

V.V.S. Bhagavan, B.Com., F.C.A.
Chartered Accountant

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Date: 28.08.2007

AUDITOR'S REPORT

To
The Members of
M/s. COASTAL CORPORATION LIMITED

I have examined the attached Balance Sheet of M/s. Coastal Corporation Ltd., (Formerly known as Coastal Trawlers Ltd.), Visakhapatnam as at 31st March, 2007, the Profit and Loss Account for the year ended 31st March, 2007 and the Cash Flow Statement for the year ended on that date both annexed hereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

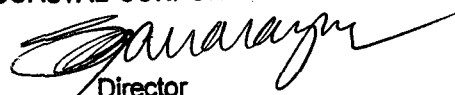
I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

- A. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- B. Further to my comments above, I report that:
1. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit.
 2. In my opinion, proper books of account, as required by Law have been kept by the Company so far as appears from my examination of the books, and



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For COASTAL CORPORATION LTD.


Director

3. The Company's Balance Sheet and Profit and Loss Account dealt with the above are in agreement with the books of account.
4. In my opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
5. Based on representations received from the Directors of the Company and the information and explanations made available, the Directors of the Company do not prima facie have any dis-qualification as referred to in Clause (g) of sub-section (1) of Sec.274 of the Act.
6. In my opinion and to the best of my information and according to the explanations given to me, the said Balance Sheet, the Profit and Loss Account and the Cash Flow Statement read with 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 so far it relates to the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2007
 - b) in so far it relates to the Profit and Loss Account, of the Profit for the year ended on that date.
 - c) in so far it relates to the Cash Flow Statement, of the cash flow for the year ended on that date.



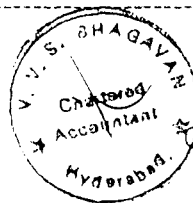
(V.V.S. BHAGAVAN)
Chartered Accountant

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 1 of my Report of even date

1.
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) All the assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 - c) During the year there are no sales of substantial part of Fixed Assets which will effect the company's status as a going concern.
2.
 - a) As explained to me, the inventory has been physically verified during the year by the management. In my opinion, the frequency of verification is reasonable.
 - b) In my opinion and according to the information and explanations given to me, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In my opinion and according to the information and explanations given to me and on the basis of my examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3.
 - a) According to the information and explanations given to me, the Company has taken loans from the parties covered under section 301 of the Companies Act, 1956 as shown below :

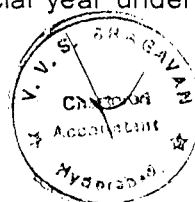
Name of the Party	Relationship	Maximum Amount Rs.	Outstanding as on 31.03.2007 Rs.
Mr G.V.V. Satyanarayana	Director	64,162	64,162



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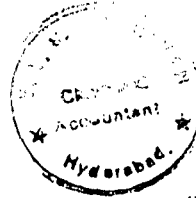
- b) No interest was paid or provided on the amount due to Mr.G.V.V. Satyanarayana. There is no overdue amounts as explained to me.
4. In my opinion and according to the information and explanation given to me, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of raw materials, stores and consumables, fixed assets and sale of goods. During the course of my audit, no major weaknesses have been noticed in the internal controls.
5. a) According to the information and explanation given to me I am of the opinion that the transactions that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) According to the information and explanation given to me the transactions made in excess of Rupees Five lakhs in respect of the party listed in the register maintained under section 301 of the Companies Act, 1956 have been made during the normal course of business and at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. The internal audit of the Company is conducted by a firm of Chartered Accountants. In my opinion, the scope and coverage of internal audit is commensurate with the size of the company and the nature of its business.
8. Maintenance of cost records is not required under the provisions of Sec.209(1)(d) of the Companies Act, 1956.
9. According to the records of the company and information and explanation given to me, the company is in general regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-Tax, Cess and other statutory dues with the appropriate authorities as at 31st March 2007 which are outstanding for a period of more than 6 months from the date they became payable. However, in case of Income Tax proceedings for the Asst. Year 1998-99 a demand for Rs.126.09 lakhs was raised against which an appeal is pending before the Income Tax Appellate Tribunal. A sum of Rs.10.50 lakhs was paid till 31st March 2007 subject to the Appeal.
10. The Company has no accumulated losses as on 31st March 2007. Further it has not incurred any cash loss in the financial year under report and in the immediately preceding financial year.



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11. Based on my audit procedures and on the basis of information and explanations given by the management, I am of the opinion that the company has not defaulted in the repayment of dues to financial institutions or banks.
12. According to the information and explanations given to me, the Company has not granted any loans and advances on the basis of Security by way of pledge of shares and other securities.
13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the company.
14. The company is not dealing or trading in shares or securities.
15. The company has not given any guarantee for loans taken by others from Banks or financial institutions.
16. The term loans taken by the Company were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no funds raised on short-term basis have been used for long-term investment by the Company and vice versa.
18. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any Debentures.
20. The Company has not raised any money from public.
21. To the best of my knowledge and belief and according to the information and explanation given to me, no fraud on or by the Company has been noticed or reported during the year.



(V.V.S. BHAGAVAN)
Chartered Accountant

COASTAL CORPORATION LIMITED :: VISAKHAPATNAM
(Formerly known as COASTAL TRAWLERS LIMITED)


BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	As at 31st Mar-07 Rupees	As at 31st Mar-06 Rupees
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	"A"	12,767,142	12,765,642
Reserves & Surplus	"B"	5,899,668	5,391,692
LOAN FUNDS			
Secured Loans	"C"	75,450,383	55,256,189
Unsecured Loans	"D"	64,162	64,162
DEFERRED TAX LIABILITY	"E"	518,282	687,645
		<u>94,699,637</u>	<u>74,165,330</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	"F"	41,138,729	37,138,892
Less : Depreciation		<u>17,616,035</u>	<u>14,961,494</u>
Net Block		23,522,694	22,177,398
Capital Work in Progress		1,135,651	-
INVESTMENTS	"G"	1,440,000	1,440,000
CURRENT ASSETS, LOANS AND ADVANCES :			
i) Current Assets	"H"	70,585,658	51,908,030
ii) Loans and Advances	"I"	22,236,302	7,935,380
LESS : CURRENT LIABILITIES AND PROVISIONS :			
i) Current Liabilities And Provisions	"J"	<u>24,220,668</u>	<u>23,140,922</u>
		94,699,637	60,319,886
MISCELLANEOUS EXPENDITURE & LOSS			
i) Profit & Loss Account		-	13,845,444
Notes to the Accounts	"T"	<u>94,699,637</u>	<u>74,165,330</u>


(T. VALSARAJ)
MANAGING DIRECTOR

Place : Visakhapatnam
Date : 28.08.2007


(G.V.V. SATYANARAYANA)
DIRECTOR


(V.V.S. BHAGAVAN)
CHARTERED ACCOUNTANT

