

Trilok Jain & Company,

Chartered Accountants
115, Bansi Trade Center, 581/5, M.G. Road, Indore
Off. Tele/Fax 533324/533576,

AUDITOR'S REPORT

To,
Members,
Panjon Limited,
Dawa Bazar,
INDORE-452 002

We have audited the attached Balance sheet of PANJON LIMITED, INDORE as at 31ST March 2005, the Profit and Loss Account and Cash Flow Statement of the Company 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.

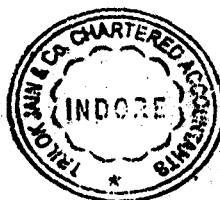
We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we annex hereto statement on the matter specified in the order.

Further to our comments in the Annexure referred to in paragraph (1) above.

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
- (b) In our opinion, proper books of accounts, as required by law have been kept so far, as appears from our examination of the books.
- (c) The Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Cash Flow Statement, Profit & Loss A/c and Balance Sheet dealt by this report are in compliance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
- (e) On the basis of written representation received from the directors and taken on records by board we mention that no directors of the Company are disqualified from being appointed in according with Clause (g) of sub section (i) of Section 274, as on 31ST March 2005 on the said date.
- (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 and subject to the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31ST March 2005 and
 - (ii) in the case of the Profit & Loss of the Profit of Company for the year ended on that date.
 - (iii) in the case of cash flow statement of the cash flows of the company for the year ended on that date.

PLACE: INDORE
Date: 31.08.2005



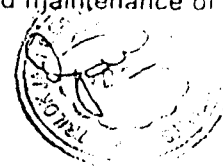
For Trilok Jain & Co.
Chartered Accountants

(Signature)
(T.C. JAIN)
Partner

ANNEXURE TO THE AUDITORS REPORT REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF PANJON LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2005.

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief we state that

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 (b) As explained to us, the fixed assets have been physically verified by the management during the year. 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) In our opinion, the company has not disposed of substantial parts of fixed assets during the year and the going concern status of the company is not affected.
- (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 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) The company is maintaining proper records of inventory. As informed to us The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has received unsecured loans and Trade deposits from various customers, which are treated as unsecured loan. The total No. Of parties are One hundred four and amount outstanding as on 31.03.05 is Rs.78,23,422/-. Disterbuter dep. Party 5 super stockist dep. 4 other 95 party .According to the information and explanation given to us, the rate of interest and other terms and conditions of the loan are prima-facie not prejudicial to the interest of the company. The Company is regular in repayment of deposits and there are no overdue Mostly As per eoupay exceeding Rs.1, 00,000/-
 (b) The company has granted unsecured loans, advances to the Companies ,Firms and Parties listed in the Register maintained under section 301. The Total No. of Parties Two and amount outstanding as on 31.03.2005 is Rs.42,27,053/- .According to the information and explanations given to us, the rate of interest and other terms and conditions of the loan are prima-facie, prejudicial to the interest of the Company as per notes no (xvi) (xv) and of notes to the Accounts.
 (c) The debtors are not regular in repaying the principal amounts as stipulated and also irregular in payment of interest.
 (d) In our opinion the company has not taken reasonable steps to recover the loan amount.
- (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 the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (A) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts of arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits hence provisions of section 58A and 58AA of the Companies Act are not applicable to company. Expect Business deposits.
- (vii) In our opinion, the company does not have Internal audit system commensurate with the size and nature of its business
- (viii) As informed and explained to us the Central Government has not prescribed maintenance of cost records under section 209(1) of the companies Act.



- (ix) (a) The company is generally 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 except including Sales Tax demand of Rs 14,95,310/- which has not been paid till the date of Audit. As per detailed list enclosed attached.

- (b) According to the information and explanations given to us and records of the Company examined by us, the particulars of dues of Sales Tax as at 31/3/2005, which have not been deposited on account of a dispute, are as follows.

Name : of the Statute	Nature of the Dues	Amount under dispute not yet deposited	Forum where dispute is pending
Sales Tax			
	2000-01 MPCT Entry Tax	258459/- 85240/-	Revision filed At Addl. Commissioner CT, Indore
	2001-02 MPCT	87,266/-	Revision filed At Deputy Commissioner of r CT, Indore
	2002-2003 MPCT CST	2,53,317/- 8,14,028/-	Appeal filed At Deputy Commissioner of CT, Indore

- (x) The company has no accumulated loss as at the end of year the company are not more than fifty percent of its net worth. The company has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.

- (xi) In our opinion and according to the information and explanations given to us, the company has defaulted in repayment of dues to a State Bank of Saurashtra please refer to note No. (vii).

a) Company had already made settlement with MPAKVN Bhopal but it has not paid full fund amount and again it is under dispute.

- (xii) We are of the opinion that the company has not granted 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/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

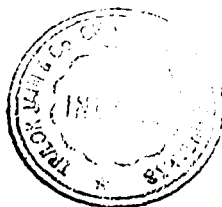
- (xv) As informed and explained to us the company has not given guarantees for loans taken by others from banks or financial institutions.

- (xvi) The company has not taken any term loan during the year under audit.


- (xvii) 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.

- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. The company has given preferential allotment of 50,000 equity shares of Rs.10/- each fully paid up at a premium of Rs.1/- per share, the company has allotted these shares as per guidelines of SEBI and has filed necessary papers and documents with ROC and stock exchanges.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debenture.
- (xx) The company has not made any Public issue of shares 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.

PLACE: INDORE
DATE: 31/08/2005



For Trilok Jain & Co.
Chartered Accountants


(T.C. Jain)
Partner

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PANJON LIMITED, INDORE
NOTES ON ACCCOUNTS

SCHEDULE "P" - PART "A"

SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING:

The Company follows the mercantile system of accounting and recognizes Income & Expenditure on Accrual Basis. Accounts are prepared on historical cost basis.

2. FIXED ASSETS AND DEPRECIATION:

i. Fixed assets are stated at their original cost of acquisition inclusive of inward freight duties and expenditure incurred in the acquisition, construction/installation.

ii. Depreciation has been charged on single shift basis at the rates specified in Schedule XIV of Companies Act, 1956. However, no amount has been written off out of Patent & Copyright Account of Rs. 48962536/- in the books of accounts due to low profit. The amount required to be written off is Rs 97,92,507/- Current period. Had the provision been made profit would have been lower by Rs.97,92,507/- for the current year.

3. INVESTMENTS:

Long term investment are stated at cost-plus expenses related to acquisition. The diminution in the market value of quoted share of Rs.17.60 Lacs has not been provided for considering the share to be temporarily.

4. INVENTORIES:

Raw material and packing material are valued at cost or market price whichever is lower, inclusive of excise duty and other taxes.

There is no Work in process stock at the year-end.

Finished goods valued at cost or realizable value which ever is less. Cost includes cost of -raw material including excise duty and other taxes and proportionate amount of operating expenditure.

However, there are obsolete Stocks and shortage in the books, not yet provided for.

5. RESEARCH & DEVELOPMENT:

The Company has not incurred any expenditure on research & development activity.

6. RETIREMENT BENEFITS:

No provision on Leave encasement, Gratuity and super annuation is made in the books of Accounts of the Company.

7. GOVERNMENT GRANTS:

The company has not received any government grant during the year.

8. FOREIGN CURRENCY TRANSACTION:

Nil

9. CONTINGENT LIABILITY:

i. Contingent liabilities are not provided in the books. The contingent liabilities, which are not, provided in the accounts as on Balance Sheet date against Sales tax for the year 2000-01 Rs.3,43,699/- ,2001-02 Rs.87,266/- & 2002-03 Rs.10,67,345/- for which appeal & revision is preferred to the concerning authority.

