

SCHEDULE - S

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

(Annexed to and forming part of Balance Sheet as at 31st March, 2007 and Profit and Loss Account for the year ended on that date)

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Accounting Convention

The financial statements are prepared on accrual basis in accordance with the Historical Cost Convention.

(b) Fixed Assets

Fixed Assets are stated at their Purchase cost less accumulated depreciation. Cost includes attributable expenses, pre-operational expenses, financing costs during the period of construction for qualifying assets and excludes Cenvat and Service Tax benefit enjoyed, if any.

(c) Preoperative expenses

Expenditure (including financing cost relating to the borrowed funds for construction and acquisition of qualifying fixed assets) incurred on projects under implementation are treated as pre-operative expense pending allocation to the assets and are shown under "Capital Work in Progress".

(d) Depreciation

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956

(e) Inventories

Inventories are valued as under:

- i) Stores & Spares - At Cost on weighted average basis
- ii) By-products - At net realisable value
- iii) Finished Goods - At Cost or net realisable value whichever is lower
- iv) Work-in-Process - At Cost or net realisable value whichever is lower

(f) Retirement Benefits

Contribution to Provident Fund made to appropriate authorities is charged to revenue. In respect of Gratuity, the company's contribution to the Group Gratuity Scheme of Life Insurance Corporation of India is charged to revenue.

(g) Excise Duty

Excise duty payable on finished products/by-products held as stock at the year-end has been provided for as expenditure for the year and included in the valuation of Closing Stock.

(h) Taxation

Tax expenses for the year comprising current tax and deferred tax are considered in determining the net profit for the year. Provision is made for the Current Tax based on tax liability computed in accordance with relevant tax rates and tax laws. Provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted tax rates. Deferred tax assets are recognized only if there is a reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

(i) Earning Per Share

The earnings for the purpose of ascertaining the Company's EPS, comprises the net profit/(loss) after tax and includes the post tax effect of any extraordinary

items. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

(j) Impairment of Assets

Impairment is ascertained at each Balance Sheet date in respect of cash generating units and impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on their appropriate discount factor.

(k) Provisions and Contingent Liability

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Control of the Company.

(l) Income and Expenditure Reognition

Revenue on sales transactions is recognized as and when the property in goods sold is transferred to the buyers for a definite consideration. Income & Expenditure are recognized on accrual basis.

2. Licenced and installed capacity and production

Capacity	Licensed	Installed	Product	Production		Unit
				2006-07	2005-06	
Sugar	NA	2500 TCD	Sugar	33302.00	16462.50	MT
		(2500 TCD)	Molasses	15843.00	6070.80	MT

3. Quantitative Particulars:

A. Raw material Consumed

Product	Unit	2006-07		2005-06	
		Qty	Value(lacs)	Qty	Value(lacs)
Sugar cane	MT	324690.423	3794.17	163736.416	2124.41

B. Particulars in respect of stock and sale of goods manufactured

Product	Unit	Opening stock		Closing stock		Sales	
		Qty	Value (lacs)	Qty	Value (lacs)	Qty	Value (lacs)
Sugar	MT	8442.90 (18127.20)	1415.84 (2530.57)	18560.70 (8442.90)	2513.00 (1415.84)	23184.20 (26146.80)	3662.82 (4511.61)
Molasses	MT	5074.295 (1763.455)	117.47 (98.93)	7634.595 (5074.295)	173.49 (117.47)	13282.70 (2759.96)	311.35 (122.00)

4. Estimated amount of contracts remaining to be executed on Capital A/C not provided for as on 31st March 2007 is Rs. 56.87 lacs (Previous year Rs. 363.60 lacs)

5. Contingent Liabilities not provided for :

	31.03.2007	31.03.2006
		(Rs in lacs)
		31.03.2006
(a) Bank Guarantees outstanding	2.75	2.75
(b) Income Tax demand for A.Y. 2003-04 disputed in appeal	--	103.00

6. Secured Loans include Rs. 291.80 Lacs payable within one year (as at 31.03.2006 Rs. 321.49 lacs)

Term loans from Banks are secured by pari passu first mortgage of the Company's immovable properties and fixed assets at Madhunagar, Medak Dist. and pari passu second charge on entire current assets of the company.

Working capital loans are secured by pari passu first charge on Company's current assets and pari passu second charge on Company's immovable properties and fixed assets at Madhunagar, Medak Dist

The term loan of Rs. 5.65 crores and working capital limit of Rs. 6.00 crores (Sanctioned Limit) are also secured by a corporate guarantee from Rajshree Sugars & Chemicals Ltd, the holding company.

7. The Company is engaged in manufacturing and sale of sugar, which as per Accounting Standard AS-17 is considered only reportable business segment. The geographical segment is not relevant as there are no exports.
8. Stores & spares includes insurance spares for fixed assets pending capitalization. The management does not expect any material impact on revenue in this regard.
9. No amount is due to Small Scale Industries in respect of sundry creditors. This is as per the information available with the company about the status of the parties concerned.
10. Quantum of Excise duty included in closing stock of finished goods is Rs. 2,19,85,832 (Previous year Rs. 1,07,42,332).
11. Contributions towards Gratuity scheme has been made up to date as per the demands received from Life Insurance Corporation of India.
12. Tax deducted at source on interest income – Rs. 12,428. (Rs. 13789)
13. Capital work - in – progress;

The capital work in progress of Rs 890.21 Lacs relates to installation of 50 TPD Boiler. The present management as a study found that the capacity is undersized and hence have decided not to proceed with the implementation of the same. In view of this, borrowing cost spent has not been capitalised during the current year. In the opinion of the management the realizable value will be equal or more than the amount spent at the same.

14. Impairment of assets;
In terms of AS – 28, the company has carried out an exercise to ascertain the impairment, if any, in the carrying values of its fixed assets. The exercise has not revealed any impairment of assets during the year 2006-07

15. Related Party Disclosures (where transactions have taken place)

- (i) Key Managerial Personnel
 - Mr. R.P.Venugopal(From 10.05.2006)
 - Mr. M. Janaki Manohar (upto 10.05.2006)
- (ii) Other Directors & relatives of Key Managerial Personnel
 - Mr. M.S.Kumud (upto 10.05.2006)
 - Mr. K.S.Krishana kumar (upto 10.05.2006)
- (iii) Holding company: Rajshree Sugars & Chemicals Limited (w.e.f 10.05.2006)
- (iv) Enterprises where Key Managerial Personnel have significant influence:
 Ganapati Sugar Industries Limited (upto 10.05.2006)
 EITA India Limited (upto 10.05.2006)
 Alliance Mills (Lessees) Limited (upto 10.05.2006)
- (v) The following transactions were carried out with the related parties in the ordinary course of business:

Rs. In Lacs				
Nature of Transaction	Parties referred to In (i) above	Parties referred to in (ii) above	Parties referred to in (iii) above	Parties referred to in (iv) above
Purchase of Fixed Assets	--	--	19.25 (--)	--
Sale of Fixed assets	--	--	--	11.98 (42.00)
Issue of shares	--	--	--	-- (4.00)
Reimbursement of expenses	--	--	-- (--)	0.01 (12.49)
Payment of freight	--	--	-- (--)	-- (4.26)
Remuneration paid	2.53 (3.88)	0.12 (1.74)	--	--
Purchase of Stores & Consumables	--	--	2.23 (--)	-- (6.17)
Sale of Stores & Consumables	--	--	0.65 (--)	-- (4.43)
Purchase of packing materials	--	--	--	0.31 (51.01)
Interest Paid	--	--	50.46 (--)	-- (11.01)
Sale of baggasse	--	--	--	1.63 (2.58)
Sale of sugar	--	--	--	24.15 (--)
Finance taken	Opening	--	--	--
	Loan	--	--	1611.26 (--)
repaid	Loan	--	--	893.84 (--)
	Closing	--	--	717.42 (--)
Debit Balance as at 31.3.2007	---	--	--	-- (44.23)
Credit Balances as at 31.03.07	--	--	15.85 (--)	-- (104.35)

16. Break up of deferred tax liability/ assets and reconciliation of current year deferred tax charges:

Rs. In lacs			
Particulars	Opening balance	Charge/Credit for the year	Closing balance
Deferred tax Liability			
Tax impact of difference between amount of fixed assets in the financial statements and the Income Tax Return	290.22	0.28	290.50
Total A	290.22	0.28	290.50
Deferred tax Assets			
Unabsorbed Depreciation/losses	94.71	26.09	120.80
Expenses charged to Profit & Loss account but allowable in Income Tax on payment basis	37.62	36.33	73.95
Total B	132.33	62.42	194.75
Total A-B	157.89	(62.14)	95.75

17. Earnings/(loss) per Share:	Year Ended 31.03.2007	Year ended 31.03.2006
Net Profit/(loss) attributable to Share Holders (Rs)	(14244764)	7120932
Weighted Average No. of Equity Shares in issue	6737500	6261445
Basic Earnings/(loss) per Share of Rs.10/- each(Rs)	(2.11)	1.14

The Company does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earnings per share of the Company remain the same.

- 18. (a)** Loans & advances includes Rs. Nil (31.03.2006 Rs. 2.13 lacs) due from a company in which directors are interested
(b) Sundry debtors includes Rs. Nil (31.03.2006 Rs. 42.00 lacs) due from a company in which directors are interested
(c) Sundry creditors includes Rs. 27.91 lacs (31.03.2006 Rs. 44.79 lacs) due to the company in which directors are interested.

19. Remuneration paid to Whole Time Director Rs. 2,20,769 (Rs 3,87,500)

20. In the opinion of Board of Directors, the Current Assets, Loans & Advances have a value on realisation equal to the amounts at which they are stated in the Balance Sheet, in the ordinary course of business.

21. Balances under Current Liabilities and Loans & Advances are subject to the confirmation. However the management does not expect any material revenue impact in this regard.

22. Raw materials and Stores & spares parts consumed are 100% indigenous.

23. Previous year figures have been regrouped wherever necessary to conform to current year's classification. Paise are rounded off to the nearest rupee.

As per report of even date
A.C.Bhuteria & Co
Chartered Accountants
Mohit Bhuteria
Patner

P.K.Viswanathan
Diector

Rajshree Pathy
Director

Place: Coimbatore
Date : 13.06.2007