

AUDITORS' REPORT

TO THE MEMBERS OF ANIL MODI OIL INDUSTRIES LIMITED

We have audited the attached Balance Sheet of ANIL MODI OIL INDUSTRIES LIMITED, NEW DELHI, as at 31st March, 2002 and the Profit and Loss account for the year ended on that date. These financial statement 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. 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.
2. As required by the Manufacturing and Other Companies (Auditors' report) Order, 1988, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
 - c) The said Balance Sheet and the Profit & Loss account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the applicable Accounting Standards referred to in sub-section (3C) of the Companies Act, 1956.

Written representation received from the directors, we report the directors are prima facie disqualified, as on 31st March, being appointed as a director in terms of clause (g) of sub-section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said account, read with the Schedules, Significant Accounting Policies and the 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:
- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2002; and
- ii) In the case of the Profit & Loss account, of the profit for the year ended on that date.

For **K.K. JAIN & CO.,**
Chartered Accountants,

Place: New Delhi

Date: 30.9.2002

(**RAKESH KUMAR MITTAL**)

Partner

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in Paragraph 2 of our report of even date)

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals and no discrepancies between the book record and physical inventory were noticed on such verification.
2. The fixed assets of the company have not been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management at reasonable intervals.
4. In our opinion, the procedures of physical verification of stocks followed by the management is reasonable and adequate, in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book record were not material and the same have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The company has taken unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and/or from the companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loan are prima facie not prejudicial to the interest of the company.
8. The company has not granted any loans, secured or unsecured to companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
9. Employees to whom interest free loans and advances in the nature of loan have been given are repaying the principal amounts as stipulated.
10. In our opinion, there are adequate internal control procedures commensurate with the size of the company and nature of its business, for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion, transactions of sale of goods made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the

Companies Act, 1956, and aggregating during the year to Rs.50,000/- (Rupees fifty thousand) or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods have been made with other parties.

No transaction of purchase of goods or materials nor of sale of materials or services was made in pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- (Rupees fifty thousand) or more in respect of each party.

12. As explained, the company has a system of determining unserviceable or damaged stores, raw and packing materials or finished goods on the basis of technical evaluation and on the aforesaid basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
13. In our opinion and according to the information and explanations given to us, the company has complied with provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public.
14. The company has maintained reasonable records for the sale and disposal of its by-products. The Company had no realisable scrap during the year.
15. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
17. According to the record of the Company, the company has been regular in depositing provident fund dues with the appropriate authorities. We are informed that the provisions of Employees State Insurance Act do not apply to the company.
18. According to the information and explanation given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales/Trade Tax, Custom & Excise Duty, outstanding as at 31st March, 2002 for a period of more than six month from the date they become payable.
19. During the course of our examination of books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices, nor have we been informed of any such case by the management.

20. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section (3) of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. There were no damaged goods in respect of the company's trading activities.

For K. K. JAIN & CO.,
Chartered Accountants,

Place : New Delhi

Dated : 30.9.2002

(RAKESH KUMAR MITTAL)
Partner

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BALANCE SHEET

AS AT 31ST MARCH, 2002

	SCHEDULE	AS AT 31.03.2002	AS AT 31.03.2001
1. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a. Share Capital	1	18,373,750	18,373,750
b. Share Capital Suspense	1A	3,750,000	-
c. Reserves & Surplus	2	49,220,479	49,014,299
		<u>71,344,229</u>	<u>67,388,049</u>
2. LOAN FUNDS			
a. Secured Loans	3	22,070,373	20,568,619
b. Unsecured Loans	4	9,960,205	7,607,364
		<u>32,030,578</u>	<u>28,175,983</u>
3. Deffered Tax Liability (Net)		13,361,798	-
	TOTAL	<u>116,736,605</u>	<u>95,564,032</u>
2. APPLICATION OF FUNDS			
1. FIXED ASSETS			
Gross Block	5	111,052,125	87,543,293
Less Depreciation		<u>(50,827,251)</u>	<u>(37,957,074)</u>
Net Block		<u>60,224,874</u>	<u>49,586,219</u>
2. INVESTMENTS		-	60,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
a. Inventories	6	40,283,927	37,144,216
b. Sundry Debtors	7	24,712,800	17,942,095
c. Cash and Bank Balances	8	4,947,320	2,134,153
d. Loans and Advances	9	5,033,303	4,248,968
		<u>74,977,350</u>	<u>61,469,432</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
a. Current Liabilities	10	(15,288,786)	(14,361,546)
b. Provisions		<u>(3,223,833)</u>	<u>(1,190,073)</u>
Net Current Assets		<u>56,464,731</u>	<u>45,917,813</u>
4. MISCELLANEOUS EXPENDITURE		47,000	-
		<u>116,736,605</u>	<u>95,564,032</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	21		

As per our report of date, attached,
for **K. K. JAIN & CO.**,
Chartered Accountants,

ANIL MODI
Managing Director

Place : New Delhi
Dated : 30.9.2002

(RAKESH KUMAR MITTAL)
Partner

J.C. BAGADIA
Director

RAVINDER KUMAR
Company Secretary

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31ST MARCH, 2002**

	SCHEDULE	THIS YEAR	PREVIOUS YEAR
INCOME			
1. Turnover	11	565,204,910	329,043,849
Other Income and Receipts	12	1,154,248	770,498
Increase/(Decrease) in stocks	13	(5,801,764)	4,816,295
		<u>560,557,394</u>	<u>334,430,642</u>
EXPENDITURE			
2. Purchases	14	472,055,987	272,988,890
Power & Fuel		37,332,819	27,338,193
Personnel	15	15,956,995	11,554,651
Repairs and Maintenance	16	7,159,942	5,798,104
Administrative & Miscellaneous	17	4,789,485	4,294,604
Levies and Taxes	18	8,588,495	4,677,402
Financing Expenses	19	3,710,667	3,096,013
Loss on sale of assets		4,402	254,827
Depreciation		5,042,903	4,019,333
Profit for the year		<u>5,915,699</u>	<u>408,625</u>
		<u>560,557,394</u>	<u>334,430,642</u>
Profit before tax		5,915,699	408,625
Excess Provision for Tax Written Back		-	260,695
Income Tax Paid for earlier year		(26,366)	-
Provision for Income Tax		(1,700,000)	(35,000)
Deferred Tax		69,383	-
Provision for Wealth Tax		-	(12,000)
Profit after Tax		<u>4,258,716</u>	<u>622,320</u>
Deffered Tax of earlier years		(13,431,181)	-
Balance brought forward		40,422,649	39,800,329
Balance Brought Forward On Amalgamations		8,128,645	-
Surplus carried to Balance Sheet		<u>39,378,829</u>	<u>40,422,649</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
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As per our report of date, attached,
for **K. K. JAIN & CO.**,
Chartered Accountants,

ANIL MODI
Managing Director

Place : New Delhi

Dated : 30.9.2002

(RAKESH KUMAR MITTAL)
Partner

J.C. BAGADIA
Director

RAVINDER KUMAR
Company Secretary