

## **AUDITOR'S REPORT**

**TO,  
THE MEMBERS,  
CHEMO PHARMA LABORATORIES LIMITED**

1. We have audited the attached balance sheet of CHEMO PHARMA LABORATORIES LTD., as at 31<sup>st</sup> March 2009, and the profit and loss account of the company 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 the 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 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 (Amendment) 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto 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 in paragraph 3 above, we report that:
  - i. 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;
  - ii. 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;
  - iii. The balance sheet, profit and loss account dealt with by this report are in agreement with the books of account;
  - iv. 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 the Companies Act, 1956.

- v. On the basis of written representations received from the directors of the company as on 31<sup>st</sup> March 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956.
- vi. *Subject to our comment in Para 4 (iv) above*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon, 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:
- a. in the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2009 and;
  - b. In the case of the profit and loss account of the loss for the year ended on that date.
  - c. In the case of the cash flow statement of the cash flows for the year ended on that date.

**Place : Mumbai**  
**Date : 1<sup>st</sup> September, 2009**

**For Batliboi & Purohit,**  
**Chartered Accountants**

**Kaushal Mehta**  
**Partner**  
**Membership No. 111749**

### **ANNEXURE TO THE AUDITOR'S REPORT.**

Annexure referred to in paragraph 3 of our report of even date

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and situation of fixed assets. The management during the year has carried out the physical verification of fixed assets. As per the explanations given to us a substantial portion of fixed assets were not disposed of during the year.
2. In our opinion and as per the explanation given to us no physical inventory were maintained during the year.
3.
  - (a) According to the information and explanations given to us the Company has not taken any loans from companies listed in the Register maintained under section 301 of the Act.
  - (b) The company has granted interest free loan to one party covered in the register maintained under section 301 of the companies Act, 1956. The year end balance of loans granted was Rs. 52,20,000/- and the maximum involved during the year was Rs. 63,66,000/-
  - (c) Since the loan given was interest free without repayment stipulation, we cannot comment about the regularity of repayment of principal and interest, over due amount and whether the other terms and conditions of the loan given is prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5.
  - (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
  - (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 Act 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.

6. In our opinion and according to the information and explanations given to us, no fixed deposit were accepted during the period to which the provisions of Sections 58A and 58AA or any other relevant provisions of the Act apply.
7. As there are no trading or manufacturing activities during the year due to lock out. The management feels that it is not necessary to have internal audit.
8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
9. (a) According to the records of the company, there is no delay in depositing the provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues. As applicable with appropriate authorities.
- (b) According to the information & explanations given to us, the dues in respect of sales tax, income tax, custom duties, wealth tax, excise duty, and cess that have been deposited with the appropriate authorities on account of dispute and the forum whether the disputes are pending are given below:

<b>Name of the statute</b>	<b>Nature of the dues</b>	<b>Amount(Rs. )</b>	<b>Forum where dispute is pending</b>
Central Sales Tax Maharashtra Sales Tax	Demands & Penalty For Assessment year 2001-02	18,05,093	Appeal before sales tax authority
Income Tax	Demand & Penalty For Assessment year 2004-05	31,77,291	Appeal before CIT

10. There are accumulated loses at the end of the financial year which are not more than 50% of its net worth. The company has incurred cash losses during the financial year covered by our audit.
11. Based on our audit procedure and according to the information and explanations given to us by the management, we are of the opinion that the company has not made repayment to SICOM.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

14. In our opinion, the Company is dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions during the period.
16. In our opinion and according to the information and explanations given to us, the Company has not raised any term loans.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, the Company has not raised funds on short-term basis.
18. During the year, 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.
19. The company has not issued any debentures during the year.
20. The Company has not raised any money by public issue during the period
21. Based on the audit procedures performed and information and explanations given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**Place : Mumbai**  
**Date : 1<sup>st</sup> September, 2009**

**For Batliboi & Purohit,**  
**Chartered Accountants**

**Kaushal Mehta**  
**Partner**  
**Membership No. 111749**