

SPARC

AUDITORS' REPORT

TO THE MEMBERS OF SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

1. We have audited the attached Balance Sheet of Sun Pharma Advanced Research Company Limited ("the Company") as at March 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended 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 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 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 (Auditors' 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 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) in our opinion, the Balance Sheet, Profit and Loss Account and the 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;
 - (iv) on the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (v) 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 significant accounting policies and notes thereon 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 March 31, 2008;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash Flows for year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

K. A. Katki
Partner

(Membership No. 038568)

Place: London, U.K.
Date: May 14, 2008

SPARC

ANNEXURE TO THE AUDITORS' REPORT

Financial Statements 2007-08

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

Sun Pharma Advanced Research Company Limited

1. In our opinion and according to the information and explanations given to us, the nature of the Company's activities, is such that clauses viii, x, xii, xiii, xiv, xviii, xix and xx of Paragraph 4 of Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
2. 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) As explained to us, all the fixed assets of the Company have been physically verified during the year, by the management. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. According to the information and explanations given to us, the Company did not have any inventory during the year.
4. The Company had not granted or taken any loan, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of consumables and fixed assets and for sale of services and we have not observed any continuing failure to correct major weaknesses in such internal control systems. There were no transactions in respect of purchase of inventory and for sale of good during the year.
6. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contract or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - (b) Where each such transaction (excluding loans reported under paragraph 4 above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regards to the specialized nature of some of the transactions of the company.
7. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
8. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
9. According to the information and explanations given to us, in respect of statutory dues:
 - (a) the Company has been regular in depositing undisputed statutory dues, including Income Tax, Service Tax, Cess and any other material statutory dues with the appropriate authorities during the year. There were no dues payable in respect of Investor Education and Protection Fund, Provident Fund, Wealth Tax, Sales Tax, Custom Duty and Excise Duty during the year. There were no undisputed dues that were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.
 - (b) there were no disputed dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues during the year.
10. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks. The Company has not obtained any borrowings from financial institutions or by way of debentures.
11. In our opinion and according to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
12. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, during the period of our audit, the company has not availed any term loans.
13. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
14. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. Katki
Partner

(Membership No. 038568)

Place: London, U.K.
Date: May 14, 2008