

LODHA & CO

Chartered Accountants

Audit Report To the members

We have audited the attached Balance Sheet of Longview Tea Company Limited as at 31st March 2007 and also the Profit & Loss for the year ended on that date together with the Notes and Schedules 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.

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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central government in terms of Section 227 (4A) of The Companies' Act, 1956 and on the basis of such verification of the books and records as considered appropriate and available and according to the information and explanations given to us, we report that:
 - (i)
 - a. The Company has maintained proper records to show full particulars including quantitative details and situations of its fixed assets.
 - b. The fixed assets are physically verified by the management, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.
 - c. The Company has not disposed off substantial part of its fixed assets during the year.
 - (ii) The Company does not have any inventory. Accordingly, the provision of Clause (ii) of the Order is not applicable to the Company.
 - (iii) The Company has not granted/ taken any loans, secured or unsecured to/ from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b) to (d) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets.
 - (v) In our opinion and according to the information and explanations given to us, there were no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been entered. Therefore, the provisions of clause 4(v)(b) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - (vi) The Company has not accepted any public deposit during the year. Therefore, the provisions of the clause 4(vi) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.



- (vii) No internal audit has been conducted during the year.
- (viii) There is no requirement for maintenance of cost records under Section 209(1)(d) of the Companies act, 1956.
- (ix) a. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales tax, Wealth tax, Custom Duty, Excise duty, Cess and any other statutory dues applicable to it. There is no such dues outstanding as on 31 March 2007 for a period of more than six months from the date these became payable.
- b. According to the records of the Company, there are no undisputed dues of Wealth tax, Custom Duty and Cess except Income Tax, Sales tax, Excise duty that have not been deposited on account of dispute as per the statement on disputed dues given as under. No details were made available for our verification in respect of demand of Rs. 2,43,748 on account of Agricultural Income Tax.

| PARTICULARS | ASSESSMENT YEAR | AMOUNT | FORUM WHERE APPEAL IS PENDING |
|-------------|-------------------------------------|--------------|---|
| Excise Duty | 1999-2000 | 7,92,688 | High Court, Calcutta |
| Sales Tax | 1977-78; '78-'79; '79-'80 & '80-'81 | 1,65,658 | No details were made available as to the forum where appeal is pending. |
| | 1995-'96 | 3,08,095.51 | Assistant Commissioner |
| | 1998-'99 | 19,34,613.28 | Assistant Commissioner |
| | 2000-'01 | 1,46,090 | Tribunal |

- (x) Based on the financial statements covered pursuant to this report, the accumulated losses of the Company has not exceeded 50% of its net worth at the end of the financial year and the Company has incurred cash losses during the financial year and the immediately preceding financial year.
- (xi) The Company has not borrowed any money from banks, financial institution and against debentures and as such the provisions of clause 4(xi) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- (xii) The Company has not granted any loans and advances on the basis of security provided by way of pledge of shares. Accordingly, the provisions of clause 4(xii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a *nidhi* mutual fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- (xiv) In respect of the investments made by the Company in Shares, Securities, Debentures, etc proper records have been maintained. These investments are held in the name of the Company except for 600 shares of Deepak Spinners Ltd.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution and as such, the provisions of clause 4(xv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.


- (xvi) In our opinion and according to the information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
 - (xvii) 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 Company has not used funds raised on short-term basis for long-term investments.
 - (xviii) The Company has not made any preferential allotment of shares during the year. Therefore the provisions of the clause 4(xviii) of the Companies (Auditor's Report) (Amendment) Order 2004 are not applicable to the Company.
 - (xix) The Company has not issued any debentures. Therefore, the provisions of the clause 4(xix) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - (xx) The Company has not raised any money by public issue during the year. Therefore, the provisions of the clause 4(xx) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - (xxi) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.
- 2) According to the information and explanations given to us and on the basis of test checks carried out by us during the course of the audit of the Company, our report on the matters specified under para 3A and 3C of Non Banking Financial Companies Auditor's Report (Reserve bank) Directions, 1998 is as follows:
- (i) *The Company has been incorporated prior to January 9, 1997 and has not applied for registration as provided in Section 45(1A) of the Reserve bank of India Act, 1934, (2 of 1934).*
 - (ii) The Board of Directors have passed the resolution for non-acceptance of the public deposits.
 - (iii) The Company has not accepted any public deposits during the year.
 - (iv) *Except as stated in para 3 below, the company has complied with the prudential norms on income recognition, accounting standard, asset classification and provisioning for bad and doubtful debts as specified in the directions issued by the Reserve Bank of India in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.*
- 3) Attention is invited to following notes of Schedule 14
- (i) *Note No. 5 regarding non-provision of overdue debtors amounting to Rs. 3,575,371 resulting in higher balance of debtors by Rs. 3,575,371 and loss being lower to that extent.*
 - (ii) *Note No. 6 regarding non-confirmation of certain balances and pending reconciliation and adjustments arising there from, impact whereof is presently not ascertainable.*
 - (iii) *Note No. 7 regarding non-provision of diminution of investment amounting to Rs. 136,040 resulting in higher balance of investments by Rs. 136,040 and loss being lower to that extent.*
 - (iv) *Note No. 8 regarding non-provision of advances outstanding since a considerable period impact whereof is presently not ascertainable.*
 - (v) *Note No. 10 regarding accrual of income on certain loans and advances considering and provisioning against the same considering these as good and recoverable instead of treating the advances as non-performing asset (NPA) as defined in the prudential norms for Non Banking Financial Companies issued by the Reserve Bank of India. Consequently, the loans & advances and interest receivable are higher by Rs. 4,140,829 and Rs. 6,909,072 respectively and loss for the year lower by Rs. 11,049,901.*
- 4) Further to the above we report that without considering the items mentioned in Para 3(ii) and 3(iv), had the impact of the items mentioned in Para 3(i), 3(iii), 3(v) above have been given in the accounts, the

loss for the year would have been Rs. 16,580,492 (as against reported figure of Rs. 1,819,180) and Loss balance in the balance sheet would have been Rs. 37,222,719 (as against reported figure of Rs. 22,461,407) Interest Receivable would have been nil (as against reported figure of Rs. 6,309,072) Loans and advances would be Rs. 73,313,871 (as against reported figure of Rs. 77,454,700) Debtors would have been nil (as against reported figure of Rs. 3,575,371) and investments would have been Rs. 399,420 (as against reported figure of Rs. 535,460)

5) Further to the 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 purpose of audit.
- (ii) In our opinion proper books of accounts as required by law have been kept by the Company as it appears from our examination of the books.
- (iii) The Balance Sheet and Profit and Loss Account dealt with are in agreement with the books of accounts.
- (iv) In our opinion the Profit and Loss Account and Balance Sheet of the Company comply with Accounting Standards referred to in Sub section 3(C) of section 211 of the Companies Act, 1956.
- (v) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on 31 March 2007 from being appointed as a director under section 274(1) (g) of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to our remarks with the resultant impact as given in para 2 and 3 above and together with the overall impact (to the extent ascertainable) as given in para 4 above and read together with the Notes of schedule 14, give the information required by the Companies Act, 1956 in the manner so required give a true and fair view in conformity with Accounting Principles generally accepted in India.
 - (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007 and
 - (ii) In the case of Profit and Loss Account, of the loss for the year ended on that date.
 - (iii) In the case of Cash flow Statement, of the cash flows of the Company for the year ended on that date.

FOR LODHA & CO.
Chartered Accountants


Aditya Saraogi
(Partner)

Membership No. 54603

Date: 31st May 2007

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