

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (1) of our report of even date.

1.
 - a) The Company has maintained records showing, full particulars including, quantitative details and situation of fixed assets. However, Fixed Assets Register had not been maintained, as per requirement of Section 205 and 350 of the Companies Act, 1956 as opening balance, quantity, location, original cost, depreciation were not stated in the same except in respect of aircrafts, aircrafts engines and vehicles for which the Fixed Assets Register is maintained in which these particulars were available.
 - b) The Company does not have its own policy for physical verification of Fixed Assets owned by the company. In the absence of relevant records in the Fixed Assets Register. We are unable to comment about the availability of Fixed Assets as items stated in Schedule of Fixed Assets as on 31-03-2009 except for Aircrafts and Engines. Physical verification of other fixed assets was carried out during the year. However, in the absence of proper fixed assets register, the discrepancies, if any, remain unascertained. Majority of these assets are stated to be used by M/s. Indian Airlines Ltd. (now NACIL).
 - c) No fixed assets have been disposed off during the year which could effect the company as a going concern. In this connection our observations at para 2(f)(vii) of the main report may please be referred where we have stated that company is no longer a going concern.
2. As per the information & explanation given to us, entire stock of stores & spares is in the custody of Indian Airlines Ltd (now NACIL) physical verification if any would have been conducted by them. No records in this regard are available with the company. In the books of accounts 100% provision has already been made towards obsolescence.
3.
 - a) The company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained u/s 301 of the Companies Act, 1956. The company has taken unsecured loan from four parties aggregating Rs. 53.74 crores as per Schedule 4 of Balance Sheet.
 - b) In respect of rate of interest and other terms and conditions of the deposits taken by the company attention is invited to note no. 1 of schedule no. 10 part B-Notes on accounts and our observations in para 2 (f) of main audit report.
 - c) The company is only a shell company awaiting legal merger with IAL (Now NACIL) all the liabilities as per the terms of the merger are to be discharged by IAL.
4. Since the company is not carrying on any business and there has been no transaction for purchase of inventories and fixed assets and for sale of goods the provision of the para regarding internal control procedures is not applicable during the year.
5. According to the information and explanation given to us, the company has not made any transactions of purchase of goods and materials and sale of goods, materials or services which are required to be entered in the register maintained under section 301 of the Companies Act, 1956.
6. According to the information and explanation given to us the Company did not accept deposit from the public and as such provisions of this para are not applicable.
7. The company does not have any internal audit system.
8. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the company.
9. The company has since stopped the business operation with effect from 01.04.1997 and accordingly company is not required to deposit with appropriate authorities undisputed dues including provident fund, employee State Insurance, Sales Tax, Income Tax, Service Tax, Custom Duty and other applicable material statutory dues.
 - a) According to the information and explanation given to us, no undisputed amount payable in respect of Income Tax, Sales Tax, Custom Duty, Cess, Service Tax and other applicable material statutory dues were in arrears at 31.03.2009 for a period of more than six months from the date they became payable.
 - b) According to the information and explanation given to us there are no dues of Income Tax. Wealth Tax, Sale Tax, Custom

Duty and Cess, Service Tax and other applicable material statutory dues which have not been deposited on account of any dispute.

10. The accumulated losses of the company at Rs. 257.90 crores far exceed the net worth of the company. The company has not been carrying on any business since 1.4.1997. Company incurred cash losses in the year under audit and also in the immediate preceding year.
11. The company has not granted any loans and advances on the basis of any security by way of pledge.
12. Provision of clause 4 (xiii) regarding Chit Fund is not applicable.
13. The company is not dealing in or trading in shares/securities and debentures and other investments. Accordingly clause 4 (xiv) is not applicable.
14. As per the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions.
15. During the year the company did not take any loan. The company has since stopped its business operations with effect from 1.4.1997, therefore the utilization of term loans taken prior to that period cannot be commented upon.
16. The government of India vide its order dated 25.5.1993 passed the order of merger of the company with Indian Airlines Ltd. and moratorium was placed. The assets and liabilities are outstanding for quite a long time. Therefore we are not in a position to give our comments on utilization of funds.
17. The company has not made any allotment of shares during the year.
18. Provisions of clause of 4(xix) in respect of debentures is not applicable.
19. Provisions of clause of 4 (xx) regarding end use of money raised by public issue is not applicable.
20. As per the information and explanation given to us no case of any fraud on or by the company has been noticed or reported during the year.

For Lalit Gupta & Associates
Chartered Accountants

Sd/-
L. K. Gupta
Partner
M. No. 082727

Place : New Delhi
Dated : 30 September 2009