To

M/s RAMESH & Associates,

Chartered Accountants,

SECTOR-8,

NOIDA

Dear Sirs,

1. **Basis for Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the Generally Accepted Accounting Principles (‘GAAP’) in India and comply with the accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006, to the extent applicable and in accordance with the provisions of the Companies Act, 1956, as adopted consistently by the Company.

1. **Share Capital**

75% Share capital is owned by M/s ABC Co. Ltd., KOREA and 25% is owned by M/s XYZ PVT. Ltd.

1. **Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any.

1. **Depreciation**

Tangible fixed assets are stated at the acquisition cost less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes, and incidental expenses related to acquisition and installation incurred in bringing the asset to its working condition for its intended use.

Depreciation on the tangible fixed assets is provided on the Written Down Value methods (WDV) at the rates specified in Schedule XIV of the Companies Act,1956.

Tangible fixed assets costing less than Rs.5,000 per unit are fully depreciated in the year of purchase except Bins & Crates. In case of Bins & Crates, their life has been assumed to be 3 years and accordingly these are charged to depreciation on Straight Line Method (SLM) basis in 3 years.

Depreciation on additions/ deletion is provided on pro-rata basis from/ upto the date of such additions/ deletions.

1. **Security Deposit**

During the year the company has paid security deposit as follows: -

**Unit 1 : -**

Electricity Deposit: - Rs. 1,000,000/-

Rent: - Rs. 5,000,000/-

**Unit 2: -**

Rent: - Rs. 3,000,000/-

Electricity Deposit: - Rs. 900,000/-

1. **Royalty**

Payment of Royalty for using trademark of ABC Co., Ltd, Korea and XYZ Pvt. Ltd. is accounted for as per agreement executed between both these parties with A 2 Z Pvt. Ltd. Total Payment of royalty during the period under audit is amounting to Rs. 1,000,000/-.

1. **Bank Balances**

The company has bank account with Bank of India that has been reconciled up to March 31, 2013.

1. **Employee Benefits**

The Company has a defined benefit gratuity and leave encashment scheme. The company has taken policy from LIC for both plants. In case liability on account of Gratuity will arise in future the same will be borne by LIC, in consideration of which LIC is charging premium on annual basis from the company. Therefore no provision has been made by the Company.

The earned leave liability arises on retirement, withdrawal, resignation and death of an employee.

1. **Loans & Advances**

Short term working capital loan of Rs. 25,000,000/- has been taken during the year from Bank of India and is an Unsecured Loan.

Term Loans are secured against hypothecation of all plants and machineries and Corporate Guarantee of both co-ventures companies.

Auto Loan from bank is @ 13.5% having 36 installments. One loan having 30 installments due to be paid amounting Rs. 27,394/- and second loan having 28 installments to be paid amounting to Rs. 28,772/-.

1. **Fraud & Errors**

There has been no:-

* Fraud involving management or employees who have significant roles in internal control.
* Fraud involving others that could have a material effect on the financial statements.
1. The management certifies that payment in excess Rs 20,000 has been made by a cross cheque or crossed bank draft.
2. The management certifies that the amount of Cash in Hand as on March 31, 2013 was Rs. 50550/-
3. The management certifies that as per their estimate there is no impairment loss in any assets during the period under audit.
4. The Management certifies that no balance is due to Micro & Small Enterprises as defined under the Micro, Small, Medium and small enterprise development Act, 2006 as on March 31, 2013.
5. The Company has not entered into any foreign exchange forward contracts to hedge its risk associated with foreign exchange fluctuations.
6. **Related Party Transactions: -**

Transactions during the year

|  |  |  |
| --- | --- | --- |
| **Transaction with related parties** |  **Related Party Relationship** |  **Year ended 31 March 2012**  |
| **Purchase of components** |  |   |
| XYZ Pvt. Ltd  |  Associate Company  |  **5,000,000**  |
|  |  |  |
|  |  |  |
| **Purchase of capital goods/services** |   |   |
| XYZ Pvt. Ltd |  Associate Company  |  **1,000,519**  |
| **Payment of royalty- Trade mark fee** |   |  |
| ABC Co., Ltd. |  Holding company  |  **500,000**  |
| XYZ Pvt. Ltd  |  Associate Company  |  **500,000**  |
| **Payment of Profession & Management Fee** |
| XYZ Pvt. Ltd  |  Associate Company  |  6,000,000  |
|  |  |  |
| **Payment of Lease Rental -Land & Building**  |
| XYZ Pvt. Ltd |  Associate Company  |  12,000,000  |
|  |  |  |

**Remuneration to Related Parties**

|  |  |  |
| --- | --- | --- |
| **Remuneration paid**  |  **Key management personnel** | **Amount** |
| Mr. X  | Director |  6,000,000  |
| Mr. Y  | Director |  6,000,000 |
| Mr. R | VP - Unit  |  6,000,000 |

**Balance at the end of the year**

|  |  |  |
| --- | --- | --- |
| **Balances outstanding at year-end** | **Related Party Relationship** | **Amount** |
| **Account Payable** |  |   |
| ABC Co., Ltd. |  Holding company  | 500,000  |
|  |  |  |
| XYZ Pvt. Ltd  |  Associate Company  | 1,000,000  |

1. **Others**
2. There are no undisputed amounts outstanding in respect of provident fund, employee state insurance, income tax, wealth tax, sales tax, customs duty, excise duty, cess and any other applicable statutory dues, which were due for more than six months as at the Balance Sheet date.
3. Further, there are no disputed dues of /income tax/custom duty/wealth tax/excise duty/cess as at the Balance sheet date.
4. The financial statements and appended notes thereto, include all material disclosures necessary for these accounts to show a true and fair view of the state of affairs and are free of material misstatements, including omissions.
5. We are not aware of any violations or possible violations of laws or regulations the effect of which should be considered for disclosure in the Financial Statements. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices that could have a material effect on the Financial Statements in the event of non-compliance.
6. Income & Expenditure account and Balance Sheet have been prepared in compliance with Revised Schedule VI of the Companies Act, 1956 and the applicable accounting Standards in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956, to the extent applicable.

Yours faithfully

**For A 2 Z CO. Pvt. Ltd.**

**Authorized Signatory**

Date: August 30, 2012

Place: Noida