SAURABH C. CHOKSI & CO.
Chartered Accountants

CA. Saurabh C. Choksi
M.Com., LLM., DTP, DLP,FCA, Ph.D

25/26, 1st Floor,National Chambers,
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Ashram Road,
Ahmedabad-380009

Independent Auditor's Report

TO THE MEMBERS OF
MH MILLS AND INDUSTRIES LIMITED
Report on the financial statements

1 We have audited the attached Balance Sheet of M H MILLS AND INDUSTRIES LIMITED as at 31st March, 2014 and also the Profit and loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibilty is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtaind is sufficient and appropriate to provide a basis for our audit opinion. Our responsibility is to express an opinion on these financial statements based on our audit and not of expressing an openion on the effectiveness of the entity's internal control.

Opinion

6 In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st
b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that
c) In the case of Cash flow Statement, of the cashflow for the year ended on the date.

Report on Other Legal and Regulatory Requirements

7 As required by the company's (Auditor's Report) Order, 2003 issued by the Centeral Government of India, in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further to our comments above, your attention is invited to :

a) Note No. 2 & 3 of schedule 18 relating to non provision of depreciation under section 205(2)(b) of the company's Act 1956 resulting in the reserve and surplus and the net block of fixed asset being higher by the amount of Rs. 6,89,81,768/-.

b) Note No. 1 of the Schedule 19 relating to non-provision of present liability of future liability relating to Gratuity as per the last acturial valuation due to Balance sheet and profit & Loss A/c is understated by Rs. 7,70,00,182/-. In current reporting period it was not possible to make acturial valuation because of inherent limitations.

c) Note No. IX of Schedule 3 relating to non-provision of current year Municipality outstanding dues amounting to Rs.15.20/- Lacs to which loss for the period is understated by Rs.15.20/- Lacs, provisions are understated by Rs. 15.20/- Lacs. accumulated debit balance of P & L is under stated by Rs. 79.33/- Lacs.

8 As required by section 227(3) of the Act, 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, Statement of Profit and Loss and the Cash flow dealt with by this Report are in agreement with the books of account:

d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of

e) On the basis of the written representations received from the Directors, as on 31st March, 2014 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) Since the Centeral Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Saurabh C. Choksi & Co.
Chartered Accountants
Firm Reg No. 109351W

SAURABH C. CHOKSI & CO. CHARTERED ACCOUNTANTS 35744 AHMEDABAD

CA. Saurabh C. Choksi
Proprietor
M. No. 035744

Place: Ahmedabad
Date: 26 AUG 2014

SAURABH C. CHOKSI & CO.
Chartered Accountants

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ANNEXURE TO AUDITOR'S 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 fixed assets. however, in the case of transferor company namely The Maneklal Harilal Mills Limited such records have been maintained in respect of fixed assets purchased after 31-12-1955, in respect of assets acquired prior to 01-01-1956 these records are not maintained.

(b) Because of its inherent limitations, it is not possible to physically verify the assets by the management during the year

(c) During the year, the company has not disposed off any major part of the Fixed Assets.

(ii) The inventory has not been physically verified during the year by the management.

(iii) The Company has not granted any loans secured or unsecured to/from companies, firms or other parties in the register maintained under section 301 of the Act. Hence the provisions of the clause (a), (b), (c) and (d) are not applicable to the company, (e) The Company has not taken any loans secured or unsecured to/from companies, firms or other parties in the register maintained under section 301 of the Act. Hence the provisions of the clause (f), (g) and (h) are not applicable to the company.

(iv) Because of its inherent limitations, it is not possible for us to verify whether the internal control system been adequate during the financial reporting period. Also, projections of any evaluation of effectiveness to future periods are subject to the risk.

v) The audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions covered under section 301 of the companies Act, 1956. Hence the provision of this clause (a) and (b) is not applicable to the company.

(vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from the public during the period covered by our audit and hence the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 are not applicable to the company. Further, according to the information furnished to us, the Company Law Board, or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has passed no order on the company.

(vii) In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.

(viii) The Central Government has prescribed maintenance of Cost records under Section 209 (1) (d) of the Companies Act,1956 in respect of manufacturing activities of the company.Because of its inherent limitations, it is not possible for us to verify whether the company has maintained adequate cost records during the Financial reporting period.

(ix) (a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues applicable to it. According to the information and explanations given to us, it is not possible for us to verify whether is there any statutory du are outstanding as at 30th September, 2013 for a period of more than six months from th date they become payable except the following.

(ix) (a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues applicable to it. According to the information and explanations given to us, it is not possible for us to verify whether is there any statutory dues are outstanding as at 30th September, 2014 for a period of more than six months from the date they become payable except the following,

Nature of statute	Nature of dues	Amt Outstanding Rs.	Period to which Amt. relates	Due date
Ahmedabad Muni. Tax	Municipal	1,73,98,430/-	April 05 to March 14	At the end of the year
Govt. of India Committee	Textile	11,52,182	January'99 to May'07	At the end of year
Govt. of Gujarat	Sales tax	2,80,20,284/-	For'99 to'03	At the end of year

(b) According to the records of the company, there is a demand of Rs.2,24,62,528/- for A.Y 2006-07, and liquidation charges of Rs. 4,87,45,990/- is pending for assessment with sales ax department, which have not been deposited on account of dispute.

(x) The accumulated losses of the company are more than fifty percent of its net worth. The Company has incurred cash loss of Rs. 11,23,46,736/- during the financial year covered by current audit. The Company has incurred cash loss of Rs. 4,56,49,680/- in immediately preceding financial year

(xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that Previously, the company has defaulted in repayment of dues to a financial institution or banks. As per scheme of arrangement the company was required to make the payment of restructured debts to ARCIL/other lenders in 10 equal quarterly installments of Rs. 82.30 Lacs. Company has not paid outstanding dues of Rs. 781.82/- Lacs. **The company has also defaulted in payment of penal interest of Rs.333.30/- lacs in previous years and due to this the loss for the period is understated by Rs. Rs. 333.30/- Lacs and provisions is understated by Rs. 333.30/- Lacs and debit balance of accumulated loss is understated by Rs. 594.29/- Lacs. However, In current Financial year the company has setteled the due of ARCIL including the penal interest in Rs. 520/- Lacs.**

(xii) The company has not granted any loans against security by way of pledge of shares, debentures and other securities during the year under audit.

(xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 are not applicable to

(xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause of the Companies (Auditor's Report)

(xv) In our opinion and explanations given to us the company has not given any guarantee during the year for loans taken by others from financial institutions or banks. However in the past the company had given guarantees for loans taken by others from financial institution and the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company

(xvi) The term loans have been applied for the purpose for which they were raised.

(xvii) Based on the information and explanations given to us and on an overall examination of The balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.

(xviii) company has not made preferential allotment of shares to the parties and companies covered under section 301 of the Companies Act.

(xix) During the period covered by our audit report, the company has not issued any debentures.

(xx) The company has not raised any money out of public issue.

(xxi) We report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Saurabh C. Choksi & Co.
Chartered Accountants

SAURABH C. CHOKSI & CO. CHARTERED ACCOUNTANTS 35744

CA. Saurabh C. Choksi
Proprietor
M. No. 035744
Firm Reg No. 109351W

Place: Ahmedabad
Date : 2 6 AUG 2014