

AUDITORS' REPORT

To The Members of
S. B. & T. INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of **S. B. & T. International Limited** ('the Company') as at March 31, 2004, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). 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 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.
3. As required by the Companies (Auditor's Report) Order, 2003, ('CARO'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
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 Cash Flow Statement comply with the accounting standards referred to in Section 211(3C) of the Act;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director under Section 274(1)(g) of the Act;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act 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 March 31, 2004;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)
Place : Mumbai
Dated : 12th August, 2004

For **M.M. Dubey & Co.**
Chartered Accountants

M.M. Dubey
Proprietor (F-30453)
Place : Mumbai
Dated : 12th August, 2004

ANNEXURE TO AUDITORS' REPORT (Referred to in our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets 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. In accordance with this programme, certain fixed assets were physically verified by Management during the year. We are informed that no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern is not affected.
- (ii) (a) As explained to us, management has carried out physical verification of the inventory at reasonable intervals.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii) (a) The Company has granted interest free unsecured loans to parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year aggregated Rs.105.68 lacs and the year end balance of loans granted to such parties aggregated Rs.105.68 lacs.
- (b) In our opinion, and according to information and explanations given to us, in the absence of other terms and conditions, the loans have been granted are not, prima facie, prejudicial to the interest of the Company. In the absence of any stipulation with regards to repayment of principal, we are unable to comment upon the regularity of repayment and hence the question of recovery of overdue amount does not arise.

- (c) The Company has not taken any loans, secured or unsecured, 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, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, all transactions that need to be entered into a 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, in respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has accepted deposits from the public during the year as per the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under. No order has been passed by the Company Law Board.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Custom duty, Cess and any other statutory dues with the appropriate authorities during the year and there were no such outstanding dues as at March 31, 2004 for a period exceeding six months from the date they became payable. As explained to us, the provisions regarding Excise Duties is presently not applicable to the Company.
 (b) According to the information and explanations given to us, there are no dues of sales tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except for the following :

Name of the Statute	Nature of the dues and period to which it relates	Amount (Rs. in lacs)	Forum where dispute is pending
Income tax	Matters in Appeal to the Income Tax Department for Assessment year:		
	1997-98	38.64	CIT (Appeal)
	2001-02	330.41	CIT (Appeal)

- (x) The Company does not have any accumulated losses as at the year-end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.
- (xi) In our opinion and based on the information and explanations given to us, the Company has not defaulted in repayment of dues to any banks.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence clause (xii) of the said Order relating to maintenance of documents and records is not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Hence, the provisions of clause (xiii) of the said Order relating to compliance with the provisions of special statute relevant to chit fund and nidhi / mutual benefit/societies are not applicable to the Company.
- (xiv) (a) The Company does not generally deal or trade in shares, securities, debentures and other investments. However, during the year, temporary surplus funds were invested in open ended liquid schemes of mutual funds for which proper records of the transactions and contracts have been maintained and timely entries made.
 (b) The investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not raised any term loan and therefore clause (xvi) of the said Order relating to application of term loan for the purpose for which it was obtained is not applicable.
- (xvii) In our opinion, according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, the Company has not used the funds borrowed on short term basis during the year for long term investments and vice versa.
- (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 Act or issued any debentures or made any public issue during the year, and, accordingly, clauses (xviii), (xix) and (xx) of the said Order are not applicable.
- (xix) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)
Place : Mumbai
Dated : 12th August, 2004

For **M.M. Dubey & Co.**
Chartered Accountants

M.M. Dubey
Proprietor (F-30453)
Place : Mumbai
Dated : 12th August, 2004