

M.K.Shah & ASSOCIATES
CHARTERED ACCOUNTANTS
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Annexure to the Auditor's Report (referred to in paragraph 3 of our Report of even date to the members of Sita Shree Food Products Ltd., Indore on the Financial Statement for the year ended 31st March, 2010).

(i) **Fixed Assets**

- (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets are physically verified by the management according to a phased programme designed to all assets once in two year which in our opinion is reasonable having regards to the size of the company and nature of its assets. Fixed Assets at certain location were physically verified by the Management during the year and no material discrepancies between the books records and the physical verification have been notice.
- (c) In our opinion and according to the information and explanation given to us since no part of the fixed assets has been disposed by the company during the year. Therefore do not affect the going concern status of the company.

(ii) **Inventories**

- (a) Inventory has been physically verified by the management during the year in our opinion frequency of verification is reasonable.
- (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 the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification of inventory as compared to book records.

(iii) **Loan Granted or Taken**

- (a) The Company has not given any secured or unsecured loan to companies or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Thus clause 3 (b)(c)(d) does not applicable to the company.
- (b) During the year company repaid the loan of Rs.1292913/- to the parties which are covered in the register maintained under section 301 of the Companies Act 1956.

(Cont...2)

(iv) **Internal Control Procedure**

In our opinion and according to the information and explanations given to us having regard to the explanation there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of goods, fixed assets and for the sale of goods. Further on the basis of our examination of the books and the records of the company carried out in accordance with the auditing standard generally accepted in India and according to the information and explanation given to us. We have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.

(v) **Transaction with Parties u/s 301**

(a) In our opinion and according to the information and explanations given to us, the particular of contract or arrangement referred to section 301 of the Companies Act, 1956, have been so entered in the register required to be maintained under that section.

(b) In our opinion and information and explanation given to us, Company has made the transactions required to be entered in the register maintained under section 301 of the Companies Act 1956 aggregating during the year to Rs. 5,00,000.00 or more in respect of each party have been made at the price which are prima-facie reasonable having regard to prevailing market price at the relevant time.

(vi) **Public Deposit**

The Company has neither accepted nor invited any deposit from the public and hence directives issued by Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.

(vii) **Internal Audit System**

In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) **Cost Record**

As informed to us, the Central Government has not prescribed the maintenance of cost record under section 209(1) (d) of the Companies Act, 1956.

(ix) **Statutory Dues**

(a) According to the information and explanation given to us and the records of the company examined by us, in our opinion the company is generally regular in depositing the undisputed statutory dues in respect of Provident Fund Act, Sales tax, Wealth tax, Service tax and other material statutory dues as applicable with the appropriate authority in India .

(b) According to the information and explanation given to us, no undisputed statutory dues payable in respect of Provident Fund, Income Tax, Wealth Tax, Service Tax and Sales Tax and other statutory dues in arrears as at 31st March 2010 for a period of more than six months from the date they become payable.

(c) According to the information and explanation given to us there is no disputed liability under any act of the company to disputes.

(x) **Accumulated/Cash losses**

The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the current year and the immediately preceding financial year.

(xi) **Default in repayment of dues to Financial Institutions or Bank**

Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of dues to financial institutions or banks with respect to its borrowings as at the balance sheet date.

(xii) **Granting of Loan and Advances**

According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities of the Company.

(xiii) **Chit Fund/Nidhi/Mutual Benefit/Society Activities**

In our opinion, the Company is not a Chit Fund, a Nidhi or a Mutual Benefit Society. Therefore, the provisions relating to any such statute are not applicable to the Company.

(xiv) **Investment**

In our opinion and according to the information and explanation given to us the company has not entered in any transaction of dealing or trading in shares, securities or debentures in the financial year under audited. The investment made by the company is in its own name and the proper records for the same is maintained.

(xv) **Guarantee given by the Company for loan taken by others**

As information and explanation given to us the Company has not given any guarantee in respect of loans taken by others from any Bank or Financial Institutions.

(xvi) **Utilization of Term Loan**

In our opinion and according to the information and explanation given to us, on an overall basis the Company is not availing any term loan as on the date except a car loan from Union Bank of India & have been applied for the purposes for which it was obtained.

(xvii) **Application of Short Term Fund for Long Term Investment in vice versa**

According to the information and explanation given to us and on the basis of an over all examination of the balance sheet of the company there are no funds which raised for short-term basis have been used for long term investment.

(xviii) **Preferential Allotment of Shares**

We are informed that, the Company has not made any allotment of equity share on preferential basis to the parties and companies covered in the Register maintained under section 301 of the Act, in the financial year under audit.

(xix) **Creation of Securities for Debenture Issue**

According to the information and explanations given to us and the records examined by us, the company has not issued debentures hence; disclosure regarding creation of securities in respect of debentures issued does not arise.

(xx) **Money raised by Public Issue**

The Company has not raised any money by public issues during the year. The management has disclosed the end use of monies during the year , out of public issue raised in the earlier year (Refer point 18 of Schedule 24 notes of accounts)

(xxi) **Fraud noticed or Reported**

During the course of our examination of the Books and records of the company carried out in accordance with the generally accepted auditing practice in India and according to the information and explanations given to us. We have neither come across any instances of material fraud on or by the company, noticed or reported during the year or have been informed of such case by the management.

For M.K.SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS

Place: Indore
Date : 29th May 2010

(M.K.Shah)
Proprietor
M NO. 400-71199