

AAREY DRUGS AND PHARMACEUTICALS LIMITED

Audited Accounts For The Year Ended

31 st March, 1999

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- Niranjan Bhansali
- Dinesh Ghalla
- Hareesh Chheda
- Tansukh Chheda

GHALLA & BHANSALI

CHARTERED ACCOUNTANTS

'DEVANSH', 133, D. S. P. Road, Near Ranjit Studios, Dadar (E), Mumbai - 400 014. (INDIA)
Tel. : 415 70 00 • 414 70 00 ■ Fax : 414 49 00 ■ E-mail : gbca@bom5.vsnl.net.in

AUDITOR'S REPORT

To,
THE MEMBERS,
AAREY DRUGS AND PHARMACEUTICALS LIMITED

We have audited the attached Balance Sheet of AAREY DRUGS AND PHARMACEUTICALS LIMITED as at 31st March, 1999, and also the profit & loss Account for the year ended on that date, Annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditors Report) order 1999 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, We enclose in Annexure II, a Statement on the matters specified in the paragraphs 4 & 5 of the said order, on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that ;

(a) 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.

(b) In our opinion, proper books of account, except cost records, as required by law have been kept by the Company so far as appears from our examination of such books.

(c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

(d) In our opinion, and the subject to clause G of Significant Accounting Policies relating to retirement benefits, the profit and loss Account and balance sheet comply with the accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.

(e) (i) The company has not made the provision of Stamp Duty and Registration Charges payable on account of creation of mortgage in favour of term lending institutions, which is the immediate requirement of financial institutions. The amount payable on account of aforesaid charges is not yet ascertained.

(ii) We have not verified the Excise records, Factory wage register, Gratuity register, Bonus files, Labour file as the same have been seized by Excise department and were not available for our verification. Factory disputes records and Government grant records are also not produced before us for verification, so we are unable to express any opinion in relation to above matters.

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Aarey Drugs & Pharmaceuticals Ltd.F.Y.1998-99

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(iii) No proper supporting are available for certain vouchers. However management has certified that the all the expenses are incurred wholly and exclusively for the business purpose and we have relied on the above representation.

(iv) The company has not made any provision in respect of payment of gratuity. The amount of liability in respect of payment of gratuity is not Quantifiable as the company has not provided necessary information and records.

(v) Subject to our comments in para e(i), e(ii), e(iii) e(iv) and note no. 4 relating to outstanding dues of term lending institution in notes on accounts of Schedule 19, 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 schedules, the Notes and Accounting Policies give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet gives a true and fair view.

(1) in the case of Balance Sheet, of the state of affairs of the company as at 31st March, 1999 and

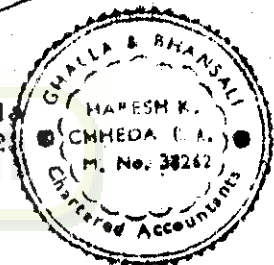
(2) in the case of the Profit and Loss A/c of the loss of the company for the year ended on that date.

PLACE : MUMBAI

DATED : 13 JUL 1999

FOR GHALLA & BHANSALI
CHARTERED ACCOUNTANTS

PARTNER

Haresh K. Chheda
M.No. 38262

Report

JUNCTION

Aarey Drugs & Pharmaceuticals Ltd.

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ANNEXURE II TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date on the accounts of Aarey Drugs & Pharmaceuticals Limited for the year ended 31st March, 1999.

1. The Company has maintained records showing full particulars including quantitative details, item wise fixed assets register and situation of fixed assets. The management has not carried out the Physical verification of fixed assets.

2. None of the Fixed Assets have been revalued during the year.

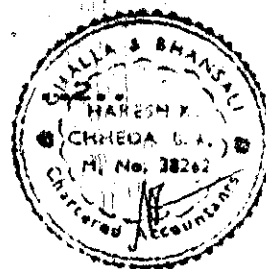
3. As per the information from the management, the stock of finished goods, stores, spare parts and raw material have been physically verified by the management during the year. We have relied on the information given by them, as we have been appointed and have taken up the audit after the close of the year.

4. In our opinion, read alongwith para 3 above, procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.

5. The Company has not maintained the quantitative records in respect of goods traded by it and in respect of manufactured goods as informed by management, that no material discrepancies have been noticed on physical verifications of Stocks as compared to book records, we have to rely on the above management representation, as the stock register is seized by the excise department on 14th April, 1999. Hence we are unable to express any opinion and comments required by clause (V) of the order as required by the Manufacturing and other Companies (Auditors Report) order 1999 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956.

6. On the basis of our examination of records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as followed in the preceding year.

We have been given to understand that the company has maintained register u/s 301 and 370 (1-B), of Companies Act, 1956 but the same was not produced before us for verification. However as per information received from management the company has obtained unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956) and/or from the companies under the same management as defined under section (1-B) of section 370 of the Companies Act, 1956 (1 of 1956). The management has decided not to provide interest on such loans accepted or advanced to the parties listed in the register maintained U/s 301 and 370 (1-B) of the Companies Act, 1956. The terms and conditions of such loans are not prima facie prejudicial to the interest of the company.



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8. We have been given to understand that the company has maintained register u/s 301 and 370 (1-B), of Companies Act, 1956 but the same was not produced before us for verification. However as per information received from management the company has given unsecured loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956) and/or to the companies under the same management as defined under section (1-B) of section 370 of the Companies Act, 1956 (1 of 1956). The management has decided not to provide interest on such loans accepted or given to the parties listed in the register maintained U/s 301 and 370 (1-B) of the Companies Act, 1956. The other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.

9. According to the information provided by management no stipulated time frame has been decided for the repayments of Loan. Hence we are unable to express any opinion and comments as required by clause (ix) of the order as required by the manufacturing and other companies (Auditor's Report) order 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956.

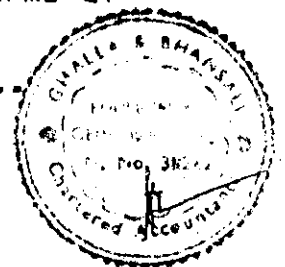
10. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of raw material, plant and machinery, equipment, other assets and for the sale of goods.

11. On the basis of information and explanations given and records produced before us, purchases during the year of goods exceeding Rs. 50,000/- in value from companies as defined u/s. 301 of companies Act, 1956 are at rates at par with prevailing market rates. Further no sales of goods material & services exceeding Rs. 50,000/- in value have been made to parties maintained as per the provision of Sec 301 of Companies Act 1956.

12. As explained to us the company has a regular procedure for determination of unserviceable or damaged stores, raw material & finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined in manufacturing division.

13. The Company has accepted deposits from the public in violation of section 58-A of Companies Act, 1956 during the year.

14. As explained to us, reasonable records have been maintained by the Company for sale and disposal of by-products, garbage/scrap. However relevant stocks and other records are seized by the excise department, hence we are unable to express any opinion and comments as required by clause (xiv) of the order as required by the manufacturing and other companies (Auditor's Report) order 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956.



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15. In our opinion, internal audit carried out by the in house staff employed was reasonable. The company is in process of introducing professional formal internal audit system commensurate with the size and nature of its business.

16. According to the information given to us, the Company does not maintain cost records as prescribed by the Central Government U/S 209(1) (C) of the companies Act, 1956.

17. The Company has not deposited the Provident Fund with the appropriate authorities and arrears as on 31st March, 99 is Rs. 2,94,468/-. In respect of E.S.I.C., it is informed by the management that the company is not liable to deduct E.S.I.C.

18. According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts payable in respect of income tax, sales tax, custom duty outstanding as at 31st March, 1999 for a period exceeding six months from the date they become payable.

19. According to information and explanation furnished to us no personal expenses of employees / director other than those payable in accordance with generally accepted Business practices and/or under contractual obligations have been charged to Profit and Loss Account.

20. The Company is a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

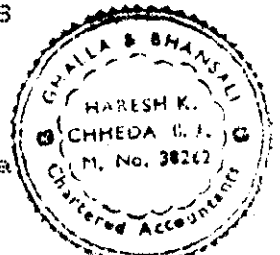
21. In respect of companies trading activity, we are informed that there are no damaged stock.

PLACE : MUMBAI

DATED : 13 JUL 1999

FOR GHALLA & BHANSALI
CHARTERED ACCOUNTANTS

PARTNER

Haresh K. Chheda
M.No. 38262

AAREY DRUGS & PHARMACEUTICALS LTD

BALANCE SHEET AS ON 31ST MARCH, 1999

	SCHEDULE	As at 31st March, 1999	As at 31st March, 1998
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a. Share Capital	1	49831820	49831820
b. Capital Reserve		2000000	-
		51831820	49831820
2. LOAN FUNDS			
a. Secured Loans	2	106793676	86300835
b. Unsecured Loans	3	1401741	3356836
		108195417	89657671
Total Rs.		160027237	139489491
II APPLICATION OF FUNDS			
1 Fixed Assets			
a. Gross Block	4	83451291	83363053
b. Less : Dep. & Amortisation		41753148	35847422
c. Net Block		41698143	47515631
d. Capital Work-in-Progress		5361878	5361877
		47060021	52877508
2. Investments			
	5	60340	2029090
3. Current Assets, Loans & Advances			
a. Inventories	6	15665686	23921969
b. Sundry Debtors	7	45318761	50520290
c. Cash and Bank Balances	8	507200	1426930
d. Loans and Advances	9	2788484	3087663
		64280131	78956852

