

**WITNESS CALLED AND DULY SWORN ON 01.06.2024.****FURTHER CROSS EXAMINATION BY SRI.N.K., ADVOCATE FOR THE DEFENDANT NO.8:-**

**Question:** What instructions were issued to the Officers/Directors/ MD/CEO pursuant to the decision or Board resolution passed by the Board of Directors of the Plaintiff Company after considering the due diligence audit report in respect of the defendant No.1 Company?

**Answer:** After accepting the due diligence audit report, the report was accepted by defendant no.1 company and agreed to implement the audit recommendation.

**Question:** What was the Audit recommendation ?

**Answer:** Audit recommendations are gap in the financial reporting of 881 lakhs and networth of the company, 269 lakhs as on 31.10.2007 as against 612lakhs reported positive networth as on 31.03.2006.

The defendant no.1 company agreed to make the following:

1. Make necessary provisions in the books of account for 881lakhs.
2. Bring the negative networth capital of 268 lakhs out of adjusted 71 lakhs of unsecured loan, balance 198 lakhs to bring by defendant no.1. out of 198 lakhs, 150 lakhs they have to bring immediately.
3. Authorized capital to bring 15crore to facilitate allotting majore share holding to the extent of 58.14 percent.
4. Majority board position given to plaintiff company, 3 position to plaintiff company, 2 position to defendant no.1 company.

5. Share to be allotted necessary paper to be filed before ROC.

8. It is False to suggest that, we have not given the due diligence audit report to the Defendant No.8.

**Question:** Have you any email or acknowledgment to show that you have sent your due diligence report to the defendant No.8.

**Answer:** No. The reason is we have got instruction from auditor not to correspond directly with defendant no.8, hence, we have not done any correspondence. Defendant no.8 is Auditor.

9. I do not remember the date, When defendant no.8 had issued the above said instruction.

**Question:** Do you have anything in writing to show that, the defendant no.8 had given above instructions ?

**Answer:** It is only the oral instruction. This discussion of DDR report in defendant no.8's office.

I do not know why did the defendant no.8 had issued such instructions.

**Question:** As a corporate entity is it normal to deal with important matter orally with auditors ?

**Answer:** Yes. Depend upon situation, such decisions was taken.

**Question:** Did the plaintiff company not find it odd/ suspicious, that the auditor was asking the plaintiff company not to correspond in writing anything with him ?

**Answer:** During that point of time, we did not find suspicious, but

later we understood that, he is also part of entire transaction.

No instruction was issued to me at alleged first meeting with defendant no.8. But subsequent 2<sup>nd</sup> or 3<sup>rd</sup> meeting of DDR discussion, we have received the instruction from defendant no.8.

**Question:** By the time you had due diligence report with you, you had no grievance against the defendant no.8 ?

**Answer:** It is false.

**Question:** If you had grievance against the defendant no.8 by the time, you had due diligence report, how did you say in your previous answer that, you did not have any suspicion against defendant no.8 while having discussions with regard to the DDR report with defendant no.8 in his office ?

**Answer:** During the first meeting we understand the auditor the way of doing the audit discussed with the balance sheet dtd.31.03.2006. In the subsequent meeting, we produce the DDR report and asked questions not complied with accounting standard no.2 and 9 which he certified in the audit report. Subsequently on 31.12.2007 balance sheet, accepted the recommendation made by us, incorporate the necessary entries in the books of account and certified the same.

**Question:** Have you at any point of time communicated in writing to the defendant no.8 with regard to your grievances against the defendant no.8 ?

**Answer:** No. During the DDR discussion we had told the defendant no.8, accounting standard not implemented. It will have huge impact on the financial, it will not give true and fair view of

the financial. Hence, accepted the same incorporated at 31.03.2008 balance sheet as well as 31.12.2007 balance sheet and duly signed.

**Question:** Have you filed any complaint to the professional body, the ICAI, against the defendant No.8 for any alleged grievance against the Defendant No.8 as a Professional Auditor ?

**Answer:** No. However we filed complaint before ROC.

**Question:** Is the professional body, the ICAI, the sole organization which is best equipped and most competent to determine whether the Defendant no.8 as a Professional auditor has committed any lapse or not ?

**Answer:** I do not know. During that point of time we have decided ROC is right forum to agitate, hence we have filed the complaint to ROC.

**FURTHER CROSS EXAMINATION: DEFERRED .**

(Typed to my dictation in open court.)

R.O.I & A.C.,

sd/-

(SUMANGALA S. BASAVANNOUR)  
LXXXII ADDL. CITY CIVIL & SESSIONS JUDGE,  
BENGALURU.