

AUDITOR'S REPORT

To,
The Members of **FACTS SECURITIES LIMITED.**

We have audited the attached Balance Sheet of **FACTS SECURITIES LIMITED**, as at 31st March 2002 and also the Profit and Loss Account of the company 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.

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.

As required by the Manufacturing and other Companies (Auditor's report) order, 1988 issued by the Company Law Board in terms of Sections 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 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 accounts as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002, 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 accounts read subject to outcome of matters set out in notes on accounts listed in schedule "14" 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 balance sheet, of the state of affairs of the Company as at 31st March, 2002;
 - (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date.



FOR JAIN & SULTANIA
Chartered Accountants

Sunil Sultania
SUNIL SULTANIA
Partner

PLACE: MUMBAI
DATED: 28th June 2002.

ANNEXURE TO THE AUDITOR'S REPORT

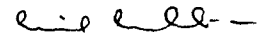
1. The Company has maintained proper records showing full particulars including the quantitative details and situation of all fixed assets substantially, all the fixed assets have been physically verified by the management at reasonable intervals during the year under the audit and no material discrepancies were noticed on such verification as compared with the available records.
2. None of the Fixed Assets of the Company have been revalued during the year.
3. The Shares & Securities held as stock-in-trade have been periodically reconciled with the statements. No discrepancies have been noticed on such reconciliation. In our opinion, the valuation of such stock-in-trade is fair and proper and in accordance with the normally accepted accounting principles.
4. In our opinion and according to the explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to books records.
6. In our opinion and on the basis of our examination of the records, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured, from the Companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.
8. In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been granted to the firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956, are not prima facie, prejudicial to the interests of the company.
9. The principal amount and interest wherever stipulated thereon, in respect of loans or advances in the nature of loans given by Company to parties/ employees have been recovered regularly as stipulated. We have relied on the information and explanation furnished by the management about the recoverability of the same in full, in the ordinary course of business as going concern.
10. In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for sale and purchase of securities and assets.
11. According to the information and explanation given to us, the company has not entered into transaction of purchases of shares securities and sale of shares, securities and services made in pursuance of contracts or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50000/- or more in respect of each party.
12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stocks and the same have been properly dealt with in the accounts of the Company.
13. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public.
14. In our opinion and according to the explanations given to us, the operation of the company is such that no by-products and scraps arises.
15. We are informed that the Company has an in house internal audit system commensurate with the size and the nature of its business.
16. We are informed that the central government has not prescribed maintenance of cost records under section 209 (1) (d) of the companies Act, 1956 for any of the products of the company.
17. According to the information and explanation given to us, Provident Fund and Employees State Insurance schemes are not applicable to the Company.



18. According to the information and explanations given to us there are no undisputed amounts payable in respects of in Income-Tax, Sales-Tax, Customs Duty and Excise Duty which are outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.
19. 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 obligation or in accordance with generally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Clause (O) of the Sub section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.
21. According to the information and explanation given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other similar securities.
22. We are informed that the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society do not apply to the Company.
23. The company have been maintained proper records for the dealing and trading in shares, securities, debentures and other investments and timely entries (if any) have been made therein; also the shares, securities, debentures and other investments, have been held by the company in its own name except otherwise pending for transfer.



FOR JAIN & SULTANIA
Chartered Accountants


SUNIL SULTANIA
Partner

PLACE : MUMBAI
DATED: 28th June 2002.

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