1,939.52	1,939.52	1,939.52	3,179.52	3,179.52	3,179.52	3,179.52	3,179.52	3,179.52	3,179.52
19 Reserve & Surplus	623.31	623.31	623.31	623.31	623.31	623.31	623.31	623.31	623.31	623.31	623.31
20 Accumulated Losses	3,679.21	3,974.32	4,647.99	3,504.57	3,473.99	3,409.89	2,393.39	2,209.37	2,063.83	1,961.62	1,926.36
21 Net Worth (18+19-20)	1,116.38	1,411.49	2,085.16	(941.74)	328.84	392.94	1,409.44	1,593.46	1,739.00	1,841.21	1,876.47
22 Borrowings											
a Long Term	1,058.40	1,232.74	1,321.25	581.42	0.00	11.70	0.00	0.00	0.00	0.00	0.00
b Short Term	1,535.24	1,567.93	1,913.74	1,271.62	602.93	560.00	0.00	0.00	0.00	0.00	0.00
Employees Liability	469.99	534.08	632.70	637.96	639.06	641.10	0.00	0.00	0.00	0.00	0.00
23 Total (21+22)	1,947.25	1,923.26	1,782.53	1,549.26	1,570.83	1,605.74	1,409.44	1,593.46	1,739.00	1,841.21	1,876.47
Uses of Fund											
24 Fixed Assets											
a Gross Fixed Assets	2,463.99	2,428.55	2,426.57	2,062.30	2,060.79	2,104.86	1,646.11	1,661.25	1,662.40	1,610.47	1,593.09
b Less : Depreciation	1,519.28	1,583.16	1,665.46	1,498.80	1,557.95	1,615.71	1,225.11	1,267.19	1,316.43	1,317.56	1,342.94
c Net Fixed Assets	944.71	845.40	761.11	563.50	502.84	489.15	421.00	394.06	345.97	292.91	250.15
25 Investments	71.04	71.04	71.04	71.04	71.04	71.04	0.00	0.00	0.00	0.00	0.00
26 Net Working Capital											
a Inventories	578.74	594.30	549.51	517.31	596.54	661.31	551.00	602.48	450.06	353.80	244.79
b Debtors	95.91	74.54	86.67	138.41	127.29	148.82	147.19	33.82	48.74	88.99	20.06
c Other Current Assets	444.36	447.72	448.05	478.75	524.50	564.30	644.71	775.23	1,035.24	1,116.96	1,385.01
Total Current Assets	1,119.01	1,116.56	1,084.23	1,134.47	1,248.33	1,374.43	1,342.90	1,411.53	1,534.04	1,559.75	1,649.86
d Less : Current Liabilities and Provision	425.04	282.63	298.29	293.87	298.58	350.28	354.46	212.13	141.01	134.39	115.74
e Net Working Capital	693.97	833.93	785.94	840.60	949.75	1,024.15	988.44	1,199.40	1,393.03	1,425.36	1,534.12
27 Miscellaneous Expenditure	237.53	172.89	164.44	74.12	47.20	21.40	0.00	0.00	0.00	122.94	92.20
28 Total (24 to 27)	1,947.25	1,923.26	1,782.53	1,549.26	1,570.83	1,605.74	1,409.44	1,593.46	1,739.00	1,841.21	1,876.47
29 Debt/Equity Ratio	-	-	-	-	-	-	-	-	-	-	-
30 Book Value per Share	(5.76)	(7.28)	(10.75)	(4.86)	(4.70)	(4.37)	0.87	1.82	2.57	3.10	3.28

ATTENDANCE SLIP

SCHLAFHORST ENGINEERING (INDIA) LIMITED

Registered Office : Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat State.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. Joint Shareholders may obtain additional Attendance Slips on request. Regd. Folio No. & Name of the Shareholder/ Joint holder/Proxy and address as given on the envelope in BLOCK LETTERS to be furnished below.

Name of the Shareholder / Name of the Proxy	Regd. Folio No.	No. of Shares held

I hereby record my presence at the 29th Annual General Meeting of the Company on Monday, the 18th April, 2011 at 12.00 noon at the Registered Office of the Company, Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat State.

SIGNATURE OF THE _____
SHARE HOLDER OR PROXY

Notes:

- (1) Shareholders/Proxy holders are requested to bring the **Attendance** Slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.
- (2) Shareholders who come to attend the meeting are requested to bring their copies of Annual Report with them.
- (3) Shareholders are requested to advise, indicating their Folio Nos., the change in their addresses, if any, to the Company.

PROXY FORM

SCHLAFHORST ENGINEERING (INDIA) LIMITED

Registered Office : Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat State.

(Regd. Folio No. and name of the Shareholder/Joint holder and address as given on the envelope in BLOCK LETTERS to be furnished below)

Regd. Folio No.	No. of Shares held

I/We _____ of _____

being a Member(s) of the Company, hereby **appoint** _____

_____ of _____ or failing him

_____ of _____ as my/our

proxy to vote for me/us, on my/our behalf at the 29th ANNUAL GENERAL MEETING of the Company to be held on Monday, the 18th April, 2011 at 12.00 noon at the Registered Office of the Company or any adjournment thereof.

As Witness my/our hand(s) this _____ day of _____ 2011.



Signed by the said _____

NOTE: The Companies Act, 1956 lays down that an instrument appointing proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

BOOK-POST

If undelivered, please return to:

SCHLAFHORST ENGINEERING (INDIA) LIMITED

Chandrapura Village, Tal. Halol - 389 350

Dist. Panchmahals, Gujarat State.