

**KHADIM INDIA LIMITED**

**AUDITED FINANCIAL STATEMENTS**

**FOR**

**2006-07**

**(01.04.2006 TO 31.03.2007)**

**RAY & RAY**  
Chartered Accountants

Kolkata Mumbai Delhi Bangalore Chennai



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## AUDITORS' REPORT

### TO THE MEMBERS OF KHADIM INDIA LIMITED

1. We have audited the attached Balance Sheet of **KHADIM INDIA LIMITED** (the "Company") as at 31 March 2007, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (hereinafter referred to as "financial statements"), which have been signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance as to 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.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act')

and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **Annexure**, a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - 4.1 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;
  - 4.2 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;
  - 4.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - 4.4 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Sub-section (3C) of Section 211 of 'the Act';
  - 4.5 On the basis of written representations received from the Directors, as on 31 March 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31 March 2007 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of 'the Act';
  - 4.6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by 'the Act', and also give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2007;
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAY & RAY  
Chartered Accountants

  
R.N. ROY

(Partner)

Place: Kolkata

Date : 20 June 2007

(Membership No – F-8608)

**ANNEXURE TO THE AUDITORS' REPORT**

*(Referred to in paragraph 3 of our report of even date)*

1.
  - (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - (c) During the year, no substantial part of fixed assets has been disposed off by the Company.
2.
  - (a) The inventory has been physically verified by the management during the year. In respect of the inventory lying with the third parties and in transit, substantial confirmation and/ or subsequent receipt have been verified. In our opinion, the frequency of verification is generally reasonable.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.

3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of 'the Act'. Accordingly, clauses (iii) (b) to (iii) (d) of paragraph 4 of the Order are not applicable to the Company for the current year.
- (b) The Company has taken unsecured loan from a Company covered in the register maintained under Section 301 of 'the Act'. The maximum amount involved during the year and the year-end balance of such loan aggregates to Rs.8,000 (*in thousands*).
- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (d) According to the information and explanations given to us, the Company is not required to repay its principal amounts including interest thereof, within the current financial year in accordance with the accepted terms and conditions of the said unsecured loan.
4. In our opinion and according to the information and explanations given to us, there are, in general, 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 the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of 'the Act', have been so entered.

- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of 'the Act' and exceeding the value of Rupees Five Lakhs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public under Section 58A and 58AA of 'the Act' and rules framed there under.
7. In our opinion, the Company's internal audit system is generally commensurate with its size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1)(d) of 'the Act'.
9. (a) According to information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has generally been regular in depositing during the year the undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. There are no outstanding dues in respect of the above items, which are of more than six months as at the Balance Sheet date.
- (b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax and excise duty as at 31 March 2007, which have not been deposited on account of dispute are given in the Appendix 1. Apart from the same,

there are no outstanding dues in respect of custom duty, wealth tax, service tax and cess.

10. The Company has no accumulated loss as at 31 March 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution / bank.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
13. The provisions of any special statute applicable to chit fund / nidhi/ mutual benefit fund / societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for the loan taken by others from bank or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans raised by the Company have been applied for the purposes for which they were raised.
17. In our opinion and according to the information and explanations given to us and on the basis of an overall examination of the Balance Sheet and Cash Flow Statement of the Company, funds raised on short term basis have, to the extent of Rs.77,508 (*in thousands*), been used to purchase fixed assets.



18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of 'the Act' during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of books of account carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

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Chartered Accountants  
R.N. ROY

(Partner)

Place: Kolkata

Date : 20 June 2007

(Membership No – F-8608)

**APPENDIX 1 TO THE AUDITORS' REPORT**

[Referred to in paragraph (ix) (b) of the Annexure to the Auditors' Report of even date to the members of KHADIM INDIA LIMITED on the financial statements for the year ended 31 March 2007]

Name of the Statute	Nature of dues	Amount (Rs in Thousands )	Forum where dispute is pending	Year to which the amount relates
Income Tax Act, 1961	Income Tax	139	Commissioner of Income Tax (Appeals)-III	2003-04
		22,626	-Do-	2002-03
		2,834	-Do-	2001-02
Central Sales Tax Act, 1956	Sales Tax	265	Deputy Commissioner of Commercial Taxes	2002-03
		11,220	-Do-	2003-04
West Bengal Sales Tax Act, 1994		7,505	-Do-	2003-04
Central Excise Act, 1944	Excise Duty	92	Commissioner of Central Excise (Appeals)	2001-02

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