

**Auditors' Report to the Members
of Balmer Lawrie & Co. Limited**

We have audited the attached Balance Sheet of BALMER LAWRIE & CO. LIMITED as at 31st March, 2005, the related Profit & Loss Account for the year ended on that date and the Cash Flow Statement annexed thereto, in which are incorporated the accounts of Northern, Western and Southern Region audited by the Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on 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 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. The Branch Auditors' Reports have been forwarded to us and have been appropriately dealt with by us.

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 as amended by Companies (Auditor's Report) (Amendment) Order, 2004, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.

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 purpose 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) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with accounting standards referred to in Section 211 (3C) 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, 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 31st March, 2005,
 - (b) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date and,
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

19, R. N. Mukherjee Road
Kolkata 700 001

Dated, the 23rd May, 2005

For M. CHOUDHURY & CO.
Chartered Accountants

M. CHOUDHURY
Partner
Membership No. 3800

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Annexure to the Auditors' Report

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets at various offices and factories.
(b) During the year under review the fixed assets have been physically verified by the management in accordance with the phased programme of such physical verification formulated and followed over the years. Discrepancies noticed on physical verification were not significant and have been properly dealt with in the books of accounts.
(c) The Company has not disposed off a substantial part of the fixed assets during the year.
2. (a) The inventory has been physically verified by the management during the year and for stocks lying with third parties, necessary confirmations have been obtained.
(b) The procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company, nature of its business and established practice followed by the Company over the years.
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not significant and have been properly dealt with in the books of accounts.
3. (a) The Company has not granted any loan to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As informed, there was no Company, Firm or Other Party to be listed in the Register referred to in Section 301 of the said Act.
(b) Loans or Advances in the nature of loans have been given to employees and other parties who are repaying the principal amount as stipulated and interest wherever applicable. The rate of interest and other terms and conditions of such loans are not prejudicial to the interest of the Company.
(c) The Company has not taken any loan from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As informed, there was no Company, Firm or Other Party to be listed in the Register referred to in Section 301 of the said Act.
4. There is an adequate internal control system 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. There is no continuing failure to correct major weaknesses in the internal control system.
5. As informed, there was no Company, Firm or Other Party to be listed in the Register referred to in Section 301 of the Companies Act, 1956 and hence, there has been no transaction of purchase or sale of goods, materials and services made in pursuance of contracts or arrangements with any such party.
6. The Company has not accepted any deposits from the public and consequently the provisions of Section 58A of the Companies Act, 1956 and the rules made thereunder are not applicable to the Company.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
8. The Central Government has prescribed maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956 relating to the activities of manufacture of Greases and Lubricants and blending of Tea. We have broadly reviewed the books of accounts relating to records maintained by the aforesaid units of the Company, pursuant to the rules made by the Central Government and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. In respect of other activities, cost records have not been prescribed.
9. (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues have generally been regularly deposited during the year with the appropriate authorities.
(b) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and

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Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess, Customs Duty and Excise Duty which have remained outstanding as at 31st March, 2005 for a period of more than six months from the date they became payable.

- (c) The cases of disputed dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess, Customs Duty and Excise Duty which have remained outstanding as at 31st March, 2005 have been disclosed along with the details regarding forum where dispute is pending in Serial no. 16.3 (a) of the Notes on Accounts.
10. The Company has been consistently making profits and has no accumulated losses as at the year end.
11. In our opinion and according to the information and explanations given to us during the course of the audit, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. In our opinion and according to the information and explanations given to us during the course of the audit, the Company has maintained adequate documents and records relating to loans and advances granted on the basis of securities by way of pledge of shares, debentures and other securities.
13. The Company is not carrying on the business of a chit fund, nidhi/mutual benefit fund/society.
14. The Company is not in the business of dealing or trading in securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us during the course of the audit, the Company has not given any guarantee during the

year for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interests of the Company.

16. In our opinion the term loans taken by the Company have been applied for the purpose for which the loans were obtained.
17. In our opinion and according to the information and explanations given to us during the course of the audit, the funds raised by the Company during the year on short term basis have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956. As informed, there was no Company, Firm or Other Party to be listed in the Register referred to in Section 301 of the said Act.
19. The Company has not raised funds by way of issue of debentures.
20. The Company has not raised any money during the year by public issue of shares.
21. According to the information and explanations given to us during the course of the audit, no fraud on or by the Company has been noticed or reported during the year.

19, R. N. Mukherjee Road
Kolkata 700 001
Dated, the 23rd May, 2005

For M. CHOUDHURY & CO.
Chartered Accountants
M. CHOUDHURY
Partner
Membership No. 3800