

AUDITORS' REPORT

TO THE MEMBERS OF M/S. NAGREEKA EXPORTS LIMITED

1. We have audited the attached Balance Sheet of **NAGREEKA EXPORTS LIMITED** as at **March 31, 2010**, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto of which we have signed under reference to this report. 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 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 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, 2003 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 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 laws have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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, as on **March 31, 2010**, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on **March 31, 2010** from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts read together with significant accounting policies and notes on accounts in Schedule "O" give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at **March 31, 2010;**

(b) in the case of the Profit and Loss Account, of the **Profit** for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

DAS & PRASAD
Chartered Accountants

Place : Kolkata
Date : 28th May, 2010

(C.A. B.N.AGARWALA)
Partner
M. No. 011709
Firm Registration No. 303054E

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The company has a regular programme of physical verification of fixed assets in a phase manner to cover all the items over a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
 - (c) In our opinion, the company has not disposed of a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of its inventories:
 - (a) The inventory of the company has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Hence, clause 4 (iii) of the Companies (Auditors' Report 2003) are not applicable to the Company.
- iv. 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 purchase of inventory and fixed assets and on the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls. We have not observed any failure on the part of the company to correct major weakness in the internal control system.
- v. In respect of the contracts or arrangements referred to in section 301 of the Companies Act, 1956.
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion, and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 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.

- vi. According to the information and explanations given to us, The Company has not accepted any deposits from the public. Therefore the provision of clause 4 (vi) of the Companies (Auditors' Report Order 2003) are not applicable to the company.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. We have reviewed the books of account and records maintained by the Company relating to its manufacturing activity pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that the prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- ix. In respect of statutory dues:
 - (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sale tax, customs duty, excise duty and cess were in arrears, as at March 31, 2010 for a period of more than six months from the date they became payable.

(b) The disputed statutory dues aggregating to **Rs. 151.80 lacs** that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Particulars	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs.in lacs)
Sales Tax	1998-1999	Appellate Tribunal	7.01
Income Tax	1999-2000	High Court	1.99
	2004-2005	High Court	5.67
	2005-2006	CIT (Appeal)	35.93
Central Excise	2005-2006 & 2008-2009	Commissioner (Appeals) Central Excise	75.61
Custom	1994	High Court	25.59
			151.80

- x. The Company has neither accumulated losses as at **31st March 2010** nor has incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- xi. Based on our audit procedures and on the information and explanations given to us by the management, in our opinion, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

- xiii. 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 are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debenture and other investments.
- xv. According to information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi. According to the information and explanations given to us, the term loans outstanding at the beginning of the year have been applied for the purpose for which they were obtained.
- xvii. 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 investments.
- xviii. According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix. In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx. During the period covered by our audit report, the Company has not raised any money by public issues.
- xxi. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

DAS & PRASAD
Chartered Accountants

Place : Kolkata
Date : 28th May, 2010.

(C.A. B.N.AGARWALA)
Partner
M. No. 011709
Firm Registration No. 303054E