

Independent Auditors' Report

**To
The Members,
Potential Investments & Finance Limited,
Delhi.**

1. We have audited the accompanying financial statements of Potential Investments & Finance Limited which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014.
- ii) In the case of the Profit & Loss Statement, of the **Profit** of the Company for the year ended on that date.

4. Report on Other Legal and Regulatory Requirements

a) As required by the **Companies (Auditors' Report) Order, 2003 (as amended by the Amendment Order, 2004)** issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give our comments on the matters specified in paragraphs 4 and 5 of the said order to the extent as applicable to the Company in the Annexure to this report

b) As required by section 227(3) of the Act, 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 Account as required by law have been kept by the Company so far as appears from our examination of those Books.
- iii) The Balance Sheet, the Profit and Loss Statement dealt with by this report are in agreement with the Books of Account.
- iv) In our opinion, the Balance Sheet, the Profit and Loss Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- v) On the Basis of written representations received from the Directors, as on 31st March 2014 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2014 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of The Companies Act, 1956.
- vi) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For VAPS & Co.

Chartered Accountants,
Firm Regn. No. 003612 N

(Vipin Aggarwal)

Partner
M.N. 082498

Place: Delhi

Dated: 14th April, 2014

Annexure to the Independent Auditors' Report
Re: Potential Investment & Finance Limited

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) A substantial portion of the fixed assets has been physically verified by the management during the period and 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 physical verification.
 - c) There was no substantial disposal of fixed assets during the year.
2.
 - a) The inventories have been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
3.
 - a) The company has not granted unsecured loan to any company, firms or other Parties covered in the register maintained under section 301 of the companies Act, 1956. In our opinion the rate of interest and other terms and conditions on which loans have been granted from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - b) The company has taken unsecured loan from two parties covered in the register maintained under section 301 of the companies Act, 1956. The Maximum amount involved during the year Rs.150.00 Lacs and the year end balance of loan taken was Rs 150.00 Lacs. In our opinion the above mentioned party provide interest free loan to Company and other terms and conditions on which loan have been taken from company covered in the register maintained under section 301 of the companies Act, 1956 is not, prima facie, prejudicial to the interest of the company.
 - c) The company is regular in repaying the principal amounts of term loan as stipulated and has been regular in the payment of interest, if any.
 - d) There is no overdue amount of loans taken from companies, firms or other parties covered in the register maintained under section 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 commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to

the sale of goods and services. 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 explanations provided by the management, we are of the opinion that the particulars of contracts and arrangement that need to be entered into the register maintained under section 301 have been so entered.
 - b) The transactions in pursuance of such contracts have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of provisions of sections of 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule 1975.
7. In our opinion the company has an internal audit system commensurate with the size and nature of its business.
8. The company are not required to maintain the cost records in the pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956
9.
 - (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, Custom Duty, Excise Duty, Service Tax, Cess and other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty, Service Tax, Cess etc. were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanation given to us and records of the company examined by us, the particulars dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Service Tax, Cess which have not been deposited on account of any dispute, are as follows:

Sl No.	Name of the Statute	Nature of Dues	Amount in Rs.	Period to which dues Related	Authority where the Dispute is Pending for Decision
			---Nil---		

10. The company has no accumulated losses as at 31st March 2014 and has not incurred any cash losses during the financial period covered by our audit and in the immediately preceding financial period.
11. In our opinion and according to the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

12. We have been informed that 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, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (auditors' report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (auditors' report) Order, 2003 are not applicable to the company.
15. The company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to Parties and Companies covered in the register to be maintained under section 301 of the Act
19. During the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money from public issue and as such question of end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For VAPS & Co.

Chartered Accountants,
Firm Regn. No. 003612N

(Vipin Aggarwal)

Partner
M.N. 082498

Place: Delhi

Dated: 14th April, 2014