

SALARPURIA & PARTNERS

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of ARAVALI SECURITIES & FINANCE LIMITED, as at 31st March, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date 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.
2. We have 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the Books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

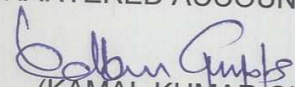


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- (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 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 financial statements read together with the Notes thereon appearing in Schedule – 12 give in the prescribed manner the information required by the Act, 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, 2010; and
- (b) in the case of the Profit and 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.

Place: Camp Gurgaon
Date: 3rd September 2010

For SALARPURIA & PARTNERS
Firm Registration No. 302113E
CHARTERED ACCOUNTANTS


(KAMAL KUMAR GUPTA)
PARTNER
M.No.89190



SALARPURIA & PARTNERS

CHARTERED ACCOUNTANTS

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date to the members of Aravali Securities & Finance Limited as at and for the year ended 31st March, 2010)

- i. a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets.
- b. The fixed assets of the company were physically verified by the management during the year. In our opinion, frequency of physical verification is reasonable having regard to the size of the operation of the company. On the basis of explanation received, in our opinion, no discrepancy between the book records and physical inventory have been noticed in respect of assets physically verified.
- c. During the year, the Company has not disposed off a substantial part of its fixed assets.
- ii. a. As explained to us, the inventories were physically verified during the year by the management at reasonable intervals. In our opinion, having regard to the nature of stocks, the frequency is reasonable.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. On the basis of our examination of records of inventories, in our opinion, the Company has maintained proper records of its inventories and no material discrepancy were noticed on physical verification **except to the extent of shares not registered in the name of the company as mentioned in Schedule 6.**
- iii. a. The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b. The Company has given loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 566.46 Lacs and the balance outstanding at the close of the year is Rs.546.34 Lacs.
- c. In our opinion, the rate of interest and other terms and conditions of loans given by the company are prima facie not prejudicial to the interests of the company.



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- d. The parties have repaid part of the principal amount and interest on demand.
- e. There is no overdue amount of loans granted to the company, listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor we have been informed of any instance of major weaknesses in the aforesaid internal control systems.
- v. a. According to the information and explanations given to us, the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of five lacs rupees in respect of any party entered into during the year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. As informed, the Company has not accepted any deposits from the public.
- vii. In our Opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed maintenance of the cost records under section 209(1) (d) of the Companies Act, 1956 in respect of any of the company's activities.
- ix. a. According to the information and explanations given to us and the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and others as applicable have been regularly deposited by the Company during the year with the appropriate authorities. There were no undisputed statutory dues as at the last day of the financial year outstanding for a period of more than six months from the date they became payable.



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- b. According to the records of the company, there were no dues of income tax, wealth tax, service tax, custom duty, excise duty, cess which have not been deposited on account of disputes. The particulars of dues of sales tax as at 31st March 2010 which have not been deposited on account of disputes are as under:

Name of the Statute	Period	Amount under dispute not yet deposited	Forum before whom pending
Sales Tax	Financial year 1984-85, 1985-86, 2000-01 and 2001-02	Rs. 1,60,969	Asst. Commissioner of Sales Tax (Appeals) Delhi

- x. The company does not have accumulated losses at the end of the year. The company has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
- xi. No default in repayment of dues to financial institutions or banks or debenture holders occurred during the year under review.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund, nidhi/mutual benefit fund/societies as specified under clause (xiii) of paragraph 4 of the Order are not applicable to this Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its transactions and contracts for dealing in shares, securities and other investments and has made timely entries therein. The company is holding all the shares, securities and other investments in its own name except to the **extent mentioned in Schedule 6**.
- xv. The Company has not given any guarantee for loans taken by others from bank or financial institutions except those mentioned in Schedule-5.
- xvi. The Company has not taken any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the financial statements of the company and after placing reliance on the reasonable assumptions made by the company for classification of long term and short term uses of funds, we are of the opinion, that prima facie no funds raised on short term basis have been utilised for long term purposes during the year.

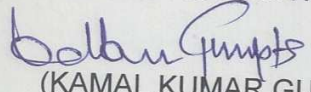


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- xviii. According to the information and explanations given to us, during the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report.
- xx. During the period under report, the Company has not raised any money by public issue.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Place: Camp Gurgaon
Date: 3rd September 2010

For SALARPURIA & PARTNERS
Firm Registration No. 302113E
CHARTERED ACCOUNTANTS


(KAMAL KUMAR GUPTA)
PARTNER
M.No.89190





BALANCE SHEET AS AT 31ST MARCH, 2010

	SCHEDULE	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share Capital	1	151538500	151538500
Reserves and Surplus	2	164773151	136779443
LOAN FUNDS			
Unsecured Loans	3	49072802	91214319
TOTAL		365384453	379532262
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		36895232	38235320
Less : Depreciation		7836408	8324338
Net Block		29058824	29910982
INVESTMENTS	5	294307320	321579490
CURRENT ASSETS, LOANS AND ADVANCES	6		
Stocks		236998	2385093
Sundry Debtors		3506000	3740687
Cash & Bank Balances		3947013	8016431
Loans and Advances		59895400	30540933
		67585411	44683144
LESS: CURRENT LIABILITIES AND PROVISIONS	7		
Current Liabilities		40681821	44907324
Provisions		6234914	1727960
		46916735	46635284
NET CURRENT ASSETS		20668676	(1952140)
DEFERRED TAX ASSETS (NET) (Refer Note No.5 Schedule 12)		21349633	24434543
PROFIT AND LOSS ACCOUNT			
Balance (Debit) as per account annexed		-	5559387
TOTAL		365384453	379532262
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	12		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached.
For SALARPURIA & PARTNERS
Chartered Accountants
(Registration No.302113E)

Kamal Kumar Gupta
Partner
Membership No.89190

Place : Camp Gurgaon
Dated : 3rd September, 2010

R. K. Poddar
Managing Director

J. V. Poddar
Directors

[Signature]
Company Secretary



ARAVALI SECURITIES & FINANCE LIMITED



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	For year ended 31st March, 2010 Rupees	For year ended 31st March, 2009 Rupees
INCOME			
Sales		7093565	1630930
Other Income	8	62015718	23039752
		69109283	24670682
EXPENDITURE			
Purchases for Sales		5119907	-
Decrease/(Increase) in Stocks	9	2148095	(591865)
Employees' Remuneration and Benefits	10	4088435	4500726
Other Expenses	11	8148471	4749885
Interest - Others		10952357	15117479
Depreciation		753308	786315
		31210573	24562540
PROFIT BEFORE PROVISION FOR TAX AND NPA's		37898710	108142
Add : Withdrawal for diminution in value of Investments		6374530	53398
PROFIT BEFORE TAXATION		44273240	161540
Less : Provision for Tax			
Current Tax		7635235	
Deferred Tax		3084910	(882911)
Fringe Benefit Tax			65500
PROFIT AFTER TAXATION		33553095	978951
Add : Balance brought forward from previous year		(5559387)	(6506030)
		27993708	(5527079)
Less : Amount transferred to NBFC Reserve Fund		6710619	32308
BALANCE CARRIED TO BALANCE SHEET		21283089	(5559387)
Basic and diluted earning per equity share of Rs.10 each (Refer Note No. 7 of Schedule 12)		2.21	0.06

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

12

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date attached.
For SALARPURIA & PARTNERS
Chartered Accountants
(Registration No.302113E)

Kamal Kumar Gupta
Kamal Kumar Gupta
Partner
Membership No.89190

[Signature]
Company Secretary

[Signature]
Managing Director

[Signature]
Directors

Place : Camp Gurgaon
Dated : 3rd September, 2010

