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POLSON LIMITED (& REDUCED)
ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2006

DIRECTORS

JAGDISH J. KAPADIA	Chairman
AMOL J. KAPADIA	Managing Director
SUSHILA J. KAPADIA	Director
PRAVIN D. SAMANT	Director
K.P. DAYANAND	Director

SOLICITORS

D. H. NANAVATI

AUDITORS

A.S.MADON & CO
Chartered Accountants

BANKERS

CITIBANK N.A

REGISTERED OFFICE

AMBAGHAT, VISHALGAD,
TALUKA - SHAHUWADI ,
DIST - KOLHAPUR,
KOLHAPUR - 415 101.
MAHARASHTRA

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POLSON LIMITED (& REDUCED)

**Regd Office: Ambaghat, Vishalgad, Taluka Shahuwadi,
Dist: Kolhapur, KOLHAPUR 415 101**

NOTICE

Notice is hereby given that the Sixty Seventh Annual General Meeting of the Members of Polson Limited (& Reduced) will be held at the Registered Office of the Company at Ambaghat, Vishalgad,, Taluka Shahuwadi, Dist Kolhapur- 415 101 on Saturday the 19th day of August, 2006 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
2. To appoint M/s A.S. Madon & Co., Chartered Accountants, as Statutory Auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company.
3. To appoint a director in place of Mr K. P. Dayanand who retires by rotation and being eligible, offer for re-appointment.

By Order of the Board of Directors

J. J. Kapadia
Chairman

Mumbai- 30th June, 2006

Notes :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Proxies, in order to be effective, should be duly deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.

POLSON LIMITED (& REDUCED)
Regd Office: Ambaghat, Vishalgad, Taluka Shahuwadi,
Dist: Kolhapur, KOLHAPUR 415 101

DIRECTORS REPORT TO THE MEMBERS OF POLSON LIMITED (& REDUCED)

The Directors hereby present Sixty Seventh Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006.

<u>Financial Results :</u>	<u>Amt (Rs)</u>
Profit before Interest, Depreciation and Tax	46,707,652
Less : Interest	67,62,780
Less : Depreciation	80,00,802
Profit before Tax	31,944,070
Provision for Taxation	11,247,715
Deferred Tax assets-A.Y. 05-06	964,699
Net Profit after Tax	21,661,054
Add: Excess of Tax over provision FY 03-04 (AY 04-05)	1,398,310
Balance brought forward	42,922,234
Balance Carried Forward	65,981,598

During the year, the company's Sales were as follows :

	31.03.06 (Rs)	31.03.05 (Rs)
As per Schedule 12	47,32,44,355/-	37,71,83,882/-
Out of the above....		
Domestic Sales	14,63,38,513/-	14,34,10,479/-
Export Sales	32,69,05,842/-	23,37,73,403/-

Thus, Members will observe that during the current year, in spite of competition, the Company has been in a position to show improved Sales.

Dividend

To preserve funds, the directors do not recommend dividend on Equity shares of the company

Your directors have obtained a Certificate from a Secretary in whole time practice for the compliance of all the provisions of the Companies Act, as required under section 383A of the Companies Act, 1956 and a copy of the Report is attached with this Report.

DIRECTOR

Mr K. P. Dayanand retire by rotation and being eligible offer himself for re-appointment.

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DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the companies Act 1956, your Directors wish to confirm that:

1. In the preparation of the Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. Appropriate accounting policies have been selected and applied consistently and judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2006 and of the profit of the company for the financial year ended on that date have been made.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on the going concern basis.
5. Details as per Section 217(1)(e) of the Companies Act, 1956, are as follows:

i. The Company has taken appropriate measures to conserve energy during the year.

ii. During the year, the company has earned foreign exchange of US\$ 67,28,398/- by way of export sales. Foreign exchange paid out on import of raw material was US\$ 35,750/-.

Details required under Section 217(2A) :

Mr. Amol Kapadia, Managing Director of the Company was paid salary of Rs. 30,00,000/- during the financial year 2005-06.

Regarding the observations of the Auditors in their Report to the members, the same relate mostly to the Notes forming part of the accounts enclosed. These notes emanate from the Directors themselves and are self-explanatory.

The Members are requested to re-appoint the Auditor.

By Order of the Board of Directors

J.J.Kapadia
Chairman

Mumbai, 30th June, 2006.

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AUDITOR'S REPORT

To

The Shareholders of Polson Limited (& Reduced)

1. We have audited the attached Balance Sheet of Polson Limited (&Reduced) as at **31st March, 2006** and also the Profit & Loss Account and Cash Flow statement for the Financial Year Ended on that date, annexed thereto. These financial statements are responsibility of the Company's Management. Our responsibility is to express opinion on these financial statement based on our audit.
2. We conducted our audit in accordance with our accounting standard 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 from material misstatement. An Audit include examining, on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation.
3. As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies' Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 & 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 explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of Accounts as required by Law have been kept by the Company so far as appear from our examination of the books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with this report are in agreement with the Books of Accounts;
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this Report comply with the accounting standards referred to in sub-section (3c) of section 211 of the Companies' Act, 1956;
 - v. On the basis of written representation received from the Directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March 2006 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 financial statements together with the notes thereon/attached thereto and the schedule of the significant Accounting policies given in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of Balance Sheet, of the State of Affairs of the Company as on 31st March, 2006;
 - (b) in the case of Profit and Loss Account of the profit for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

Mumbai,
30.6.2006

for A.S.MADON & Co,
(Chartered Accountants)

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITOR'S REPORT TO THE MEMBERS OF POLSON LIMITED (& REDUCED) ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.

- (i) (a) The company has not 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 year. According to the information and explanation given to us no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanation given to us, the company has not made any substantial disposals during the year.
- (ii) (a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanation given to us, 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 the business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to the book record were not material.
- (iii) (a) The Company has granted loan or taken loans to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) There is no agreement for the repayment of the loan but the interest amount is paid properly.
- (d) As there is no commitment for the repayment of loan, hence in our opinion there is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of the business for the purchase of inventory, fixed asset and sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.
- (v) There were no transactions that need to be entered into the Register in pursuance of section 301 of the Companies Act, 1956.
- (vi) The company has not accepted deposit from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) The Company has an internal audit system which in our opinion is commensurate with its size and nature of the business.
- (viii) According to the information and explanation given to us, the notification issued by Central Government under section (209) (i)(d) of the Companies Act 1956 is not applicable to the company.
- (ix) (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues with appropriate authorities.

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- (b) According to the information and explanation given to us, no undisputed amount payable in respect of Income Tax, wealth Tax, Sales Tax, Custom Duty, Excise Duty and Cess were outstanding as at 31 March, 2006 for the period of more than six months from the date they became payable.
- © According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Service Tax, Customs Duty & Excise Duty which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any bank or debenture holders as at the Balance Sheet date. The Company has not taken loan or credit facility from any financial institution (except commercial Bank).
- (xii) The company has not granted any loans or advances on the basis of the security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund, Nidhi or mutual benefit fund /societies. Therefore, the provision 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 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.
- (xv) In our opinion and according to the information and explanation given to us, no guarantee has been given by the Company for loans taken by others from banks and financial institutions.
- (xvi) In our opinion, the term 'loan' has been applied for the purpose for which they were raised.
- (xvii) According to the information and explanation given to us, and on an overall examination of the Balance Sheet of the company, funds raised on short term basis have, prima facie, not been used during the year for Long term investment and vice versa.
- (xviii) The company has not made any preferential allotment of shares to parties and companies found in the register maintained under section 301 of the companies Act, 1956 during the year.
- (xix) According to the information and explanation given to us and the records examined by us, no debentures have been issued by the Company.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) On the basis of our examination and according to the information and explanation given to us, no fraud on or by the company, has been noticed or reported during the year.

For A.S.Madon & co
Chartered Accountants

Mumbai,
30.6.2006

Jay.M.Shah
Partner
Membership No. 48417

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POLSON LIMITED (& REDUCED)

BALANCE SHEET AS AT 31st MARCH, 2006

PARTICULARS	SCH	As at 31-3-2006 Rs.	As at 31-3-2005 Rs.	As at 31-3-2004 Rs.
SOURCES OF FUNDS				
a) <u>Shareholders Funds</u>				
Share Capital	1	6,000,000	6,000,000	6,000,000
Reserves & Surplus	2	84,574,568	62,166,991	49,274,436
b) <u>Loans Funds</u>				
Secured	3	71,283,398	67,823,299	42,774,543
Unsecured	4	35,974,000	33,274,000	50,979,319
TOTAL		197,831,966	169,264,290	149,028,298
APPLICATION OF FUNDS				
a) <u>Fixed Assets</u>				
Net Block (Cost less Depreciation)	5	79,513,333	72,383,186	75,554,934
b) <u>Investments</u>	6	1,350,158	1,325,587	1,064,895
c) <u>Deferred Tax Asset</u>	11-A	1,073,363	108,663	
d) <u>Net Current Assets</u>				
<u>Current Assets, Loans & Advances</u>				
Inventories	7	59,484,089	69,556,281	47,410,781
Debtors	8	57,472,275	40,506,138	27,567,458
Cash and Bank Balances	9	13,238,056	20,982,508	20,994,157
Loans and Advances	10	58,333,171	35,789,530	15,649,298
'A'		188,527,591	166,834,457	111,621,694
Less: Current Liabilities and Provisions 'B'	11	(72,632,479)	(71,387,603)	(39,213,225)
Net Current Assets (A - B)		115,895,112	95,446,854	72,408,469
TOTAL		197,831,966	169,264,290	149,028,298

As per our report of even date

FOR A.S.MADON & CO.
Chartered AccountantsJAY M. SHAH
PARTNER
Membership No. 48417
Mumbai
Dated : 30th June 2006

J.J.KAPADIA

Chairman

AMOL J. KAPADIA

Mg. Director

SUSHILA J. KAPADIA Director

Mumbai
Dated : 30th June 2006