

MITTAL & ASSOCIATES

CHARTERED ACCOUNTANTS

1st Floor, M. K. Bhavan, 300, Shahid Bhagat Singh Marg,

Fort, Mumbai - 400 001, ☎: 30287900/1/2/3

Auditor's Report

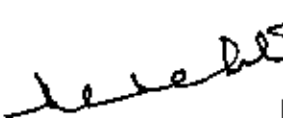
To the Members of
OTCEI SECURITIES LTD

1. We have audited the attached Balance Sheet of **OTCEI SECURITIES LTD.** (the 100% subsidiary of OTC Exchange of India) as at March 31, 2008 and also the Profit and Loss Account for the year ended, on the 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 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.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Sub-section (4A) of section 227 of the Company Act 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment 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 purposes 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 those books;
 - (c) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) 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;



- (e) On the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2008 from being appointed as a director in terms of 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 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 31st March, 2008; and
- (ii) in the case of the Profit and Loss account, of the Profit for the year ended on that date.

For Mittal & Associates
Chartered Accountants


M. Mehta
Partner

(Membership No.42998)



Place: Mumbai

Date: June 28, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF OTECI SECURITIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008.

(i) In respect of fixed assets:

- (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The substantial portion of fixed assets has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No part of the fixed asset has been disposed off during the year.

(ii) In respect of its inventory:

The Company is engaged in Stock Broking activity and does not have any inventory. Accordingly the directions contained in sub clause (a), (b), (c) in these regards are not applicable.

- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the sub clause (b), (c), (d) in these regards are not applicable.

- (e) The Company has not taken any loans, secured or unsecured from Companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Accordingly the sub clause (f), (g) are not applicable.

- (iv) 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 fixed assets and with regards to the sale of services. During the course of our audit, no major weaknesses have been noticed in the internal controls.

- (v) (a) In our opinion and according to information and explanation given to us, there are no transactions or arrangements as referred to the section 301 of the Companies Act, 1956 that are to be required to be maintained under that section. Accordingly sub clause (b) is not applicable.

- (vi) Company has not accepted any deposits from the public to which the provision of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposited) Rules 1975 apply.

- (vii) In our opinion, The Company has an internal audit system, commensurate with the size and nature of its business.

- (viii) The Central Government has not been prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.

- (ix) (a) According to the records of the Company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material Statutory dues applicable to it. Based on our audit procedures and according to the information and explanation given to



us, there are no arrears of undisputed statutory dues which remained outstanding as at 31st March 2008 for the period more than six months from the date they become payable.

- (ix)(b) According to the records of the Company, there are no dues of Sales Tax, Custom Duty, Excise Duty, Cess which have not been deposited on account of any dispute except for Income tax assessment year 2006-07 wherein rectification is pending with Assessing Officer for a demand of Rs. 742152/-.
- (x) The company has accumulated losses as at the end of the financial year and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our examination of records and information and explanations given to us by the management, there are no dues to financial institutions, banks or debenture holders
- (xii) Based on our examination of documents and records and information and explanation given to us, 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) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ societies. Therefore, the provisions of clause 4(xiii) of the order are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) There are no term loans raised by the Company, during the year.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on a short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Company Act 1956.
- (xix) The Company has not issued any debentures during the financial year and therefore no security or charge has been created.
- (xx) The Company has not raised money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company, has been noticed or reported during the course of our audit.

For Mittal & Associates
Chartered Accountants


M. Mehta
Partner

(Membership No.42990)



Place: Mumbai

Date: June 28, 2008