

To

The Share Holders of  
**JAISAL SECURITIES LIMITED**

**AUDITOR'S REPORT**

1. We have audited the attached Balance Sheet of M/s. JAISAL SECURITIES LIMITED as at 31.03.2007 and the related Profit and Loss Account and cash Flow Statement for the year ended on that date. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An Audit also 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.

3. As required by the Companies (Auditor's Report) Order,2003 (as amended by the Amendment Order 2004) issued by the Central government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure a statement of the matter 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 that, to the best of our knowledge and belief were necessary for the purpose of our audit.

b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examinations of those books.

c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

d. In our opinion, the said Balance Sheet, Profit & Loss Account and Cash Flow Statement read with Notes thereon dealt with by this report are in compliance with Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

e. On the basis of written representations received from the directors and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31.03.2007 from being appointed as a director of the company in terms of clause (g) of subsection (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 together with Significant Accounting Policies and Notes thereon 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:-

I. In the case of the Balance Sheet, of the state of affairs of the company as at March 31,2007.

II. In the case of the Profit and Loss Accounts, of the Profit of the company for the year ended on that date, and

III. In the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

**For G.C. DAGA & CO.,**  
Chartered Accountants

**N. Goutham Chand**  
Partner  
Memb No. 027581

Place : Chennai  
Date : 30.06.2007

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

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.

(b) The fixed Assets are physically verified by the Management at reasonable intervals. As informed to us, no material discrepancies were noticed.

(c) The Company did not dispose off a substantial part of Fixed Assets during the year.

2. Being a Non Banking Finance Company, the inventory comprises of investment in shares, the matters in connection with verification, reporting and all other related matters on inventory are not applicable.

3. (a) The company has granted unsecured loan to a company listed in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs. 43,43,682/- as at Balance sheet date.

(b) In our opinion, the rate of interest (12%) and other terms and conditions are not prima facie prejudicial to the interest of the company.

(c) The periodicity of payment of principal is not prescribed. The receipt of interest is regular.

(d) The company has not taken any loan, secured or unsecured, from parties listed in the register maintained u/s 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures as regards purchase of fixed assets, commensurate with the size and nature of business carried out by the company. During the course of our audit, no major weakness has been noticed in the internal controls.

5. In our opinion and according to the information and explanation given to us, there are transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and these transactions have been carried out at prevailing market prices.

6. The company has not accepted any deposits from the public during the year and consequently, the directive issued by the Reserve Bank of India and the provisions of Section 58A and 58 AA of the Companies Act, 1956, and the rules framed there under are not applicable.

7. The Company has no formal internal Audit Department as such. However its control procedures ensure reasonable internal checking of its Financial and other records.

8. As per the information and explanations given to us, the Company is not required to maintain cost records as prescribed by the Central Government U/s 209 (1) (d) of the Companies Act, 1956.

9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been regular in depositing undisputed statutory dues including income-tax, sales-tax, wealth tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the records of the company and the information and explanations given to us, the following are the particulars of dues on accounts of income-tax that have not been deposited on account of dispute as at 31.03.2007:

Name of the Statute	:	Income-tax Act, 1961
Nature of Dues	:	Income-tax
Amount	:	Rs. 4.99 Lakhs
Period to which amount relates	:	1996-1997
Forum where dispute pending	:	CIT (Appeals)

10. In our opinion, the company does not have any accumulated losses as on March 31, 2007. The Company has not incurred any cash losses in the financial year ending on that date or in the immediately preceding financial year.

11. In our opinion and according to the information & explanations given to us, the company has not availed any loan from Banks, Financial Institutions or debenture holders.

12. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities and therefore Paragraph 4 (Xii) of the order is not applicable.

13. The company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/society. Therefore the provisions of Clause 4(xiii) of the said order are not applicable to the company.

14. In our opinion, the company is maintaining proper records of the transactions and contracts about the dealings in securities & investments and has made timely entries in records. The share, securities, debentures and other securities have been held by the Company, in its own name.

15. In our opinion and as per the information given to us, the company has not given any guarantee for loans taken by others from bank or financial institution.

16. According to information and explanation given to us, the Company has not taken any term loans.

17. In our opinion, the company has not raised any short term funds for long term investment.

18. The company has not made preferential allotment of shares during the year.

19. The company has not issued any debentures during the year.

20. The company has not raised any money by way of public issue during the year.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year under report nor have we been informed of such case by the management.

For **G.C. DAGA & CO.**,  
Chartered Accountants

**N GOUTHAM CHAND**  
Partner.

Memb No. 027581

Place : Chennai  
Date : 30.06.2007

## **AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members,  
**Jaisal Securities Limited.**

We have reviewed the compliance of conditions of Corporate Governance by **Jaisal Securities Limited** for the Year ended 31<sup>st</sup> March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The Compliance of condition of corporate governance is the responsibility of the management. Our examination was limited to review of procedures and implementation there of by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that no investor grievances are pending exceeding for period of one month against the company as at 31<sup>st</sup> March 2007 as per the records maintained by the Shareholders / Investors Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

For

**G.C. DAGA & CO.,**  
Chartered Accountants

**N GOUTHAM CHAND**  
Partner.

Memb No. 027581

Place : Chennai  
Date : 30.06.2007

## **SCHEDULE XIV: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS.**

### **I. Significant Accounting Policies**

#### **A. Basis of accounting:**

The financial Statements are prepared under the historical cost and income and expenses are accounted for on an accrual basis.

#### **B. Revenue Recognition:**

- (a) Interest and other dues are accounted on accrual basis.
- (b) Dividend is accounted when it is received.
- (c) The Company has followed Prudential Norms for Income Recognition as prescribed by Reserve Bank of India for Non-Banking Finance Companies

#### **C. Fixed Assets:**

Fixed Assets are capitalized at cost which comprises purchase price (net of rebates and discounts), statutory levies and other expenses/charges directly expended in acquiring such assets.

#### **D. Depreciation:**

Depreciation is provided from the date on which assets have been installed and put to use on Straight Line Method at the rates specified under Schedule XIV to the Companies Act, 1956. Depreciation on assets, whose actual cost does not exceed five thousand rupees have been provided at the rate of hundred percent.

#### **E. Intangible Assets:**

There are no Intangible Assets of the Company.

#### **F. Impairment:**

Impairment loss is recognized wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expenses in the statement of profit and loss and carrying amount of the asset is reduced to its recoverable amount.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

#### **G. Borrowing Costs**

There are no borrowing costs attributable to the acquisition or construction of assets. Other borrowing costs are recognized as expenses in the period in which they are incurred.

#### **H. Contingent Liabilities:**

Contingent Liabilities are not provided for in the accounts and are disclosed by way of Notes.

#### **I. Investments:**

Long-term Investment are valued at cost. Current Investments are also valued at cost.

#### **J. Inventories :**

The inventories are valued at cost.

#### **K. Miscellaneous Expenditure:**

Preliminary Expenses & Public Issue Expenses were written-off over a period of ten years.

## L. Taxation

The accounting treatment for income-tax in respect of company's income is based on the Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India. Provision for current income-tax is made in accordance with the Income-tax Act, 1961. Deferred tax assets and liabilities are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Fringe Benefit Tax (FBT) is accounted for on the estimated value of fringe benefits for the period as per the related provision of the Income-tax Act.

## M. Retirement Benefits:

No provision has been made for Superannuation benefits and Gratuity liability for the period as the respective Acts are not applicable to the company.

## N. Foreign Currency Transaction:

Foreign Currency transactions are accounted on exchange rates prevailing at the date of transaction. Foreign currency monetary items outstanding at the Balance Sheet date are reported at cost.

## II. Notes on Accounts:

1. Previous years figures have been regrouped/ reclassified wherever necessary. Accordingly, amounts and other disclosure for the previous year are included as an integral part of the current year's financial statement and are to be read in relation to the amounts and other disclosures relating to the current year.

2. Amounts due to Small Scale Industrial Undertaking is Rs. NIL as at 31.03.2007.

3. In the opinion of the Board there is no contingent liability of the company.

4. Auditors Remuneration includes:-

	<u>2006-2007</u>	<u>2005-2006</u>
Statutory Audit Fees	10,000.00	6,000.00
Tax-Audit Fees	5,000.00	2,000.00
Other Service	NIL	2,000.00
Out-of-pocket Expenses	NIL	2,000.00
Service-tax	1,854.00	1,469.00
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	16,854.00	12,816.00
	=====	=====

5. No provision has been made for gratuity liability for the period as the payment of Gratuity Act is not applicable.

6. Related Party Disclosures:

Key managerial personnel :

Mr. Mahesh Chandak (Managing Director)  
Mr. Dwarkadas Chandak ( Director )

Related party transactions :

No managerial remuneration has been paid during the year.

No related party transaction has been entered into in the financial year 2006-2007.

7. (a) Loans, advances & deposits include a loan to Sugal & Damani Share & Stock Broker P Ltd., where the Managing Director is an Executive Director. The closing balance as on 31.03.2007 is Rs.43,43,682/- (Previous year Rs. NIL). Interest @ 12% is charged on the same.

(b) Purchase and sell of shares & securities has been done through Sugal & Damani Share & Stock Broker P Ltd., where the Managing Director is an Executive Director.

8. Deferred Tax:

The Company has provided deferred tax in accordance with the Accounting Standard – 22 (Accounting for taxes on Income) issued by the Institute of Chartered Accountants of India applicable effect from 1-4-2002. Accordingly, the deferred tax asset for the year ended 31st March 2007 is on account of difference between Book and Tax Depreciation of Rs.10,268/-(.5902/-) which is being adjusted in the profit and loss Account.

9. Segment Reporting:

The company is engaged in Forex Dealings and Investment Income which is a significant Business Segment and hence Segment reporting is not considered necessary.

10. The expenditure incurred in foreign currency is Rs. NIL.

11. Earnings per Share: Basic and Diluted Earnings per share (as per AS 20 issued by the Institute of Chartered Accountant of India)

Net Profit for the year (after tax)	8,777,506/-
Weighted Average no. of Equity Shares	3,000,000/-
Nominal value of Shares	10/-
Basic and Diluted EPS	2.926/-

12. Balance of Current Assets, Loans and Advance are as per Books and subject to confirmation. In the opinion of management, these are realizable approximately at the value stated in the ordinary course of the business.

13. Figures in bracket represent previous year's figures.

Signatures to schedules 1 to 14

As per our Report of even date attached.

For **G.C. DAGA & CO.**,  
Chartered Accountants

For and on behalf of the Board

**N. Goutham Chand**  
Partner.  
Memb no. 027581

**MAHESH CHANDAK**  
Mg. Director

**DWARKADAS CHANDAK**  
Director

Place: Chennai  
Date : 30.06.2007