

AUDITOR'S REPORT

To,

THE MEMBERS OF VIKALP SECURITIES LIMITED, KANPUR

1. We have audited the attached Balance Sheet of M/S VIKALP SECURITIES LIMITED and the Profit & Loss Account and the cash flow statement for the year ended 31st March 2005 and report as follows.

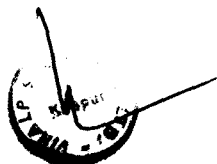
These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of Sec. 227 of the Companies Act, 1956. We enclose in the Annexure statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to 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 appears from our examination of the books.
- c. The Balance Sheet & Profit & Loss account and Cash Flow Statement are in agreement with books of Account.
- d. In our opinion the Profit & Loss, Balance Sheet, Cash Flow Statement dealt with by this report company with the requirement of the Accounting standards referred to in Section 3 (C) of Section 211 of the Companies Act, 1956. EXPECT ACCOUNTING STANDARD-2 FOR VALUATION OF INVENTORY, IF IT WOULD HAVE BEEN VALUED ACCORDINGLY THE LOSS OF THE COMPANY WOULD HAVE BEEN INCREASED RS. 549080.47 INSTEAD OF LOSS OF RS. 88228.30 REFER NOTE NO. 7 OF THE SCHEDULE 10 OF THE BALANCE SHEET. ALSO THE COMPANY HAS NOT FOLLOWED AS-9 RELATING TO INCOME RECOGNITION IN RESPECT OF DIVIDEND INCOME AS PER NOTE NO. 1.7 (C) OF SCHEDULE 10 OF THE BALANCE SHEET.
- e. On the basis of the written representation received from the directors, and taken on record by the Board of Director, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



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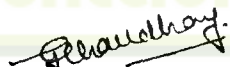
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in manner so required & SUBJECT TO THE QUALIFICATION COVERED BY NOTE NO.2(11) OF SCHEDULE NO. 10 FORMING PART OF NOTES ON ACCOUNT ANNEXED TO THE FINANCIAL STATEMENTS OF ACCOUNTS UNDER REPORT REGARDING NON AVAILABILITY OF EQUITY SHARES SCRIPTS WITH THE MANAGEMENT DUE TO MARGIN MONEY WITH STOCK EXCHANGE & DISPUTE WITH THE COMPANIES. THE IMPACT OF THIS QUALIFICATION IS OF CORRESPONDING AMOUNT ON THE VALUE OF STOCK IN TRADE NOT HELD BY THE COMPANY IN ITS NAME AND THE IMPACT ON PROFIT/ LOSS IS UNASCERTAINABLE give a true & fair view in conformity with the accounting principles generally accepted in India.

(i) In the case of Balance Sheet of the state of affairs of the Company as at 31st March 2005.

(ii) In the case of the Profit & Loss account of the Loss for the year ended on that date.

(iii) In the case of Cash Flow Statement of the Cash Flow for the year ended on that date.

FOR CHAUDHARY PANDIYA & CO.
CHARTERED ACCOUNTANTS



GANESH CHAUDHARY
PARTNER
M.N.70838

PLACE :- KANPUR
DATE :- 26-08-2005



ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE.

RE: VIKALP SECURITIES LIMITED

- 1) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have been physically verified by the management during the year. As informed No material discrepancies were noticed on such verification.
- (c) There was no disposal of fixed assets during the year.
- 2) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and as informed no material discrepancies were noticed on physical verification subject to note No. 2.11 of notes to the accounts of Schedule 10 of the Balance Sheet.
- 3) (a) According to the information and explanation given to us the company has granted unsecured loan one company amounting to Rs. 231295/- covered in the register maintained under section 301 of the Companies Act, 1956 and the balance outstanding to the companies are Rs. 231295/- only.
- (b) No interest has been charged on the said advance & all terms & condition of unsecured loans granted by the company are prima facie not prejudicial to the interest of the company.
- (c) In our opinion and according to the information and explanation provided to us, the company is not paying the principal according to the terms and conditions of the loan given.
- (d) In our opinion and according to the information and explanation given to us the amount so granted is overdue but the accounts is regular.
- (b) (i) According to the information and explanations given to us the company has not taken unsecured loan from a company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956 therefore sub clauses (i) & (iii) are not applicable.
- 4) In our opinion and 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, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that there are transactions that are entered into the register maintained under section 301, of the companies Act, 1956.
- (b) In our opinion and according to the information and explanation given to us, there is no transaction which parties with whom transactions exceeding value of Rupees Five Lakhs have been entered into during the financial year are at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
- 6) The company has not accepted any deposits from the public.
- 7) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- 8) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956 for the products of the company.

- 9) (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Income Tax, Service Tax, and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Service Tax, were outstanding, at the year end for a period of more than six months from the date they became payable.

(b) According to the records of the Company, there are no dues outstanding of Income Tax, Service Tax on account of any dispute
- 10) The Company has cumulative losses of less than 50% of its net worth at the end of the previous year but the company has earned cash profit during the year & as well as in the immediately preceding previous year.
- 11) Based on our audit procedures and on the information and explanations given by the management, the Company does not have any borrowings from financial institutions, banks or by way of debentures.
- 12) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- 14) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures, and other securities have been held by the company, in its own name subject to note no. 2.11 of the notes to the account schedule 10 of the Balance Sheet.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by other from bank or financial institutions.
- 16) The Company do not have any term loans during the year.
- 17) The Company do not have any short term borrowings during the year.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- 19) The Company has not issued any debenture during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) In our opinion and according to the information and explanations given to us the company has not noticed or reported any fraud on or by the Company.

FOR CHAUDHARY PANDIYA & CO.
CHARTERED ACCOUNTANTS

G. Chaudhary
GANESH CHAUDHARY
PARTNER
M.N.70838

PLACE :- KANPUR
DATE :- 26-06-2005



VIKALP SECURITIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2005

SOURCE OF FUNDS	Schedule No.	CURRENT YEAR (31.3.2005)	PREVIOUS YEAR (31.3.2004)
Share Capital	"1"	30519000.00	30519000.00
	TOTAL	30519000.00	30519000.00
APPLICATION OF FUND			
FIXED ASSETS			
Gross Block	"2"	405213.47	812427.45
Less :- Depreciation		348553.97	806561.93
Net Block		56659.50	205865.52
Investments	"3"	2264633.05	4834860.52
Fixed Assets & Investments		2311292.55	4840726.34
Inventories		3368369.22	11474520.05
Loan & Advances	"4"	14033632.44	3839720.72
Sundry Debtors	"5"	7654813.27	7446725.48
Cash & Bank Balance	"6"	1457225.15	1181040.60
Total Current Assets Loans & Advances		28514040.11	23942006.95
Less:-Current Liabilities & Provision	"7"	603135.89	584348.87
Net Current Assets		26910904.22	23357657.98
Profit & Loss Account			
Balance as per last Balance Sheet		2208574.93	2185647.54
Add Loss During the year		88228.30	22827.39
		2296803.23	2208574.93
Miscellaneous expenditure(To the extent not written off or adjusted)			112010.75
Note to Accounts	"9"		
Total Rs.	TOTAL	30519000.00	30519000.00

AS PER OUR REPORT OF EVEN DATE ATTACHED
FOR CHAUDHARY PANDIYA & CO.
CHARTERED ACCOUNTANTS

G. Chaudhary
(GANESH CHAUDHARY)

PARTNER
M.N.70838

PLACE:KANPUR
DATED:26-08-2005

FOR AND ON BEHALF OF THE BOARD

Arjun Kejriwal
ARJUN KEJRIWAL

DIRECTOR

Sharad Tandon
SHARAD TANDON

DIRECTOR

Alta Prasad Dixit
ALTA PRASAD DIXIT

DIRECTOR

