

ANDHRA PRADESH TANNERIES LIMITED

**31ST ANNUAL REPORT
2004 - 2005**

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Board of Directors:

Smt. Arati Saran
Shri Y.Ratheish
Shri Sanjiv Shah
Shri Jehangir H.C.Jehangir
Shri S.K.Subramaniam

Chairperson
Managing Director
Director
Director
Director

Auditors:

M/s. Rowe & Pal
Chartered Accountants
Vizianagaram

Bankers:

Union Bank of India
State Bank of India

Registered Office & Factory:

Leather Complex Area,
Nellimarla – 531 217,
Vizianagaram District,
Andhra Pradesh

Share Transfer Agents

Satellite Corporate Services Pvt.Ltd.,
A-60/1223, 3rd Floor, Azad Nagar,
Veera Desai Road, Andheri (West),
Mumbai – 400 053.

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NOTICE

Notice is hereby given that the 31st Annual General Meeting of the members of Andhra Pradesh Tanneries Limited will be held at Leather Complex Area, Nellimarla – 531 217, Vizianagaram District, Andhra Pradesh on Friday, September 30, 2005 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005, and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Smt. Arati Saran who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED TO NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 29, 2005 to Friday, September 30, 2005 (both days inclusive).
3. Shareholders are requested to send all correspondence in respect of the shares held by them in physical form to the Company's Share Transfer Agents viz. Satellite Corporate Services Pvt. Ltd., A-60/1223, Azad nagar, Veera Desai Road, Andheri (West), Mumbai – 400 053.
4. A member desirous of getting any information on the accounts or operations of the Company or any shares-related matter is requested to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.

Registered Office:

Leather Complex Area,
Nellimarla – 531 217,
Vizianagaram District,
Andhra Pradesh

By order of the Board of Directors

Arati Saran
Director

Dated: 1st September 2005

DEMATERIALISATION OF SHARES

The Company is in the process of completing formalities with National Securities Depository Limited (NSDI) and Central Depository Services Limited (CDSL) for dematerialisation of the Shares of the Company. Accordingly the Shares of your Company will be available for dematerialisation and can be traded in Demat form.

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

We hereby state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures..
- (ii) That the Directors have selected such 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 at the end of the financial year and of the loss of the Company for that period.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

AUDITORS

The note nos. 5, 17, 7, 24, 20 in the notes to the Accounts referred by the Auditors in their report are self explanatory. On the suggestions/remarks made by the Auditors, the Directors will take necessary steps in due course of time.

M/s. Rowe & Pal, Chartered Accountants, the Auditors of the company would retire at the ensuing Annual General Meeting and are eligible for reappointment.

You are requested to appoint Auditors and to fix their remuneration.

FOR AND ON BEHALF OF THE BOARD

Arati Saran
CHAIRPERSON

Date: 1st September 2005
Place: Andhra Pradesh

AUDITOR'S REPORT

To

The Members,
M/s. ANDHRA PRADESH TANNERIES LIMITED,
I D A NELLIMARLA
VIZIANAGARAM DISTRICT.

We report that we have audited the Balance Sheet of M/s. ANDHRA PRADESH TANNERIES LIMITED, VIZIANAGARAM, as at 31st March 2005 and the Profit and Loss Accounts for the year ended on that date and 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
3. In our opinion the Company has kept proper books of Accounts as required by Law so far, as it appears from our examination of the books.
4. The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of Accounts.
5. In our opinion the Balance Sheet and the Profit and Loss account dealt with by this report is in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
6. On the basis of the confirmations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31.03.2005 from being appointed as Directors of the Company under Section 274(1)(g) of the Act.

Reference is invited to the following notes on accounts under notes on accounts:

- a) Notes on accounts No. 5 regarding non confirmation of Sundry Debtors, Loans and Advances, Sundry Creditors and Other Liabilities and the consequent extent of realisability.
- b) Non provision of gratuity as per item No. 17 for current year Rs.3707404.

- c) The inventory valuation in respect of Work in Process and Finished goods are taken as per the valuation of 31.03.04. Since the same stocks are continuing during the year as per item no. 7 on notes on accounts.
- d) Ex-ordinary item of Rs.2366508 included expenditure as per Note No. 19
- e) The company has not collected TCS on Sale of Scrap of Rs. 462.
- f) During the year the company has not provided interest due to Ambadi Enterprises Ltd., since the company is negotiating with the party for waiver of interest. Hence interest is not provided.

We are unable to express our opinion on the impact on financial statements and loss for the year in respect of matters stated in Para a, b and c.

7. In our opinion and to the best of our information and according to the explanations given to us, the annexed accounts together with notes given the information required by the Companies Act, 1956 (as amended) in the manner so required and gives a true and fair view.

- i. In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2005 and
- ii. In the case of Profit and Loss Account, of the loss for the year ended on that date.

8. As required by the Revised Companies (Auditor's Report) order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks we consider appropriate, we further state that:

i) In respect of Fixed Assets

- a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information. But the registers are not yet updated.
- b) As explained to us, the fixed Assets have been physically verified by the management at the end of year, 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 verification.
- c) In our opinion the company has not disposed substantial part of fixed assets during the year and going concern status of company has not effected.

ii) In respect of its Inventory

- a) As explained to us, Inventories have been physically verified by the management at regular intervals during the year
- b) In our opinion and according to information explanation given to us, the procedure of the physical verification of Inventory followed by the management are reasonable and adequate in relation to size of the company and nature of its business.
- c) The company has maintained Proper records of inventory. As explained to us they were no material discrepancies noticed on physical verification of inventory as compared to books of accounts.

iii) In respect of Loans Secured/Unsecured grant or taken by Companies to/from Companies, firms or other parties covered in Register maintained U/s 301n of the Companies Act 1956.

- a) The Company has not granted but has taken unsecured loan from Bambolli Holdings Pvt. Ltd, Mumbai of Rs. 212,521 balance outstanding as on 31.03.2005.
- b) In our opinion and according to the information and explanations given to us, the rate of interest wherever applicable and terms & conditions are not prejudicial to the interest of the company.
- c) During the year no loans granted by company to any party or taken any loan from any parties covered under register maintained under section 301 of Companies Act.
- d) There are no loans granted, during the year. Hence the clause is not applicable.
- e) During the year, the company has not taken any loans, secured and unsecured from the company, firms other parties covered by in the register maintained under section 301 of the Act.
- f) In our opinion and according to the information and explanations given to us, the rate of interest wherever applicable and terms & conditions are not prejudicial to the interest of the company.
- g) The company has not taken any loan by way of Secured/Unsecured. However, the clause is not applicable.

iv) In our opinion and according to information and explanation given to us, there are adequate internal control procedures commensurate with size of the company and its nature of business, for the purchase of inventory, fixed assets and also sale of goods. During the course of audit, we have not observed any major weaknesses internal controls.