

K.R. MANIK & CO.
CHARTERED ACCOUNTANTS

203, NATASHA GARDEN, N. DUTTA ROAD, FOUR BUNGLOW, ANDHERI (W) MUMBAI - 400053

AUDITORS' REPORT

Members,
AAREY DRUGS & PHARMACEUTICALS LTD.,
MUMBAI.

We have audited the attached Balance Sheet of **AAREY DRUGS & PHARMACEUTICALS LTD.**, as on **31st March, 2005** and the Profit and Loss Account of the Company for the year ended on that date and 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.

We conducted our audit in accordance with 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that, our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Reports) Order 2003 as amended by Companies (Auditor's Report) Amendment Order 2004 (together the 'Order') 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 a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable to the company.

2. Further to our comments in the Annexure referred to 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 purpose of our audit;
- (ii) In our opinion, proper books of account as required by law, have been kept by the company, so far as it appears from our examination of those books;
- (iii) The Balance Sheet and 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



CERTIFIED TRUE COPY

[Signature]
DIRECTOR

Section 211 of the Companies Act, 1956, in so far as they apply to the company;

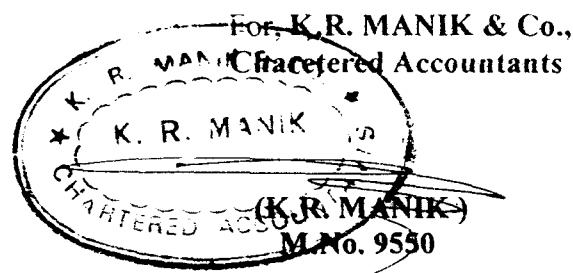
- (v) On the basis of the written representations received from the Directors of the Company as at 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March, 2005 from being appointed as a Director of the company under Clause(g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vi) Attention is invited to Notes on Accounts given in Schedule B

As mentioned in Note No.1 balances of sundry debtors, sundry creditors and Loans and advances are subject to confirmations, reconciliation and consequential adjustments, if any. Impact on accounts is not ascertainable.

- (vii) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read with the significant accounting policies and other notes thereto forming part of the accounts, 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 31st March, 2005 ; and
b) in the case of the profit and loss account, of the profit for the year ended on that date.



PLACE : MUMBAI

DATE : 15 JUN 2005

CERTIFIED TRUE COPY

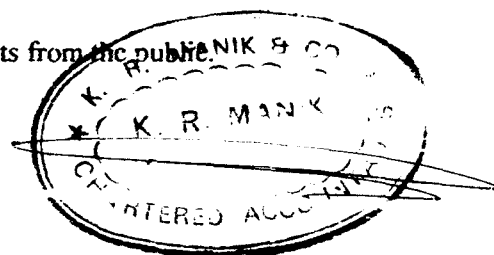
[Signature]
DIRECTOR

RE : AAREY DRUGS & PHARMACEUTICALS LTD.

Annexure to Auditor's Report

Statement referred to in paragraph 1 of our audit report of even date to the members of AAREY DRUGS & PHARMACEUTICALS LTD., on the accounts for the year ended on 31st March, 2005.

- 1) The nature of the Company's business / activities during the year is such that clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year ended on 31st March, 2005.
- 2) In respect of its Fixed Assets
 - a) The Company has maintained record of fixed assets and the same is reconciled with the books of account on an overall basis. *However, the fixed assets register is not compiled properly. The fixed assets register needs to be improved qualitatively by incorporating further details.*
 - b) As informed by the management, physical verification was carried out during the year in respect of major items of fixed assets and no material discrepancies were noticed on such verification.
 - c) The company has not disposed off any of its fixed assets during the year.
- 3) In respect of Inventories :
 - a) As per the information and explanations given to us, the inventories have been physically verified by the management on a monthly basis. In our opinion, the frequency of verification is reasonable
 - b) The procedure of physical verification of inventories followed by the management is 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 has maintained proper records of inventories and no material discrepancies were noticed on physical verification.
- 4) As informed to us, there are not companies, firms or other parties which are required to be covered in the register maintained under section 301 of the Act. As such, clause (iii) and (v) of para 4 of the order are not applicable to the company for the year ended on 31st March, 2005.
- 5) In our opinion and according to the information and explanations given to us, there are 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.
- 6) The company has not accepted any deposits from the public.



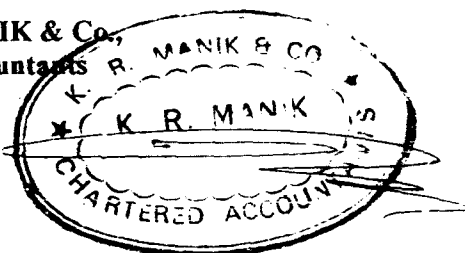
- 8) According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956, for any products of the company.
- 9) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Excise Duty and Cess, which are disputed by the company.
- 10) The company has not incurred cash loss during 2004-05. The company had not incurred cash loss during the year 2003-2004.
- 11) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to bank.
- 12) The company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- 14) During the year the company has not raised any Term Loan.
- 15) According to 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. No Long-term funds have been used to finance short-term assets except repayment of working capital.
- 16) The company has not made any preferential allotment during the year.
- 17) The company has not issued any Debentures.
- 18) The company has not raised any money by public issue during the year.
- 19) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For, K. R. MANIK & Co.,
Chartered Accountants

(K.R. MANIK)
M No.: 9550

Place : Mumbai

Date : 15 JUN 2005



CERTIFIED TRUE COPY

DIRECTOR

SCHEDULE - A**ACCOUNTING POLICIES:****A. Basis of Accounting :**

The financial statements are prepared under historical cost convention, on accrual basis and on a going concern principle.

B. Revenue Recognition :

- i) Sales are recognized on completion of contract terms and instruction by customer's inspectors & the goods are handed over to customer auto carriers for onward delivery to customers.
- ii) Incomes from services are recognized on completion of services.
- iii) Expenditure on account of replacement / repairs of goods is accounted on trend base estimate.

C. Inventory Valuation:

- i) Raw materials, stores & spare & goods in transit have been valued at lower cost or net realizable value.
- ii) Work-in-progress has been valued at lower of cost or net realizable value. Cost of materials cost & cost of conversion to the extent applicable.
- iii) Finished goods have been valued at the lower of cost or net realizable value.
- iv) Costs of material are determined on weighted average basis.

D. Depreciation:

- i) Depreciation on fixed assets are provided on straight-line method at the rates and in the manner provided for in Schedule XIV to Companies Act 1956.
- ii) Cost of Leasehold land is amortized over the leased period
- iii) Assets costing Rs.5000/- or less individually are depreciated at 100% in the year of addition.
- iv) Depreciation on addition to the assets is charged from the date of addition.
- v) Depreciation on deletion of assets is charged upto the date of deletion of assets.
- vi) In respect of fixed assets whose cost has undergone a change due to changes in exchange rates etc., depreciation is provided prospectively over the residual useful life of asset.

