

Sabhash Deshpande & Co.
CHARTERED ACCOUNTANTS

S.S. Deshpande F.C.A.
P.D. Nagar F.C.A.
R.D. Asawa F.C.A.

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REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of "**M/S RAJANI EXTRACTION LIMITED, INDORE**" as at 31st March, 2000 and also the Profit & Loss Account of the company for the year ended on that date, annexed and report that:-

(1) 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.

(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 the books.

(3) The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of account.

(4) In our opinion, Balance Sheet & Profit & Loss Account comply with the Accounting Standards referred to in sub-section 3(C) of section 211 of the Companies Act, 1956.

(5) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, subject to :-

Note No.1 : Regarding taking over of future liability of firm (unascertained)

Note No.2: Regarding non-confirmation of balances from debtors, creditors, loan & advances.

Note No.3: Regarding non-provision of liability towards Ex-director's salary

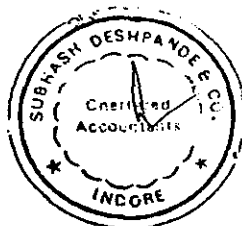
Note No.4 : Regarding non-provision of ~~income~~ tax/sales tax payable for the year 1993-94 to 1999-2000 aggregating Rs.19,43,364/-.

give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;

(a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2000.

(b) In the case of Profit & Loss Account, of the loss for the year ended on 31st March 2000.

As required by The Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we further report that :



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For Rajani Extractions Ltd.,

Director.

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(1) The maintenance of records showing full particulars including quantitative details and situation of fixed assets held by the company is in progress. However we are informed that the fixed assets were physically verified by the management during the year and no discrepancies were noticed on such verification.

2) None of the fixed assets have been revalued during the year.

3) The stock of finished goods, stores, spare parts and raw material have been physically verified by the management during the year. In our opinion, the frequency of the verification is reasonable.

(4) In our opinion the procedure 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 between the physical stocks and the book records were not material in relation to the operations of the company have been properly dealt with in the books of accounts.

(6) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted Accounting principles & is on the same basis as in the previous years.

(7) The Company has not taken unsecured loans from Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. However the terms and conditions are prima facie not prejudice to the interest of the Co. In terms of sub-section (6) of section 370 of the companies Act, 1956 provision of section 370 are no longer applicable to a company since 31.10.1998.

(8) The company has given interest free unsecured loans to concerns in which relatives of directors are interested as directors or to other parties also. However the terms and conditions are prima facie not prejudice to the interest of the Co. In terms of sub-section (6) of section 370 of the companies Act, 1956 provision of section 370 are no longer applicable to a company since 31.10.1998.

(9) In respect of Loans and advances in the nature of Loans given by the Company, where stipulations have been made, the parties are generally repaying the principal amount as stipulated. No interest has been charged on such advances for the year.

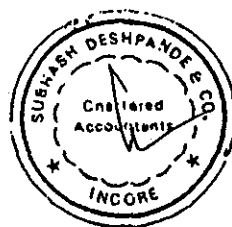
(10) In our opinion there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.

(11) In our opinion & having regard to the explanations given to us during the year there is no transaction in the nature of purchase or sale of goods, materials in pursuance of contracts or arrangement entered in the register maintained u/s 301 of the companies Act, 1956 & aggregating during the year to Rs.50000/- or more in value in respect of each party.

(12) The Company has a regular procedure for the determination of unserviceable or damaged stores, raw material and finished goods on the basis of technical evaluation.

(13) In our opinion the Company's internal audit system is required to be strengthened commensurate with its size and nature of its business.

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(14) In our opinion the Company has not accepted any deposits in contravention to the section 58 - (A) of companies Act or Companies (Acceptance & Deposit) rules.

(15) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any by-product.

(16) The Central Govt. has not prescribed for maintenance of cost records u/s 209(1)(D) of the Companies Act, 1956 the Company does not have any by-product.

(17) As per explanations given to us & based on opinion given to the company provisions of Provident fund & Employee's state Insurance Act not applicable to the company.

(18) There were no demand are outstanding in respect of undisputed Income Tax, Wealth-Tax, Sales Tax and Customs Duty which remained outstanding for a period of more than six months from the date they became payable, at the close of the Year.

(19) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across to any personal expenses debited in the books of the company except those paid under contractual obligation to the employees or under generally accepted business practice.

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

FOR SUBHASH DESHPANDE & CO.,
CHARTERED ACCOUNTANTS,



[Signature]

(P.D. NAGAR)
Partner

Indore:

Dated : 04/09/2000

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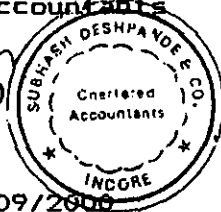
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M/S RAJANI EXTRACTIONS LIMITED, INDORE**BALANCE SHEET AS ON 31ST MARCH 2000**

	SCH. NO.	1999-2000 (RUPEES)	1998-99 (RUPEES)
SOURCES OF FUNDS			
SHARE HOLDER'S FUND			
Share Capital	1	32,349,100	32,349,100
Reserve & Surplus	2	8,308,300	8,308,300
TOTAL :		40,657,400	40,657,400
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	3	26,333,485	25,529,500
Less: Depreciation		6,869,134	5,653,180
		19,464,351	19,876,320
Add: Capital work in Progress		-	610,273
Net Block		19,464,351	20,486,593
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS			
Inventories	4	2,364,372	5,978,743
Sundry Debtors	5	4,417,891	45,139,426
Cash & Bank Balance	6	1,328,009	2,965,153
Loans & Advances	7	13,101,426	14,041,726
		21,211,698	68,125,048
Less : Current Liabilities & Provisions	8	7,019,986	50,809,515
Net Current Assets		14,191,712	17,315,533
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	7,001,337	2,855,274
TOTAL :		40,657,400	40,657,400
Notes on account	18		

Schedule & Notes referred to herein forming part of the Balance Sheet
As per our report of even date attached
For SUBHASH DESHPANDE & CO.
Chartered Accountants

P.D. Nagar
(P.D. NAGAR)
Partner



Indore:
Dated : 04/09/2000

Director
Director

Director
Director

Indore:
Dated : 02/09/2000

M/s RAJANI EXTRACTIONS LIMITED, INDORE

Schedule to & forming part of the Accounts As on 31.3.2000

	1999-2000 (RUPEES)	1998-99 (RUPEES)
SCHEDULE : 5		
SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Due for period less than six months	1,621,439	1,948,247
Others	2,796,452	43,191,179
TOTAL :	4,417,891	45,139,426

SCHEDULE : 6

CASH AND BANK BALANCES

(i) Cash in hand	1,227,520	1,001,871
(ii) With Schedule Banks		
A) On Current Account	0	1,893,076
B) On Fixed Deposit Account	100,489	70,206
TOTAL :	1,328,009	2,965,153

SCHEDULE : 7

(A) LOANS AND ADVANCES (Unsecured)

Considered Good

(i) Advances recoverable in cash or in kind or for value to be received	8,667,074	9,585,837
(ii) Deposit towards tenancy agreement (To a concern in which directors & their relatives are interested)	1,300,000	1,300,000
(iii) Share application money (Pending allotment) with M/s D.M. Classic Hotels (P) Ltd. (A company in which directors or their relatives are interested)	400,000	400,000
(iv) Deposits with Govt. & other institution	456,748	604,248
(v) Advance Income tax (incl. TDS)	10,754	10,754
Considered doubtful		
(vi) Loan To Companies in which Directors / relatives of Directors are interested as director/member	2,266,850	2,140,887
TOTAL	13,101,426	14,041,726

