

FORTIS

PORTS FORMS FOR
TEXTS FORTS FOR
PORTS FORMS FOR

FORTIS**FORTIS FINANCIAL SERVICES LIMITED****BOARD OF DIRECTORS**

Mr. Harpal Singh Chairman
 Mr. Vinay Kumar Kaul
 Mr. Malvinder Mohan Singh
 Mr. Shivinder Mohan Singh
 Mr. Umesh Kumar Khaitan
 Mr. V.M. Bhutani

COMPANY SECRETARY

Mr. Ujjval Mehta

REGISTERED OFFICE

G-16, Marina Arcade,
 Connaught Circus
 New Delhi - 110 001.

CORPORATE OFFICE

210, Taj Building,
 Dr. D.N. Road, Fort,
 Mumbai - 400 001.

BRANCHES

Calcutta :
 24, R.N. Mukherjee Road,
 Calcutta 700 001.

Chennai :
 8D, Century Plaza,
 Anna Salai, Teynampet,
 Chennai 600 018.

BANKERS

ABN Amro Bank
 The United Western Bank Ltd.

AUDITORS

R.A. Patel & Co., Mumbai

ADVOCATES & SOLICITORS

P.S. Anand
 Mehta Laljee & Co.

ANNUAL GENERAL MEETING

Venue : Shah Auditorium
 2, Raj Niwas Marg,
 Delhi 110 054.
 Date : September 27, 2001
 Day : Thursday
 Time : 3.00 p.m.

FORTIS

FORTIS FINANCIAL SERVICES LIMITED

Registered Office : G-16, Marina Arcade, Connaught Circus, New Delhi 110 001.

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of Fortis Financial Services Limited will be held on Thursday, September 27, 2001 at 3:00 p.m. at Shah Auditorium, 2 Raj Niwas Marg, Delhi 110 054 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2001 alongwith the Reports of Directors and Auditors.
2. To appoint a Director in place of Mr. V.K. Kaul, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Malvinder Mohan Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of current meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. R.A. Patel & Company, the retiring Auditors being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. Alteration in Articles of Association :

To consider and if thought fit, to pass with or without modification(s) the following resolution, as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered in the manner as given hereunder :

DEMATERIALIZATION OF SECURITIES

Articles 82A : Definition :

1. For the purpose of this Articles :-

"Beneficial Owner" means a person whose name is recorded as such with a Depository.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.

"Bye-Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act.

"Depository" means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

"Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository.

"Debentureholder" means the duly registered holders from time to time of the Debentures of the Company.

"Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.

"Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulations made by SEBI in relation to the Depositories Act.

"Regulation" means the regulations made by the SEBI.

"Security" means such security as may be specified by the SEBI.

Words imparting the singular number only include the plural number and vice versa.

Words imparting persons include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

2. Company to recognise interest in Dematerialised Securities under Depositories Act :

Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.

FORTIS FINANCIAL SERVICES LIMITED
ANNUAL REPORT 2000-2001

3. Dematerialisation of Securities :

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and/or offer fresh securities in dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

4. Option to receive security certificates or hold securities with Depository :

Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or hold securities with a Depository.

If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of the allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottees as the Beneficial Owner of the Security.

5. Securities in Depositories to be in fungible form :

All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial Owners.

6. Rights of depositories and Beneficial Owners :

(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.

(b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of security shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

7. Beneficial Owner deemed as absolute owner :

Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable,

contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than any absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

8. Depository to furnish information :

Every depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial owner at such interval and in such manner as may be specified by the bye-laws and the Company in that behalf.

9. Cancellation of certificates upon surrender by a person :

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificate and substitute in its records the name of the Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

10. Option to opt out in respect of any security :

If a Beneficial owner seeks to opt out a Depository in respect of any security the Beneficial Owner shall inform the Depository accordingly.

The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of information from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial owner or the transferee as the case may be.

11. Service of Documents :

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode by delivery of floppies or discs.

12. Provisions of Articles to apply to shares held in Depository :

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.

13. Allotment of Securities dealt with in a depository:

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

14. Distinctive number of securities held in a Depository :

The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialized form. Except in the manner herein before mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

15. Register and Index of Beneficial Owners :

The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debentureholders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debentureholders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch register of members resident in that state or country.

16. Register of Transfers :

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.

17. Overriding effect of this Article :

Provisions of these Articles will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article of these presents."

Article 82B :**I. NOMINATION :**

1. Every shareholder, debentureholder and/or depositholder of the Company, may at any time, nominate, in the prescribed manner, a person to whom his/her shares, debentures and/or deposits of the Company shall vest in the event of his/her death.
2. Where the shares, debentures and/or deposits of the Company are held by more than one person jointly, the jointholders may together

nominate, in the prescribed manner, a person to whom all the rights in the shares, debentures and/or the deposits of the Company as the case may be, shall vest in the event of death of all the jointholders.

3. Notwithstanding anything contained in any other law for the time being in force or in these Articles or any disposition, whether testamentary or otherwise, in respect of such shares, debentures and/or deposits of the Company, where a nomination made in the manner prescribed under the Act, purports to confer on any person the right to vest the shares, debentures and/or deposits of the Company, the nominee shall, on the death of the shareholder, debentureholder and/or depositholder, concerned or on the death of the jointholders, as the case may be, become entitled to all the rights in relation to such shares, debentures and/or deposits to the exclusion of all other persons, unless the nomination is varied, cancelled in the manner prescribed under the Act.
4. Where the nominee is a minor, the holder of the shares, debentures and/or deposits, of the Company can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the shares, debentures, and/or deposits of, the Company, in the event of his death during the minority.

II. TRANSMISSION OF SECURITIES BY NOMINEE :

"A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :-

- i) to be registered himself as holder of the shares, debentures and/or, deposit holders, as the case may be; or
- ii) to make such transfer of shares, debentures, and/or deposits as the case may be, as the deceased shareholder, debentureholder and/or depositholder, as the case may be, could have made.
- iii) If the nominee elects to be registered as holder of the shares, debentures, and/or deposits, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder, debentureholder, and/or deposit holder as the case may be; or
- iv) All the limitations, restrictions and provisions, of these Articles, relating to the right to transfer and the registration of transfers of shares, debentures and/or deposit shall be applicable to any such notice or transfer as aforesaid as if the death of the shareholder, debentureholder and/or deposit holder had not occurred and the

FORTIS FINANCIAL SERVICES LIMITED
ANNUAL REPORT 2000-2001

notice or transfer were signed by that shareholder, debenture holder and/or deposit holder, as the case may be.

- iv) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share, debenture and/or deposit except that he shall not, before being registered as the member in respect of his share, debenture and/or deposit be entitled in respect of it to exercise as right conferred by membership in relation to meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, debenture and/or deposit and if the notice is not complied, within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share, debenture and/or deposit until the requirements of the notice have been complied with."

By Order of the Board

Ujjval Mehta

Company Secretary

Dated : August 10, 2001

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business under Item No. 5 is appended hereto.
3. The Register of Members and Transfer Books of the Company will remain close from September 24, 2001 to September 27, 2001 (both days inclusive).
4. Members desiring any information as regards accounts are requested to write to the Company atleast 10 days before the meeting at G - 16, Marina Arcade, Connaught Circus, New Delhi - 110 001 for the kind attention of Mr. Ujjval Mehta, Company Secretary.
5. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
6. Members/proxies are requested to bring the Annual Report along with duly filled attendance slips sent herewith for attending the meeting.
7. Members/proxies attending the Annual General Meeting are requested to note that the management of the Company has decided that no gifts / coupons shall be distributed.
8. Members are requested to note that the Company has discontinued the services of its Registrar & Share Transfer Agent - M/s. Karvy Consultants Limited w.e.f. September 15, 1998 and Share Transfer processing

is being done in-house. Members are requested to address all their correspondence including change of address, transfer of shares etc. to the registered office or corporate office of the Company.

9. The shares of the Company are under Compulsory Demat for trading since June 25, 2001. The members are requested to convert their holding from physical shares into Demat form and send all DRF to our Mumbai office. For any query please write to our Company Secretary. The ISIN No. of the Company is INE991C01018.
10. Members of erstwhile The Empire Finance Company Limited (EFCL), who have not surrendered their Share Certificates of EFCL are requested to surrender the same to the Company and get Share Certificates of Fortis Financial Services Limited in exchange in accordance with the approved exchange ratio.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

ITEM NO. 5

I. Compulsory Dematerialisation of Shares :

The Securities and Exchange Board of India (SEBI) vide its circular No. SMDRP/POLICY/CIR-27/2001 dated 16.4.2001 has decided to incorporate shares of the company for compulsory trading in dematerialised form for all investors from June 25, 2001. The Company has already registered itself with National Security depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and also appointed In-house Share Registry for Demat connectivity. The Company is handling the share transfers in-house at 210 Taj Building, Dr. D.N. Road, Fort, Mumbai 400 001. The purpose of alteration in the Articles of Association of the company is being made to suitably incorporate therein necessary provisions relating to the depository system.

None of the Directors of the company are concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your approval.

II. Nomination Form :

By the Companies (Amendment) Ordinance, 1999 the holders of security of the Company have been given an option to nominate a person to whom rights of security holders of the Company shall vest in the event of his/her death. It would be beneficial if such nomination clause is included in the Articles of Association of the Company.

None of the Directors of the company are concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your approval.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its registered office between 11.00 a.m. and 1.00 p.m. on any working day.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth Report of your Company with Audited Accounts for the year ended March 31, 2001.

The summarised financial results are as under :

	Rs. Lacs	
	Current Year	Previous Year
Lease Rental and other Income	827.37	2069.53
Income from Capital Market Operations	402.73	4021.29
Cash Profit	579.72	246.58
Depreciation	460.41	848.32
Loss before Tax	(1040.52)	(611.77)
Provision under RBI prudential norms	4456.02	392.92
Loss after Tax	(5496.54)	(1004.69)
Appropriations		
Balance brought forward from last year	(2176.28)	(1171.58)
Balance carried forward	(7672.82)	(2176.28)

Dividend

In view of the loss reported by the Company, your Directors have not recommended any dividend for the year.

Operational Review

During the year under review, the Company earned total income of Rs. 1230.10 lacs as compared to Rs. 6090.82 lacs in the previous year. The decline has been primarily due to expiry of the tenure of old Lease and Hire Purchase assets and also due to no fresh fund based activities undertaken by the Company for the year under review.

The Company continued to focus on recovery / settlement of overdue debts and other asset portfolio. Vigorous efforts and other remedial actions including restructuring, rescheduling and repossession of assets were undertaken by the Company. Legal actions, where necessary, including filing of criminal cases on case to case basis, are being pursued against the defaulting clients. These cases are in various stages of completion and the positive results are expected in the ensuing years.

The various steps taken by the Company for asset recoveries has resulted in cash realisation of Rs. 659.80 lacs as against Rs. 921.42 lacs in the previous year.

During the year the Company has made full provision on account of non-performing assets as required under RBI prudential norms to the tune of Rs. 4456.02 lacs besides writing off Rs. 33.55 lacs as bad debts as against Rs. 392.92 lacs and Rs. 3714.16 lacs respectively in the previous year.

The Company has also made significant efforts in lowering its operating costs. The personnel and administrative expenses have been reduced from Rs. 380.99 lacs to Rs. 270 lacs. The interest costs has also come down substantially due to restructuring of loans.

Subsidiary Company

The audited statement of accounts of Fortis Securities Limited (FSL), a wholly owned subsidiary of the Company together with the Report of Directors' and Auditors' for the year ended March 31, 2001 as required under Section 212 of the Companies Act are annexed. Despite unfavourable market conditions, growing competition and declining brokerage rates, FSL has performed reasonably well. The income from brokerage was marginally down from Rs. 446.83 lacs to Rs. 424.22 lacs and the net profit was down from Rs. 45.29 lacs to Rs. 21.61 lacs for the year under review.

Directors' Responsibility Statement

In terms of provisions of Section 217(2AA) of the Companies Act, 1956 your directors confirm as under :

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year ;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

FORTIS FINANCIAL SERVICES LIMITED
ANNUAL REPORT 2000-2001

(iv) that the directors had prepared the annual accounts on a going concern basis.

Directors

In accordance with the Articles of Association of the Company, Mr. V.K. Kaul and Mr. Malvinder Mohan Singh retire by rotation as directors at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Stock Exchange Listings

The Equity Shares of the Company are listed on the Stock Exchange at Delhi and Mumbai and traded in permitted category on National Stock Exchange. The Company confirms that it has paid annual listing fees due to the Stock Exchanges at Delhi and Mumbai for the year 2000-2001.

Audit Committee

The Audit Committee was constituted by the Board of Directors at its meeting held on June 27, 2000 and comprises of Mr. V K Kaul, Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh, Directors of the Company. Mr. V K Kaul has been appointed as Chairman of the Audit Committee. The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

Corporate Governance

The Securities and Exchange Board of India has introduced a code of Corporate Governance by way of amendment to the listing agreements with the Stock Exchanges which your Company is required to comply from financial year 2001-2002. The Company will take necessary steps in line with the Corporate Governance requirements laid down under the listing Agreements by March 2002.

Dematerialisation of Shares

Your Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in dematerialised form. Your company has also made arrangements for simultaneous dematerialisation of share certificates lodged for transfer. Since dematerialisation facilitates quick share transfers and prevents forging of documents, those shareholders who have not opted for this facility are advised to dematerialise their shares with either of the depositories. The Equity Shares of your Company are traded on the stock exchanges only through the "Demat" mode since June 25, 2001. The Company has dematerialised approx. 80% of share capital as on date in electronic form.

Auditors

M/s. R. A. Patel & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

Disclosure of Particulars

Particulars under Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 on conservation of energy and technology absorption are not applicable since the Company is not a Manufacturing Company.

Foreign Exchange Earnings and outgo

Earnings : Rs. Nil
Outgo : Rs. Nil

Particulars of Employees

None of the employees is in receipt of remuneration for the year which in aggregate was more than the limit prescribed under Section 217 (2A) of Companies Act 1956, and rules made thereunder.

Acknowledgements

Your Directors place on record their appreciation of the valuable co-operation and support extended by the Company's Bankers, Investors, Financial Institutions and the contribution made by the employees at all levels.

On behalf of the Board of Directors

Place : New Delhi
Date : August 10, 2001

V K Kaul
Director

V M Bhutani
Director

AUDITORS' REPORT

To The Members of Fortis Financial Services Limited.

We have audited the attached Balance Sheet of **FORTIS FINANCIAL SERVICES LIMITED** as at March 31, 2001 and the annexed Profit and Loss Account for the year ended on that date and report that:

- (1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
- (2) Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - (a) 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;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books;
 - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts of the company;
 - (d) in our opinion the Balance Sheet and Profit and Loss Account complies with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of our review of the confirmations received by the Company from companies in which the Directors of the Company are directors and the information and explanations given to us, none of the Directors of the company are, prima facie, as at 31st March, 2001 disqualified from being appointed as directors of the Company under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2001; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For R. A. Patel & Co.
Chartered Accountants

Place : Mumbai
Dated : August 11, 2001

V R Patel
Proprietor

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 of our report of even date)

- (1) The Company has maintained adequate records showing full particulars including quantitative details and situation in respect of the Fixed Assets. The management has a phased programme of physically verifying leased assets and owned assets. In our opinion, the frequency and extent of this verification programme is reasonable. No significant discrepancies have been noticed on such verification.
- (2) None of the Fixed Assets has been revalued during the year.
- (3) The stock in trade of shares has been verified by the management at reasonable intervals. No material discrepancies were noticed on such verification. In our opinion, the method of valuation of such stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
- (4) The Company has not taken any loan from any of the Companies, firms or other parties listed in the register maintained under Section 301 and under the same

management as defined under Sub Section (1B) of Section 370 of the Companies Act, 1956.

- (5) The Company has not granted any loan, secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 and under the same management as defined under Sub Section (1B) of Section 370 of the Companies Act, 1956.
- (6) Adequate provisions have been made against parties to whom loans or advances in the nature of loans have been given by the Company, in respect of which there are defaults in repayments of principle and interest. The company has taken reasonable steps in respect of defaulting clients for recovery of the same.
- (7) In our opinion, 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 with regard to purchase of Plant and Machinery, equipment and other assets.
- (8) On the basis of information and explanation given to us, in respect of transactions entered into for the purchase and sale of goods, materials and services rendered, with the parties whose names are entered in the register maintained under section 301 of the companies Act, 1956 and aggregating during the year to Rs.50,000 or more, we are of the opinion that the transactions are made at prices which are reasonable having regard to the prevailing market price.
- (9) In respect of fixed deposits accepted from the public, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, in so far as applicable to the Company and the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977.
- (10) In our opinion, the Company has a reasonable internal audit system commensurate with the size of the company and nature of its business.
- (11) According to the records of the Company, and the information and explanations given to us, the Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
- (12) As per the records of the company and according to the information and explanations given to us, no undisputed amount payable as at March 31, 2001 in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, for a period of more than six months from the date of becoming payable.
- (13) During the course of our examination of the books of accounts and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (14) The Company has maintained adequate documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities.
- (15) As explained to us, the provisions of special statutes applicable to Chit Funds, Nidhi or Mutual Benefit Society are not applicable to the company.
- (16) The Company has maintained adequate records of its dealings in shares, securities, debentures and other investments and timely entries have been made therein. The securities, debentures and investments are in the name of the company or in the process of transfer to the company's name.
- (17) We are informed that, and in our opinion, the nature of the business is such that Clauses (xii), (xiv), (xvi) and (xx) of paragraph 4(A) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988, are not applicable.

For R. A. Patel & Co.
Chartered Accountants

Place : Mumbai
Dated : August 11, 2001

V R Patel
Proprietor