

AUDITOR'S REPORT

To

The Members of M/s Rajshree Sugars & Chemicals Limited

1. We have audited the attached Balance Sheet of M/s Rajshree Sugars & Chemicals Limited as at 31st March 2006 and also the Profit and Loss Account and the 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.
2. 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 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended, issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. 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 purposes 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 those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) In our opinion the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) On the basis of written representation received from the directors as on 31st March 2006, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, and
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2006
 - ii. in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SRIKISHEN & Co.
Chartered Accountants

Place: Coimbatore
Date : 08.06.2006

K.Murali Mohan
Auditors, Proprietor
MembershipNo:14328

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

- (i) a. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b. The fixed assets of the Company are physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us no material discrepancies have been noticed on such physical verification as compared to the book records.
- (ii)a. The physical verification of inventory has been conducted by the management at reasonable intervals.
- b. The procedures of physical verification of inventories 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 records of inventory, in our opinion, the Company has maintained proper record of inventory and no material discrepancies were noticed on the physical verification of inventories as compared to book records.
- iii) The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us there are adequate internal control systems commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weaknesses has been noticed in the internal control systems.
- v) a. To the best of our knowledge and belief, and 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 in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations, that the each transactions have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.

- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by RBI and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business;
- viii) We have broadly reviewed the books of accounts maintained by the Company, in respect of products, where pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956, we are of the opinion, that prima facie the prescribed accounts and records have been made and maintained.
- ix) a. The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Customs duty, Excise duty, service tax, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us no undisputed arrears of statutory dues were outstanding as at 31.03.2006 for a period of more than six months from the date they became payable.
- b. According to the information and explanations given to us, the details of disputed statutory dues which have not been deposited is as given below:

Name of the statute	Period to which amount relates	Nature of demand	Amount disputed	Forum where dispute is pending
Tamil Nadu Sales tax Act	1989-90 to 1994-95	Purchase tax	Rs.880.76 lacs	High Court, Chennai
As above	1995-96 to 1997-98	Interest on sales tax	Rs.42.50 lacs	High Court, Chennai
As above	1995-96	Purchase tax on Cess on sugarcane	Rs.5.98 lacs	Sales tax authorities

- x) There are no accumulated losses at the end of the financial year 31.03.2006. The company has not incurred any cash losses during the financial year covered by our audit and 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 financial institutions or bank or debenture holders.
- xii) During the year, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of special statute applicable to Chit fund, nidhi/mutual Benefit fund/ societies are not applicable to the company.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv) During the year, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions.
- xvi) The Company has applied term loans for the purpose for which the loans were obtained during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the source and application of funds of the company, we report that no funds raised on short-term basis have been used for long term investments by the company.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) In our opinion and according to the information and explanations given to us, the company has not issued any secured debentures during the period covered by our audit report.
- xx) During the period covered by our audit report, the company has not raised any money by public issues.

xxi) To the best of knowledge and belief and according to the information and explanations given to us, no frauds on or by the company has been noticed or reported during the year.

For SRIKISHEN & CO.
Chartered Accountants

Place: Coimbatore
Date : 08.06.2006

K.Murali Mohan
Auditors, Proprietor
Membership No:14328