

B. Chhawchharia & Co.

Chartered Accountants

75, Park Street, Kolkata - 700 016, India
Tel : (91-33) 2229 9946, Fax : (91-33) 2229 8542
E-mail : contact@bccoindia.comAUDITORS' REPORTTo the Members of
AXIOM INTERNATIONAL PROJECTS LIMITED

1. We have audited the attached balance sheet of AXIOM INTERNATIONAL PROJECTS LIMITED as at March 31, 2005 and the related statement of profit and loss for the year ended on that 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 have 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to information and explanations given to us, we set out in the Annexure a 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:
 - (i) 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;
 - (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 and the profit and loss account dealt with by this report are in agreement with the books of account
 - (iv) 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, *except AS - 13, 'Accounting for Investments', requiring provision for diminution, other than temporary in nature, in the value of long-term investments, and AS - 15, 'Accounting for Retirement Benefits in the Financial Statements of Employers'.*



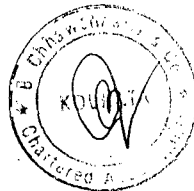
B. Chhawchharia & Co.

Chartered Accountants

Continuation Sheet

- (v) On the basis of written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to notes on Schedule 15 regarding (i) accounting of interest on fixed deposit pledged with bank on cash basis (Note 7 in Part A), (ii) accounting for leave encashment on cash basis (Note 8 in Part A), (iii) non-provision of interest on bills overdue discounted with Bank (Note 1 in Part B), (iv) balances of debtors, bank and creditors subject to confirmation (Note 2 in Part B), (v) non-provision for diminution in the value of long term investments (Note 3 in Part B), (vi) dues to SSI Units (Note 6 in Part B) and (vii) non-deposit with Investor Education & Protection Fund Rs 705,993 (Note 7 in Part B), give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2005; and
- (b) in the case of the profit and loss account, of the loss for the year ended on that date.

Kolkata
August 31, 2005



B Chhawchharia & Co
Chartered Accountants

Vikram Dhanania
Vikram Dhanania
Partner

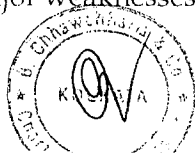
Membership No. 060568

AXIOM INTERNATIONAL PROJECTS LIMITED

Annexure to Auditors' Report

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The updation of the register is under progress.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, 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) As per the information and explanations given to us, substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedure 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) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) As per the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clauses (b), (c) and (d) of the order as aforesaid, are not applicable.
- (b) The Company has taken interest free loans from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 268,180 and the year-end balance of loans taken from such parties was Rs 38,548.
- (c) In our opinion and according to the information and explanations given to us, the terms and conditions of loan as aforesaid are not prima facie prejudicial to the interest of the Company.
- (d) According to the information and explanations given to us, the repayment of loan under (b) above is on demand.
- (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 with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.



- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year.
- (vi) The Company has not accepted any deposits within the meaning of section 58A & 58AA or any other relevant provisions of the Act and the rules framed thereunder.
- (vii) *The Company does not have an internal audit system.*
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
- (ix) (a) According to the records of the Company examined by us, in our opinion, the Company is irregular in depositing 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 with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding, as at 31 March 2005 for a period of more than six months from the date they became payable, *except Rs 188,860 for sales tax and Rs 705,593 of Investor Education Protection Fund.*
- (b) According to the information and explanations given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company does not have accumulated losses at the end of the financial year. The Company has incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the default in repayment of dues to a bank is Rs 7,506,678 which is outstanding since the previous financial year.
- (xii) According to the information and explanations 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) The Company is not a chit fund or a nidhi mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, we are of the opinion that proper records have been made of the transactions in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. All the shares, debentures and other investments are held

