

LUPIN HERBAL LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF LUPIN HERBAL LIMITED

1. We have audited the attached Balance Sheet of Lupin Herbal Limited ("the Company") as at 31st March 2010, Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date, both 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.
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 misstatements. 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 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 in terms of Section 227(4A) 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 law have been kept by the Company so far as appears from our examination of those books;
 - iii) the Balance Sheet, the Profit and Loss Account and the 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 the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

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- v) in our opinion and to the best of our information and according to the explanations given to us, the said 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, 2010;
 - b) in the case of the Profit and Loss account, of the loss of the Company for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from the Directors, as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

For **DELOITTE HASKINS & SELLS**,
Chartered Accountants
(Registration no. 117366W)



M. S. Dharmadhikari
Partner
Membership Number: 30802

MUMBAI, 28th April, 2010

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ANNEXURE TO THE AUDITOR'S REPORT

Re: Lupin Herbal Limited.

Referred to in Paragraph 3 of our report of even date

- i) Having regard to the nature of the Company's business/activities, clauses (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix), (xx) of CARO are not applicable.
- ii) According to the information and explanations given to us in respect of statutory dues:
 - a. The Company, during the year, has been generally regular in depositing with the appropriate authorities undisputed statutory dues in respect of Income-tax and any other material statutory dues as applicable to the Company. According to the information and explanation given to us, no undisputed amounts payable in respect of aforesaid, were in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - b. According to information and explanations given to us there are no dues of sales tax, income tax, service tax, customs duty, wealth tax, excise duty and cess, which have not been deposited with the appropriate authorities on account of any dispute.
- iii) The accumulated losses of the Company at the end of the financial year are less than fifty percent of the net worth of the Company and it has incurred cash loss in the current as well as in the previous financial year.
- iv) According to information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used for long term investment.

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- v) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)



M. S. Dharmadhikari
Partner
Membership No. 30802

MUMBAI, 28th April, 2010

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LUPIN HERBAL LIMITED

Balance Sheet as at 31st March, 2010

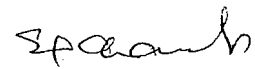
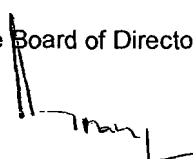
	Schedules	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
I. SOURCES OF FUNDS :			
Shareholders' Funds			
Share Capital	1	500,000	500,000
TOTAL		<u><u>500,000</u></u>	<u><u>500,000</u></u>
II. APPLICATION OF FUNDS :			
Current Assets, Loans and Advances			
Cash and Bank Balances	2	731,473	406,795
Loans and Advances	3	<u>98,380</u>	<u>432,709</u>
		829,853	839,504
Less : Current Liabilities and Provisions			
Current Liabilities	4	436,322	436,322
Provisions		<u>10,000</u>	<u>-</u>
		446,322	436,322
Net Current Assets		<u>383,531</u>	<u>403,182</u>
Profit and Loss Account		116,469	96,818
TOTAL		<u><u>500,000</u></u>	<u><u>500,000</u></u>
Significant Accounting Policies and Notes to Accounts	7		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants


M. S. Dharmadhikari
Partner

For and on behalf of the Board of Directors

 
S. P. Chakraborty **Sunil Makharia**
Director Director

Place : Mumbai
Dated : April 28, 2010

Place : Mumbai
Dated : April 28, 2010

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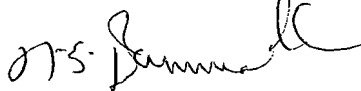
LUPIN HERBAL LIMITED

Profit and Loss Account for the Year Ended 31st March, 2010

		Current Year ended 31.03.2010	Previous Year ended 31.03.2009
	Schedules	Rs.	Rs.
<u>INCOME</u>			
Other Income	5	52,361	6,202
		<u>52,361</u>	<u>6,202</u>
<u>EXPENDITURE</u>			
Operating and Other Expenses	6	62,012	84,998
		<u>62,012</u>	<u>84,998</u>
Loss Before Tax		(9,651)	(78,796)
Provision For Tax			
- Current Tax		10,000	-
- Income Tax of earlier years (net)		-	984
Loss after tax		<u>(19,651)</u>	<u>(79,780)</u>
Add: (Deficit) / Surplus brought forward from previous year		(96,818)	(17,038)
Balance carried to Balance Sheet		<u>(116,469)</u>	<u>(96,818)</u>
Earnings Per Share - Basic and Diluted (in Rs)		(0.39)	(1.60)
[Refer note no. 2.6 of Schedule 7]			
Face value of Equity shares (in Rs.)		10	10
Significant Accounting Policies and Notes to Accounts	7		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants



M. S. Dharmadhikari
Partner

Place : Mumbai
Dated : April 28, 2010

For and on behalf of the Board of Directors



S. P. Chakraborty **Sunil Makharia**
Director Director

Place : Mumbai
Dated : April 28, 2010

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LUPIN HERBAL LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

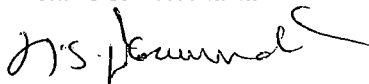
	Current year ended 31.03.2010 Rs.	Previous year ended 31.03.2009 Rs.
A. Cash Flow from Operating Activities		
Loss before Tax	(9,651)	(78,796)
Operating Loss before working capital changes	(9,651)	(78,796)
Adjustments for:		
Trade and other Receivables	334,329	523,506
Trade Payables	-	(61,039)
Net Cash generated from / (used in) Operating Activities	324,678	383,671
B. Cash Flow from Investing Activities	-	-
C. Cash Flow from Financing Activities	-	-
Net increase / (decrease) in Cash and Cash equivalents	324,678	383,671
Cash and Cash equivalents as at the beginning of the year	406,795	23,124
Cash and Cash equivalents as at the end of the year	731,473	406,795

Notes :

- 1 Cash and cash equivalents include cash and bank balance in current account [Refer schedule 3 of the Balance Sheet].
- 2 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard AS-3, "Cash Flow Statement"
- 3 Previous year figures have been regrouped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

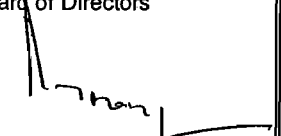


M. S. Dharmadhikari
Partner
Place : Mumbai
Dated : April 28, 2010

For and on behalf of the Board of Directors



S. P. Ohakraborty
Director
Place : Mumbai
Dated : April 28, 2010



Sunil Makharia
Director

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LUPIN HERBAL LIMITED

Schedules forming part of the Balance Sheet

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<u>SCHEDULE 1 - SHARE CAPITAL</u>		
<u>Authorised :</u>		
50,000 Equity Shares of Rs. 10/- Each	500,000	500,000
<u>Issued, Subscribed and Paid Up :</u>		
50,000 Equity Shares of Rs. 10/- each fully paid up. (All the above shares are held by Lupin Limited, the Holding Company and its nominees)	500,000	500,000
Total	500,000	500,000
<u>SCHEDULE 2 : CASH AND BANK BALANCES</u>		
Bank Balance- In Current Account with Scheduled Bank.	731,473	406,795
Total	731,473	406,795
<u>SCHEDULE 3 : LOANS AND ADVANCES</u>		
(Unsecured, considered good)		
Advance payment of Income Tax (Net of Provisions)	98,380	432,709
Total	98,380	432,709
<u>SCHEDULE 4 : CURRENT LIABILITIES AND PROVISIONS</u>		
<u>Current Liabilities :</u>		
Sundry Creditors		
- Total Outstanding dues of Micro Enterprises and Small Enterprises	-	-
- Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	430,807	430,642
Other Liabilities	5,515	5,680
	436,322	436,322
<u>Provisions :</u>		
For Taxation	10,000	-
	10,000	-
Total	446,322	436,322

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LUPIN HERBAL LIMITED

Schedules forming part of the Profit and Loss Account

	Current Year Ended 31.03.2010 Rs.	Previous Year ended 31.03.2009 Rs.
<u>SCHEDULE 5 : OTHER INCOME</u>		
Interest on Income Tax Refund	51,820	-
Miscellaneous Income	541	-
Provision for Expenses no longer required written back	-	6,202
	<u>52,361</u>	<u>6,202</u>
<u>SCHEDULE 6 : OPERATING AND OTHER EXPENSES</u>		
Rent, Rates and Taxes	2,500	20,125
Legal and Professional charges	3,752	3,000
Audit Fees	55,150	55,150
Miscellaneous Expenses (Includes filing Fees, Sundry Expenses.)	610	6,723
Total	<u>62,012</u>	<u>84,998</u>

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LUPIN HERBAL LIMITED

SCHEDULE 7: SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. Significant Accounting Policies

1.1 Basis of preparation:

The financial statements are prepared in accordance with Generally Accepted Accounting Policies in India and the provisions of the Companies Act, 1956 and the applicable accounting standards. In view of significant uncertainty regarding the ability of the Company to continue as a going concern, the accounts have not been prepared on a going concern basis and adjustments as necessary have been made in the books of account. (Refer note no. 2.3 below).

1.2 Use of Estimates:

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/ materialized.

1.3 Revenue Recognition:

Revenue from Service charges is recognized on rendering of the related services, in accordance with the terms of the understanding with the holding Company.

1.4 Income Tax:

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22). Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using applicable tax rates.

Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant tax rates. At each Balance Sheet date the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.5 Employee Benefits:

Short Term Benefits:

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognized as expenses during the period when the employee renders those

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services. Compensated absences are ascertained and charged to Profit and Loss Account in accordance with rules of the company.

Gratuity is charged to Profit and Loss Account in accordance with the provisions of Payment of Gratuity Act, 1972.

Defined Contribution Plan: Company's contribution to Provident Fund and other Funds is charged to the Profit and Loss Account.

- 1.6 Provisions, Contingent Liabilities and Contingent Assets:
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

2. Notes to Accounts

- 2.1 Company Overview:
The Company was incorporated under the Companies Act, 1956, on 26th February, 2004. The Company had commenced operations from July, 2004. The Company is a wholly owned Subsidiary of Lupin Limited. Its core business is to provide marketing and promotional services to its Holding Company for herbal products. The company is exploring options as detailed in Note No.2.4 below.
- 2.2 Considering the definitions of reportable business segment and reportable geographical segment contained in accounting standard 17(AS 17) "Segment Reporting", the management is of the opinion that there is only one reportable business and geographical segment, the results of which are disclosed in the financial statements.
- 2.3. During the year, the Company has earned interest income from Income Tax Refund and continued to incur expenses mainly towards administrative cost, which resulted in increase in loss for the year and further erosion of the networth to that extent.
In the opinion of the management, the current assets, loans and advances have a value at least equal to the value at which these assets are stated in the balance sheet and / or expected to be realised. Further, provision for all known liabilities has been made in the accounts.
- 2.4 Vide a Scheme of Amalgamation, Lupin Pharmacare Limited, Lupin Herbal Limited and Novodigm Limited (wholly owned subsidiaries of Lupin Limited) have filed petitions before the Honourable High Courts of Mumbai/ Gujarat for amalgamation with Lupin Limited, the appointed date being April 1, 2009. Vide its Order dated January 8, 2010, the Honourable High Court of Judicature at Bombay sanctioned the scheme of amalgamation between Lupin Pharmacare Limited and Lupin Herbal Limited with Lupin Limited subject to the order to be passed by the Honourable High Court of Gujarat sanctioning the scheme of amalgamation between Novodigm Limited and Lupin Limited. The order of the Honourable High Court of Gujarat is awaited. Pending such Order,

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no effect has been given in these accounts to the Scheme of Amalgamation.

2.5 Related party Disclosures:

a) Name of Related parties and description of relationship:

i) Company whose control exists- Lupin Limited (Holding Company)

ii) Key management personnel

- Sunil Makharia (Director)
- S. P. Chakraborty (Director)
- Rajan Dutta (Director)

b) Related party Transactions:

Sr No.	Description and Nature of transactions	Holding Company
1.	Advance Received	Nil (27,000)
2.	Advance Repaid	Nil (27,000)

Note : Previous year figures are given in brackets.

2.6 Basic and Diluted earning per share is calculated as under:

	2009-2010	2008-2009
Net Loss after tax attributable to Equity Shareholders (Rs.)	(19,651)	(79,780)
Weighted average number of equity shares outstanding during the year	50,000	50,000
Earnings per share- Basic and Diluted (Rs.)	(0.39)	(1.60)

2.7 Previous Year figures have been regrouped wherever necessary.

Signatures to schedules 1 to 7

For and on behalf of the Board of Directors


Sunil Makharia
Director


S. P. Chakraborty
Director

Place : Mumbai
Dated : April 28, 2010

Place : Mumbai
Dated : April 28, 2010

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