

**Relavant Extracts of the Affidavit of IT Department dated 02.08.2018 in MA 205 of 2003 rejecting report of M/s Vyas & Vyas, Chartered Accountants.**

**MA 205 of 2003 & Others dated 02.08.2018**

**Para 7.10:**

*"I respectfully further submit that all the parties contesting this application and other analogous applications for scaling down are mainly relying upon the Vyas and Vyas report, which is an audit report prepared by the Special Auditor – Vyas and Vyas – appointed by this Hon'ble Court to audit and report upon the books of accounts of Late Shri Harshad Mehta. I say that the Assessing Officer under the Income Tax Act, 1961 is not bound to follow the Auditor's report; and in any event this report all the more cannot be relied upon for following reasons which are admitted by the auditors in their report.*

*'8.2 M/s HSM while recording the transactions in its books of account totally ignored those transactions with an intention to hide the correct picture of its state of affairs. We were surprised to note the huge difference in the outstanding balances within its own group. This would clearly show; beyond doubt his fraudulent intentions and it was a clear case of manipulation and misappropriation of the books of account of M/s. HSM.*

*8.3 It would be therefore reasonable and rational to conclude that the figure of liability towards banks, financial institutions and other parties shown in the balance sheet had to be ignored since it would be difficult to rely upon those figures which were at variance with those recorded by his clients/customers*

*10.14 .....The fraudulent transactions were routed in such a manner and way that it was difficult to connect the chain of the transactions, therefore, there was no authenticity of this account and could not be relied upon. However, in no case the details of this account could be retrieved, as full information of the transactions were not available.*

*10.2.5 .....From the above statement, it would be clear that books of M/s. HSM had not shown full amount, which has been accounted for by the family members. There were huge differences in the account and books of HSM, which cannot be relied upon.*

*11.1 We scrutinized each head of Profit & Loss A/c and observed that no supporting evidence was available for expenses as well as receipts.....In the books of accounts also complete narrations were not available.*

*11.2 .....Here it may be stated that all group transactions of HSM were not accounted for in the individual hands to which it pertained. Therefore, in our opinion, the figures drawn from the books of HSM were not reliable. Further, almost all PSU, Banks and Financial Institutions provided details of transactions with HSM. The scrutiny of those details revealed major variance in the transactions. HSM had not recorded those transactions in his books of accounts and therefore income / expenses on those transactions were also not recorded in Profit & Loss A/c. and therefore true results cannot be arrived at.*

*13.1 .....We have scrutinized the books of accounts and also written letters to the concerned parties and concluded that whatever liabilities shown in the books are not supported by sufficient evidence.*

And finally the report of the auditors concludes with the following comment.

*13.6 .....In our opinion books of accounts provided by HSM were not reliable and in the eye of law these deserved to be rejected.”*