

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in our Report of even date on the Accounts of NATIONAL OXYGEN LIMITED
as at and for the year ended 31st March 2011)

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
- b) The Fixed Assets of the Company have been physically verified by the management, wherever possible, at the close of the year as confirmed by the management. As informed to us, no material discrepancy has come to notice on such physical verification.
- c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) a) The management has conducted Physical verification of Inventories at all its locations at reasonable intervals during the year ;
- b) The procedures of physical verification of stock followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business ;
- c) The company is maintaining proper records of inventory. As far as we can ascertain and according to the information and the explanations given to us, the discrepancies noticed between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of account.
- iii) a) As per the information & explanations provided to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- b) As per the information & explanations provided to us, the company has not 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.
- iv) On the basis of checks carried out during the course of audit and as per explanations given to us, in our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets and for the sale of goods and services. During the course of our Audit, no major weakness has been noticed in the internal controls in these respects.

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- v) a) As per the information & explanations given to us, particulars of transactions that have been undertaken during the year in pursuance of contracts or arrangements 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 the information and explanations given to us, and as confirmed by the Company, all the transactions with each of such parties during the financial year have been entered into at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- vi) The company has not accepted any deposits from the public during the year, to which the provisions of Section 58-A , 58-AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply;
- vii) The company has introduced a separate Internal Audit System during the year. In our opinion, the Internal Audit system is commensurate with the size and nature of its business;
- viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies' Act 1956 for any of the products of the company.
- ix) a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities;
- b) According to the information and explanations given to us and the books and records examined by us, there was no undisputed amount outstanding as on 31st March' 2011 in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, cess and other statutory dues for a period of more than six months from the date they became payable;

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- ix) c) According to the records of the company and as per the information and explanations provided to us, the dues outstanding (net of Advances) in respect of Sales Tax, Income tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess etc., on account of any dispute, are given below :

Name of the Statute	Nature of Dues	Amount (Rs in Lacs)	Period to which the amount relates	Forum where dispute pending
Central Excise Act, 1944	Excise duty demanded on the facility charges being charged	1.06	Sept'2000 to Aug'2001	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the partial favourable order passed by Commissioner (Appeals) for Excise duty demanded on the rental / facility charges being charged	4.91	Sept'2000 to Aug'2001	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the favourable order passed by Commissioner (Appeals) for Excise duty demanded on the rental / facility charges being charged	13.11	Aug'2002 to June'2004	CESTAT, Southern Bench
Central Excise Act, 1944	Cenvat credit availed on Cryogenic Tank being disputed	5.98	Mar'2005 to Nov'2005	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the favourable order passed by CESTAT in respect of 8% duty demanded on supply to ISRO under Nil rate of duty while availing Cenvat Credit	5.71	2000-01	Madras High Court
Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	0.20	Sept'2006 to Mar'2007	CESTAT, Southern Bench
Central Excise Act, 1944	Excise duty demanded on the Cylinder Holding / facility charges being charged	1.67	May'2006 to Aug'2006	Commissioner (Appeals)
Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	4.09	2002-03 to 2004-05	CESTAT, Southern Bench
Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	0.81	Nov'2005 to Aug'2006	CESTAT, Southern Bench
Service Tax	Service Tax demanded on the Lease charge income received	11.32	2002-03 & 2003-04	CESTAT, Southern Bench
Service Tax	Service Tax demanded on the Lease charge income received	6.95	2004-05 & 2005-06	Commissioner (Appeals)
Customs Act, 1961	Differential Customs Duty on Import of Second hand Plant (including Interest & Penalty)	88.23	1994-95	CESTAT, Southern Bench
Employees State Insurance Act	ESI being demanded for the period 1984 to 1989	0.72	1983-84 to 1988-89	Principal Labour Court

- x) The Company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) Based on our audit procedures, and as per the information and explanations given to us by the management, the company has not defaulted in repayment of dues to financial institutions and banks;

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- xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiii) The provisions of any special statute applicable to chit fund, nidhi or mutual benefit fund / societies are not applicable to the company;
- xiv) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirements of Para 4 (xiv) of the above Order are not applicable to the company;
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions;
- xvi) The term loan raised during the year as well as the existing term loan has been utilized for the purpose for which it was availed;
- xvii) According to the information and explanations given to us, in our opinion, short term funds have not been used for long term purposes.
- xviii) During the year, the company has not made any preferential allotment of shares.
- xix) The company does not have any outstanding debentures during the year.
- xx) The company has not raised any money by way of public issue during the year;
- xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For SINGHI & CO.,
Chartered Accountants
Firm Regn. No. 302049E

(SUDESH CHORARIA)
Partner
Membership No. 204936

Chennai,
Dated : 30th May 2011.