

**SURYACHAKRA POWER
CORPORATION LIMITED**



**ANNUAL REPORT
2010-11**



Board of Directors	:	Mr. P.V. Rao, Chairman Mr. P. K. Bhattacharjee Mr. Mahesh Chand Mr. K. Satyanarayana Mr. V.S. Murthy Commodore K.V. Subramaniam Mr. A. Ramesh Kumar Mr. K. B. Trehan (upto 23.07.2011) Mr. M. Seshavatharam Dr. S. M. Manepalli, Managing Director
Company Secretary	:	Mr. G.V. Suresh Kumar
Audit Committee	:	Mr. P. K. Bhattacharjee, Chairman Mr. M. Seshavatharam Mr. V.S. Murthy
Statutory Auditors	:	M/s. Visweswara Rao & Associates Chartered Accountants “SRI” Plot No.512A1, Road No.31, Jubilee Hills, Hyderabad – 500033 M/s. B S R and Co., Chartered Accountants, Reliance Humsafar, IV Floor, Road No. 11, Banjara Hills, Hyderabad - 500034
Bankers	:	State Bank of India
Regd. Office	:	Suryachakra House, Plot No.304-L-III, Road No.78, Jubilee Hills, Hyderabad -500 033.
Plant	:	Bambooflat, Near Fire Brigade, South Andaman, Port Blair – 744 107.



NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of Suryachakra Power Corporation Limited will be held on **Friday, the 30th day of September, 2011 at 10.00 A.M.** at ADDA Function Hall, IV Floor, Padmavathi Plaza, Bhagyanagar Colony, Opp. KPHB, Kukatpally, Hyderabad – 500 072 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the Profit and Loss account for the financial year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. Satyanarayana, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. V. S. Murthy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. M. Bhaskara Rao & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in place of the retiring auditors at a remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution.

“RESOLVED THAT Mr. P. V. Rao be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. To consider and if thought fit to pass with or without modification(s) the following resolution as a Special Resolution.

“RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, as amended from time to time, the consent of the members of the Company be and is hereby accorded for the re-appointment of Dr. S.M. Manepalli as Managing Director of the Company for a period of 3 (three) years w.e.f. September 30, 2011 on the following terms and conditions:

- i) Salary of Rs.3,00,000/- per month.
- ii) Perquisites: The value of which shall not exceed Rs.50,000/- Per month.

Category A:

Housing: Rent free accommodation or House Rent Allowance at 30% of the Basic salary.

Explanation:

- i) The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be valued as per the Income Tax Rules, 1962 and shall be subject to a ceiling of 10% of the salary of the Managing Director.
- ii) Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month salary in a year or three months' salary over a period of three years.
- iii) Leave Travel Concession for self and family once in a year incurred in accordance with any rules specified by the company.
- iv) Club fees subject to a maximum of 2 clubs. This will not include admission and life membership fee.
- v) Personal Accident Insurance, the premium of which shall not exceed Rs.4000 per annum.

Category B:

The following perquisites shall not be included in the computation of the ceiling on remuneration:

- i) The company's contribution towards Pension scheme or superannuation fund together with Provident Fund not exceeding 25% of the salary wherein contribution towards Provident Fund shall not exceed 12% of the salary. However for the purpose of calculation of overall ceiling on perquisites, the company's contribution towards Provident Fund, Superannuation fund or annuity fund will not be included to the extent these either singly or put together are not taxable under the Income Tax Act.



- ii) Gratuity payable should not exceed half a month's salary for each completed year of service.
- iii) One month leave for 11 months of service on full pay and allowances as per the rules of the company. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisite.

Category C:

Provision for Car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be borne by the Managing Director.

"RESOLVED FURTHER THAT the above mentioned salary and perquisites shall be paid and allowed as a minimum remuneration during the tenure of his office as Managing Director notwithstanding the absence or inadequacy of profits in any financial year as long as the minimum remuneration is within the prescribed limits under section II of part II of Schedule XIII of the Companies Act, 1956."

**By Order of the Board of Directors
For SURYACHAKRA POWER CORPORATION LIMITED**

Place: Hyderabad
Date: August 12, 2011

**G.V. SURESH KUMAR
COMPANY SECRETARY**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The proxy form(s) in order to be effective must be received by the company at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is annexed hereto.
3. Brief Particulars of the Directors seeking re-appointment at this Annual General Meeting are annexed to the notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **28.09.2011 to 30.09.2011** (both days inclusive).
5. Members holding shares in physical form are requested to intimate any change in their address quoting their registered folio number to the Registrars and Share Transfer Agents namely M/s. Karvy Computershare Private Limited, Plot No.17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081.
6. Members holding shares in electronic form are requested to intimate any change in their address to the depository participant (DP) with whom the demat account is maintained.
7. Members are requested to bring admission slip duly filled in along with the copy of Annual Report to the Meeting.
8. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
9. Important Communication to Members: The Ministry of Corporate Affairs has introduced a "Green Initiative in the Corporate Governance" vide its circulars dated 21.04.2011 and 29.04.2011 by allowing the companies to service the notice / documents including Annual Report by way of e-mail to its members. This initiative is a step towards protection of environment and enabling faster communication with the members.
Accordingly, the Company has proposed to serve all the documents to e-mail addresses of the members. The members are requested to support this green initiative of the Government by registering / updating their e-mail addresses with their concerned Depository Participants (DP) to get the Annual Report and other documents on such e-mail address. Members holding shares in physical form are also requested to intimate their e-mail address to the Company either by e-mail at coscretary@suryachakra.com or by sending a communication to the Registered Office of the Company. If any member is interested to receive such document in physical form, a communication in this regard may be made to the Company.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

Mr. P.V. Rao has been appointed as an Additional Director and Chairman of the Company by the Board of Directors on 22nd November 2010 pursuant to the provisions of Section 260 of the Companies Act, 1956. Prior to that, Mr. Rao was on the Board of the Company as Non-executive Chairman from 7th December 2005 to 19th June 2010. Pursuant to the provisions of the Companies Act, he holds the office of Director up to the date of this Annual General Meeting.

The company received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. P.V. Rao for the office of the Director of the company under section 257 of the Companies Act, 1956. Mr. Rao is not disqualified from being appointed as Director under section 274(1)(g) of the Companies Act, 1956 and has complied with the provisions of section 266A of the Companies Act, 1956.

None of the Directors except Mr. P. V. Rao is interested or concerned in the resolution.

The Board, accordingly, recommends the Resolution for approval of the members of the Company.

ITEM NO. 6

Dr. S.M. Manepalli has been appointed as the Managing Director of the Company at the Annual General Meeting held on 24th September 2008 and his term expires on 29.09.2011. The Remuneration Committee at its meeting held on August 03, 2011 recommended his reappointment for a further period of 3 years on the existing terms and conditions. Considering the contribution of Dr. S. M. Manepalli for the growth of the Company and pursuant to the recommendation of the Remuneration Committee, the Board of Directors of the Company has re-appointed him for a further period of 3 years w.e.f. 30.09.2011 at the board meeting held on August 12, 2011, subject to the approval of the members, on the terms and conditions as mentioned in the resolution under item No. 6 of the notice of this Annual General Meeting.

Dr. S.M. Manepalli hails from an agricultural and business family from Bhimavaram, West Godavari District, Andhra Pradesh and is a qualified M.B.B.S., graduate. During the period 1974-87, he was engaged in the rice mill business and operated 6 rice mills belonging to the family. He has served as the President of Bhimavaram Rice & Oil Merchants Association during 1983-87. He has also operated Deep-sea Foreign Fishing Vessels on Charter basis during 1987-92. Thereafter, he was engaged in Aqua-culture Business, Construction & Operation of Prawn/Fish Tanks, Hatchery, Feed Mill & Processing Plants.

Inspired by the liberalization policies of Govt. of India, during 1995 he has diversified his business interests by setting up power generation plant following the privatization of power sector. He has promoted the Company, which has set up 20MW power plant successfully in Bamboo flat, A & N Islands.

The Board of Directors recommends the resolution for your approval. This may be treated as the requisite abstract of the terms of appointment under section 302 of the Companies Act, 1956.

None of the Directors is concerned or interested in the resolution except Dr. S.M. Manepalli and Mr. M. Seshavatharam, son of Dr. S.M. Manepalli.

**NOTE ON APPOINTMENT OF STATUTORY AUDITORS OF THE COMPANY (ITEM NO.4)**

M/s. Visweswara Rao & Associates and B S R and Co., Chartered Accountants, the existing Joint Statutory Auditors of the Company retiring at the conclusion of this Annual General Meeting, have advised the Company not to consider them for re-appointment as Joint Statutory Auditors for the Financial Year 2011-12.

Based on the recommendation of the Audit Committee, the Board of Directors has at its meeting held on 12th August, 2011 recommended the appointment of M/s. M. Bhaskara Rao & Co., Chartered Accountants, Hyderabad as the Statutory Auditors of the Company for the Financial Year 2011-12. Special notice u/s 190 of the Companies Act, 1956 ("the Act") has been received by the Company for the appointment of M/s. M. Bhaskara Rao & Co., as the Statutory Auditors in place of the retiring auditors, pursuant to section 225 of the Act.

M/s. M. Bhaskara Rao & Co., Chartered Accountants has expressed their willingness to act as statutory auditors of the Company and confirmed that the said appointment, if made, would be in conformity with the provisions of Section 224 (1-B) of the Act.

The Members' approval is being sought for the appointment of M/s. M. Bhaskara Rao & Co., as the statutory auditors and to authorize the Board of Directors to determine the remuneration payable to them.

The Board of Directors recommends the Resolution for your approval.

None of the Directors of the Company is in any way, concerned or interested in the resolution under Sl. No. 4.

**By Order of the Board of Directors
For SURYACHAKRA POWER CORPORATION LIMITED**

Place: Hyderabad
Date: August 12, 2011

**G.V. SURESH KUMAR
COMPANY SECRETARY**

BRIEF PARTICULARS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**Mr. K. Satyanarayana**

Mr. K. Satyanarayana, born on June 15, 1958 holds a Graduate Degree in Engineering (LME, AMIPE) and has rich experience in the development of power projects and other engineering projects. With more than 30 years of overall experience in various fields, he has worked in several reputed companies and gained vast exposure in Malaysia and Singapore for several years in engineering projects. He is on the Board of the Company since June 20, 2009.

Directorships held in other companies: Suryachakra Global Enviro Power Ltd., M.S.M. Energy Ltd., South Asian Agro Industries Ltd., Suryachakra Natural Resources Ltd., Sri Panchajanya Power Private Ltd., Suryachakra Thermal Energy (Andhra) Private Ltd., and Namratha Bizili Private Ltd.

Mr. V. S. Murthy

Mr. V.S. Murthy, born on 15th July 1940 is a graduate in Engineering (B.E., Electrical) and has vast experience in Electrical and Electronic projects. He started his career with Heavy Electrical Corporation (HEC), Ranchi and worked for a period of 26 years. He also worked in ITC Bhadrachalam Paper Board for 10 years and held various positions. He has expertise in the field of Erection, Operation and Maintenance of Transformers, Power Cables, Distribution network etc. He is on the Board of the Company since August 29, 2009.

Directorships held in other companies: Suryachakra Global Enviro Power Ltd., M.S.M. Energy Ltd., South Asian Agro Industries Ltd., Sri Panchajanya Power Private Ltd., and Suryachakra Energy (Chattisgarh) Private Ltd.

Mr. P.V. Rao

Mr. P. Visweswara Rao, born on 20th April, 1942 and a retired IAS officer, is a qualified BA (Hons) and a Law graduate. He has forty years of administrative experience at district, state and national levels. He worked in different capacities and retired as Special Chief Secretary to the Government of Andhra Pradesh. He had also worked as Chairman of Infrastructure Authority of Andhra Pradesh.

Directorships held in other companies: KL Hi-Tech Secure Print Ltd., Kakinada Seaports Ltd., and Phoenix Infocity Private Ltd.



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 16th Annual Report of the company together with the audited Accounts for the financial year ended March 31, 2011.

FINANCIAL PERFORMANCE:

(Rs. in million)		
Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Income from sale of power	1404.42	1179.88
Income from trading of goods	29.19	889.13
Other Income	47.25	31.88
	1480.86	2100.90
Profit before interest and depreciation	209.66	173.61
Interest and Finance Charges	91.48	72.42
Depreciation	68.66	73.09
Profit after interest, but before exceptional items	49.52	28.11
Exceptional Items (net)	-	24.50
Profit before Tax	49.52	52.61
Current Tax after Adjustments	9.14	(0.56)
Profit after Tax	40.38	52.05
Profit brought forward from previous year	157.80	105.75
Profit and Loss A/c Balance carried forward to Balance Sheet	198.18	157.80

REVIEW OF OPERATIONS:

During the year under review, your Company achieved the gross turnover of Rs.1480.86 million as against Rs.2100.90 million in the previous year. The turnover for the current year was lower than the previous year, since the income from coal trading activity was considered on net basis during the year, in accordance with AS 24 (Discontinuing operations). The revenue from the sale of energy for the current year increased to Rs.1404.42 million from Rs.1179.88 million in the previous year. The Operating Profit (PBIDT) for the current year was Rs.209.66 million as against Rs.173.61 million for the previous year. The Profit after Tax was Rs.40.38 million compared to Rs.52.05 million in the previous year.

The company's 20 MW plant at Bamboo flat, Port Blair has achieved the Plant Load Factor (PLF) during the year 2010-11 at 81.60% against the benchmark of 68.49% and received the incentive of Rs.15.60 million from Andaman & Nicobar Administration (A&N Administration). Comparatively, during the previous year 2009-10, the PLF was 76.49%, for which an incentive of Rs.9.85 million was received by the company.

Management Discussion and Analysis report for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report. The Board of Directors and the Management review the progress of the Company from time to time and guide the Company towards its goals.

DIVIDEND:

With a view to conserve resources for the planned growth of the organization and also due to inadequacy of profits, your Directors are unable to recommend any Dividend on the Equity Capital of the Company.

INCREASE IN CAPITAL:

During the year, the Company has increased its Authorised Capital from Rs.900 million to Rs.1500 million, after obtaining the consent of the members through postal ballot, to enable the Company to issue Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) etc., up to US\$ 100 Million.

Subsequently, your Company has opened the GDR issue for subscription to the prospective investors on 19.04.2011 and closed the issue on 26.04.2011. The Company has received the subscription of US\$ 22,995,000 (Rs. 1,025 million) and issued 3,650,000 GDRs to the investors @ US\$ 6.30 per GDR. The underlying shares were 20 shares per GDR, which means 73,000,000 new equity shares were issued for the GDRs. Accordingly, the paid up capital of the Company has gone up to Rs.1496.33 million. The GDRs were listed in the Euro MTF Market of Luxemburg Stock Exchange on 28th April 2011 and the underlying equity shares were listed on BSE on 19th May 2011.



SUBSIDIARY COMPANIES:

During the year under review, the performance of the subsidiaries viz., Suryachakra Global Enviro Power Limited, South Asian Agro Industries Limited, M.S.M. Energy Limited and Sri Panchajanya Power Private Limited, which operate biomass based power plants at Chhattisgarh and Maharashtra has been severely affected due to non-availability of quality raw material at reasonable rates. The prices of biomass like rice husk, cotton stalk etc., have been steeply rising thereby resulting into high cost of production.

As a long term strategy, the group has proposed to enter into buy-back agreements with some companies in Chhattisgarh and Maharashtra, which will endeavor to continuous supply of Napier grass catering to about 50% of total requirement of the plants. The cost of Napier grass is much cheaper than other conventional biomass raw material, besides having higher Gross Calorific Value (GCV). The Napier grass supplying companies have finalized the land required for taking on lease / contract farming for energy plantation in Chhattisgarh and Maharashtra. With this continuous feed supply at competitive price, the subsidiaries are expected to improve their performance in the forthcoming years.

1) Suryachakra Global Enviro Power Limited:

During the year, the 9.8 MW plant at Madwa village, Champa-Janjgir District, Chhattisgarh had generated 33.166 million units achieving a PLF of 38.63%. The generation was low due to the scarcity of quality biomass fuel. As most of the paddy is grown as single crop, husk was available for 6 to 7 months of the year. Further, the evacuation line at 33 KV was connected to grid at about 20 KM from the plant. Because of the long transmission line, the plant operation was effected due to line faults during rainy season. The transmission line losses were approximately 5% of the generation.

During the year under review, the Company had earned an amount of Rs.28.52 million from 42950 CERS for the period from October 2008 to December 2009 and Rs.20.99 million from 31604 CERs for the period from January 2010 to March 2011.

2) South Asian Agro Industries Limited:

During the year, the 9.8 MW plant at Khajuri village, Baloda Bazar, Raipur District, Chhattisgarh has generated 22.28 million units and achieved a PLF of 25.96%. The plant faced the problem of fuel shortage during rainy season as the rice husk is the main biomass fuel which is available only during milling season lasting for 4 to 5 months in a year since paddy is grown as a single crop in major cultivation acreage.

During the year under review, the Company had earned an amount of Rs.21.16 million from 31861 CERS for the period from January 2009 to December 2009 and Rs.15.29 million from 23031 CERs for the period from January 2010 to March 2011.

3) M.S.M. Energy Limited:

The 10 MW biomass based power plant at Parbhani, Maharashtra was commissioned and synchronized with the grid of MSEDCL on 15th November, 2010. Total generation during the year was 5.23 million units. The generation was low during the year due to scarcity and high price of quality biomass fuel. Frequent grid interruptions have also contributed for low generation.

Another 10 MW plant is under construction at Kholapur Village, Amravati District, Maharashtra. The plant is expected to commence operations during the year 2011-12.

4) Sri Panchajanya Power Private Limited:

The 10 MW power plant at Limbala MIDC, Hingoli, Maharashtra was commissioned and synchronized with the grid of MSEDCL on 5th September, 2010. During the year, the total generation of the plant was 9.94 million units. The generation was low during the year due to scarcity of quality biomass fuel and high price. Frequent grid interruptions have also contributed for low generation.

The application for CDM Registration filed with United Nations Framework Convention on Climate Change (UNFCCC) for CERs got registration on 13th January, 2011 and date of Registration action was 4th April, 2011. Crediting period is 01.04.2011 to 31.03.2018.

Other subsidiaries:

Your company had signed a Memorandum of Understanding with the Govt. of Chhattisgarh in February 2008 and subsequently executed the implementation agreement in May 2010 for setting up of coal based thermal power plant in the state of Chhattisgarh. The company has transferred the project under development to Suryachakra Energy (Chhattisgarh) Private Ltd., a wholly owned subsidiary of your company for a consideration of Rs.356.40 million being the carrying value of the assets in the project during the last quarter of the year.



In January 2011, your company has incorporated a wholly owned subsidiary viz., Suryachakra Global Ventures Limited in Hong Kong to pursue the activities of investment in coal mine and coal trading etc.

During the year, the Company had purchased 30,000 shares of Suryachakra Power Venture Private Limited from its promoters to make it a subsidiary of the Company for the purpose of making the bids for the solar projects under JNNSM Scheme. As the bids were not successful, the Company had sold the above shares and SPVL ceased to be the subsidiary of the Company.

Consolidated Financial Statements:

The Consolidated Accounts presented by the Company for the year 2010-11 include the financials of its subsidiary companies. In accordance with the General Circular issued by the Ministry of Corporate Affairs, Govt. of India dated 8th February 2011, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not attached to the Balance sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies to any member of the Company or its subsidiaries, upon receiving a request for the same. Further, the annual accounts of the subsidiary companies including the consolidated annual accounts of the Company will be kept open for inspection at the Registered Office of the Company and that of the subsidiaries, during the office hours. A summary of financial information of the subsidiary companies is provided in the Annual Report of the Company.

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any deposits from the shareholders / public under Section 58A of the Companies Act, 1956, during the year under review.

INSURANCE:

The properties of the Company including its buildings, plant and machinery and stocks have been adequately insured as required.

CORPORATE GOVERNANCE:

The Company is in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with Stock Exchanges. A separate report on Corporate Governance forms part of Annual Report of the company together with a Certificate from the Practicing Company Secretary confirming the compliance of Corporate Governance. As per SEBI requirement, Secretarial audit is being carried out at specific intervals by a Practicing Company Secretary. The findings of the audit have been satisfactory.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i] in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii] the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- iii] the directors have ensured that proper and sufficient care is taken in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv] the annual accounts are prepared on a going concern basis.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. K. Satyanarayana and Mr. V.S. Murthy, Directors will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment as Directors of the Company.

During the year, Mr. P.V. Rao has resigned from the Board as Director & Chairman w.e.f 19th June 2010 due to personal reasons. The Board has appointed him again as Additional Director and Chairman on 22nd November 2010 pursuant to Section 260 of the Companies Act, 1956. The Board has also appointed Mr. K B Trehan as an Additional Director of the Company on 11th November 2010 pursuant to Section 260 of the Companies Act, 1956.

Mr. T. Venkata Raju has resigned from the Board w.e.f 28.02.2011 due to personal reasons.

ADEQUACY OF INTERNAL CONTROLS:

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly. The internal control system is supplemented by an extensive program of internal audits, review by management and documented policies, guidelines and procedures.