



SIP INDUSTRIES LIMITED

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**19th
ANNUAL REPORT
2004-2005**

19th ANNUAL REPORT 2004-2005

ANNUAL GENERAL MEETING

On Thursday the 29th December 2005

at

A C Muthiah Conference Hall,
ICSI - SIRC House, 3rd Floor,
New No. 9, Wheatcrops Road,
Nungambakkam, Chennai - 600 034.

at 10.00 A.M.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

Board of Directors

Mr. K.C. Raghunathan
(Chairman & Managing Director)
Mr. K.C. Sukumar (Joint Managing Director)
Mr. T.M. Srinivasan (Director)
Mr. U. Prabhakar Rao (Director)
Mr. D. Ravi (Director)

Company Secretary

Mrs. Valliammai Muthiah

Registered Office

6th Floor, Crown Court,
128, Cathedral Road,
Chennai - 600 086.

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Floriculture Farm

Suligunta Village
Berikai, Firka, Hosur Taluk,
Dharmapuri District, Tamil Nadu

Auditors

P.B. Vijayaraghavan & Company
Chartered Accountants
14, (Old No. 27), Cathedral Garden Road,
Nungambakkam, Chennai - 600 034.

Registrar & Share Transfer Agents

Cameo Corporate Services Limited
Subramanian Building,
No. 1, Club House Road,
Mount Road,
Chennai-600 002.

19th Annual Report

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of **SIP INDUSTRIES LIMITED**, will be held at A C Muthiah Conference Hall, ICSI - SIRC House, 3rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai 600 034, on Thursday, the 29th December 2005 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 2005 and the Profit and Loss Account for the financial year ended on that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. T.M.Srinivasan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint and fix remuneration of Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting. The retiring auditors M/s P.B. Vijayaraghavan & Co., are eligible for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolution, with or without modification, as **ORDINARY RESOLUTION**.

"RESOLVED that Mr.D.Ravi be and is hereby appointed as a director of the Company, liable to retire by rotation."

By Order of the Board

CHENNAI
24.11.2005

K. C. RAGHUNATHAN
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Duty completed Proxy Form in order to be effective, should be deposited at the Registered Office of the company not less than forty-eight hours before the time fixed for the commencement of meeting. Proxy Form is enclosed.
3. Register of Members and Share Transfer Books of the Company will remain closed from 23.12.2005 to 29.12.2005(both days inclusive).

DIRECTORS' REPORT

Your Directors present their 19th Annual Report to their Shareholders together with the Audited Accounts for the year ended 30th September 2005.

FINANCIAL RESULTS:

The financial year ended 30th September 2005 resulted in a net loss of Rs.9.48 lacs as against the Net Loss of Rs. 123.32 lacs during the previous year.

2004-05 2003-2004
(Rs. in lakhs)

Profit/(Loss) before depreciation,		
Interest and Tax	(24.00)	(58.27)

4. Members are requested to immediately inform the Company if there is any change in their addresses. Members whose shareholding are in the electronic mode are requested to send the intimation for change of address to their respective Depository Participant.
5. Members who hold shares in Dematerialised form, are requested to bring their Depository Account Number (Client ID Number) for easy identification and recording of attendance at the meeting.
6. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and insertion of Section 205C by the Companies(Amendment) Act, 1999, the unpaid/unclaimed amount of matured 14% Non Convertible Debentures and interest accrued thereon, have been transferred to the Investor Education and Protection (IEP) Fund set up by the Central Government.
7. Members are requested to claim from the Company their unclaimed dividends, if any, in respect of financial year 1999-2000 at the earliest, as the same will be transferred to the credit of IEP Fund of the Central Government under the provisions of Section 205C of the Companies Act, 1956 after seven years. It may please be noted that no claims shall lie against the Company or IEP Fund in respect of the said amount.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.4:

Mr. D.Ravi was appointed as an additional director with effect from 29th April 2005. He holds office upto the ensuing Annual General Meeting. Notice in writing has been received from a member of the Company under section 257 of the Companies Act, 1956 signifying his intention to propose Mr.D.Ravi as a candidate to the office of the director of the Company.

Mr. D.Ravi, B.Sc., F.C.A, is a renowned Financial Consultant whose advice is valued highly. He is also the Chairman of the Investor Grievance Committee and a member of the Audit Committee of the Company. It would be in the interest of the Company to continue to avail of his valuable experience and guidance. The Board recommends his appointment. Except Mr.D.Ravi, none of the directors of the company are, in anyway, concerned or interested in the resolution.

By Order of the Board

CHENNAI
24.11.2005

K. C. RAGHUNATHAN
Chairman & Managing Director

Profit/(Loss) before taxation	(9.48)	(123.32)
Net Profit/(Loss) after Tax	(9.48)	(123.32)
Balance brought forward	(302.92)	(241.82)
	(312.40)	(365.14)

Deferred Tax Liability reversal	8.69	14.08
Transfer from General Reserve	-	48.14
Balance carried to Balance Sheet	(303.71)	(302.92)

DIVIDEND :

In the absence of profit during the year, your Directors express their inability to recommend any dividend for the year.



SIP INDUSTRIES LIMITED

PERFORMANCE AND PROSPECTS:

During the year under review, the Company's Floriculture Unit in Berigai, Dharmapuri Dist., Tamil Nadu has recorded a turnover of Rs.93.49 lakhs (export turnover of Rs.39.97 lakhs and local sale of Rs.53.52 lakhs) as against Rs.57.55 lakhs in the previous year, which has yielded a cash profit Rs.28.78 lakhs. The significant rise in the turnover has resulted in 62% growth over the previous year and the same is much more than the projection in the previous Annual Report. The trend in the export of flowers is encouraging and the Company will continue to pursue its efforts to increase its turnover during the current year.

The Company has received Dividend of Rs.23.39 lakhs from M/s SIP Technologies & Exports Limited (SIPTech), during the year under review.

The Plant & Machinery and Land & Building (of the Resin Unit) were disposed off during the year under review and with the proceeds, the entire loan with the Indian Overseas Bank was settled.

DIRECTORS:

Mr T M Srinivasan retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Mr. D Ravi appointed as Additional Director on 29.04.2005, holds office upto the date of the ensuing Annual General Meeting. The Company has received notice under section 257 of the Companies Act, 1956 proposing his appointment as Director subject to retirement by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis.

AUDITORS:

M/S P.B. Vijayaraghavan & Company, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

EMPLOYEE PARTICULARS:

None of the personnel in the Company was in receipt of remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 as amended during the year under review.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars as to a) Conservation of Energy b) Technology Absorption c) Foreign Exchange Earnings and Outgo, as required by Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are attached and form part of this report.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance along with Auditors' Certificate of the compliance is included as part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS:

(i) The Management Discussion & Analysis Report, as required in terms of Clause 49 (V) (A) of the Listing Agreement.

During the year under review, the Company's Floriculture Unit in Berigai, Dharmapuri Dist., Tamil Nadu, with the unstinted efforts, has recorded a turnover of Rs.93.49 lakhs (export turnover of Rs.39.97 lakhs and local sale of Rs.53.52 lakhs) as against Rs.57.55 lakhs in the previous year, which has yielded a cash profit Rs.28.78 lakhs. The significant rise in the turnover has resulted in 62% growth over the previous year and the same is much more than the projection in the previous Annual Report.

The trend in the export of flowers is encouraging and the Company will continue to pursue its efforts to increase its turnover during the current year.

Adequate internal control system is instituted in the Company and the Accounting records provide a true and fair view of the financial condition of the Company.

ACKNOWLEDGEMENTS:

Your Directors thank the Bankers for their continued support to the Company.

The Directors also wish to place on record their appreciation for the hard work put in by the employees at all levels.

By Order of the Board

Chennai
24.11.2005

K. C. RAGHUNATHAN
Chairman & Managing Director

FORM - A

Form of disclosure of particulars with respect to conservation of energy.

CONSERVATION OF ENERGY

The Resin Unit of the company remains closed, hence not given. The Floriculture Unit is an Agricultural Industry and not Energy Intensive.

FORM - B

(A) TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

Not Applicable as Resin unit is closed.

(B) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- Foreign Exchange Earnings and Outgo are shown in Notes to the Accounts. Members are requested to refer to those Notes.

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REPORT ON CORPORATE GOVERNANCE

SIP INDUSTRIES LIMITED has implemented the code of Corporate Governance in terms of the Listing Agreement with the Stock Exchange. Good governance ensures that the Company is managed in a responsible manner by monitoring the internal controls and external aspects such as serving all the stakeholders and improving shareholders value.

The following is a report on the status and progress on major aspects of Corporate Governance.

1. BOARD OF DIRECTORS

a) Composition

The Board comprises 5 members from various disciplines like finance and business management.

b) Executive and independent directors

The Board has been constituted in a manner, which will result in an appropriate mix of executive and independent directors.

Executive Directors:

1. Mr K C Raghunathan (Chairman and Managing Director)
2. Mr K C Sukumar (Joint Managing Director)

Independent non-executive directors

1. Mr. T M Srinivasan
2. Mr. U Prabhakar Rao
3. Mr. D Ravi

The independent directors actively participate in the deliberations at the Board meetings and offer their ideas and share their experiences.

Appointment/Resignation/retirement of directors during the year 2004-2005:

Mr. D Ravi was appointed as Independent Non-Executive Director w.e.f.29.04.2005.

Dr. J Venkataramana retired by rotation at the Eighteenth Annual General Meeting held on 30.12.2004 and did not seek reappointment.

c) Board Meetings

There were Four Board Meetings during the financial year. The Board meetings were held on the following dates

1. 26.11.2004
2. 25.01.2005
3. 29.04.2005 and
4. 29.07.2005

The time gap between any two meetings did not exceed four months.

The attendance of directors at the Board meetings and last Annual General Meeting is as follows:

Director	Board meetings attended	Last AGM attendance Yes / No / NA
Mr. K C Raghunathan	4	Yes
Mr. K C Sukumar	3	Yes
Mr. T M Srinivasan	4	Yes
Mr. U Prabhakar Rao	3	Yes
Dr. J Venkataramana *	1	No
Mr. D. Ravi **	2	No

* Dr. J Venkataramana retired by rotation at the Eighteenth Annual General Meeting held on 30th December 2004 and did not seek reappointment.

** Mr. D Ravi was appointed subsequent to the previous Annual General Meeting

DETAILS OF DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS IN OTHER COMPANIES:

NAME OF THE DIRECTOR	OTHER DIRECTORSHIPS	MEMBERSHIP OF COMMITTEES
1. Mr.K.C.Raghunathan	-SIP Technologies and Exports Limited - M/s Siptech Solutions Limited - M/s Southern Industrial Polymers Private Limited - M/s Bionics Equipment Private Limited - M/s SIP Florals Private Limited	NIL
2. Mr.K.C.Sukumar	-SIP Technologies and Exports Limited - M/s Southern Industrial Polymers Private Limited - M/s Bionics Equipment Private Limited -M/s SIP Florals Private Limited	NIL
3. Mr.T.M.Srinivasan	- Kasturi Drugs and Pharmaceuticals Limited	NIL
4. Mr.U.Prabhakar Rao	- The Commercial Credit Corporation (1943) Private Limited - Consolidated Credit Co. Private Limited	Tamil Nadu Cricket Association
5. Mr.D.Ravi	Nil	Nil

2. BOARD COMMITTEES

In accordance with the code of corporate governance, the Board has set up the following Committees.

(I) AUDIT COMMITTEE

a) Composition

During the year, the Audit Committee was reconstituted consequent to the changes in the Board of Directors. The Committee presently consists of the following three non-executive independent directors

1. Mr. T M Srinivasan (Chairman of the Committee)
2. Mr U Prabhakar Rao
3. Mr. D Ravi

Mrs.Valliammai Muthiah, Company Secretary is the Secretary to the Committee.

b) Terms of Reference

The Audit Committee plays a significant role in the reporting of financial performance and review of internal control procedures.

c) Committee Meetings

The Committee met three times during the year under review i.e. on 26.11.2004, 29.04.2005 and 29.07.2005. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Mr.T M Srinivasan	3
Mr U Prabhakar Rao	2
Dr. J. Venkataramana	1
Mr. D Ravi	2



SIP INDUSTRIES LIMITED

(II) INVESTORS' GRIEVANCE COMMITTEE

a) Composition

During the year, the Investors' Grievance Committee was reconstituted consequent to the changes in the Board of Directors. The Committee presently consists of the following three directors

1. Mr. D Ravi (Chairman of the Committee)
2. Mr.K C Raghunathan
3. Mr.K C Sukumar

b) Terms of reference

The Committee looks into various issues relating to shareholder/investors grievances.

c) Committee meetings

The Committee met thrice during the year under review i.e. on 26.11.2004, 29.04.2005 and 29.07.2005. The attendance of directors at the committee meetings is as follows:

Member	Committee meetings attended
Dr. J. Venkataramana	1
Mr. D Ravi	2
Mr.K C Raghunathan	3
Mr.K C Sukumar	3

The company had received 12 complaints from the shareholders during the year under review and were redressed to the satisfaction of shareholders.No share transfer was pending as on 30.09.2005.

3. DETAILS OF REMUNERATION PAID TO DIRECTORS DURING 2004-05

Sl No	Name	Sitting fees	Salary/ Allowances	Contribution to PF & other funds	Money value of perquisites
1	Mr. K C Raghunathan	-	Rs.9,60,000/-	Rs.72,000/-	Rs.1,40,565/-
2	Mr. K C Sukumar	-	-	-	-
3	Mr. T M Srinivasan	Rs.4000/-	-	-	-
4	Mr. U Prabhakar Rao	Rs.3000/-	-	-	-
5	Dr. J Venkataramana	Rs.1000/-	-	-	-
6	Mr. D Ravi	Rs. 2000/-	-	-	-

4. DIRECTORS:

Profile of Director retiring by rotation

Mr. T M Srinivasan, B.A.(Hons), B.L., MSc.(Econ.), London, Diploma(German), is a Director on the Board of the Company since 08.08.1987 . He has held Directorships in various banks such as Indian Overseas Bank, Bharat Overseas Bank and other Industrial Enterprises. He has rich experience in business. His business experience and acumen will benefit the Company. He is the Chairman of the Audit Committee of the Company.

Mr. T M Srinivasan is retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

5. DISCLOSURES

1.As per the declarations given by the management to the Board, during the year 2004-05, there were no material, financial and commercial transactions which are in potential conflict with the interest of the Company at large.

List of related party disclosures:

The Company has received loan of Rs.97,17,156/- from M/s SIP Technologies & Exports Limited, an Associate Company and the same has been disclosed in the Notes on Accounts as per Accounting Standard - 18 issued by the Institute of Chartered Accountants of India.

6. GENERAL SHAREHOLDER INFORMATION

Forms part of this report.

On behalf of the Board

Chennai
24.11.2005

K. C. RAGHUNATHAN
Chairman & Managing Director

GENERAL SHAREHOLDER INFORMATION

1. Registered Office of the Company

6th Floor,Crown Court, 128, Cathedral Road, Chennai 600 086

2. Annual General Meetings

Ensuing AGM

Date & Time : 29.12.2005, 10.A.M

Venue: A C Muthiah Conference Hall, ICSI - SIRC House, 3rd Floor, New No.9, Wheatcrofts Road, Nungambakkam, Chennai 600 034

Last 3 Annual General Meetings

AGM for the year	Date	Time	Venue
2001-2002	23.12.2002	10 A.M.	Bharatiya Vidya Bhavan, Mylapore, Chennai 600 004
2002-2003	31.12.2003	10 A.M.	No.116 III Floor, Radhakrishnan Salai Mylapore, Chennai 600 004
2003-2004	30.12.2004	10 A.M.	Bharatiya Vidya Bhavan Mylapore, Chennai 600 004

3. Financial Calendar (*tentative and subject to change*)

Financial Reporting for

- Quarter ended December 31, 2005	31 st January 2006
- Half year ended March 31, 2006	30 th April 2006
- Quarter ended June 30, 2006	31 st July 2006
- Quarter and year ended September 30, 2006	30 th November 2006

4. Book Closure Dates

23rd December 2005 to 29th December 2005.

5. Dividend

Your Directors have not recommended any Dividend for the Financial Year 2004-05.

6. Listing on stock exchanges & stock code

Stock Exchange	Stock Code
The Stock Exchange, Mumbai	523164
Madras Stock Exchange	SIPINDS
Demat ISIN Number for NSDL & CDSL in Equity Shares	INE186B01017

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7. Market price data

Period	Mumbai Stock Exchange	
	High	Low
October 2004	4.55	3.50
November 2004	5.25	2.55
December 2004	4.94	3.00
January 2005	5.35	3.34
February 2005	4.76	3.47
March 2005	5.05	3.51
April 2005	5.07	3.01
May 2005	11.60	3.76
June 2005	10.34	5.66
July 2005	11.40	6.84
August 2005	19.08	10.25
September 2005	18.00	12.70

There was no trading in the Equity Shares of the Company in the Madras Stock Exchange for the period from October 1, 2004 to September 30, 2005.

8. Share transfer system and Registrar & Transfer Agents

The share transfer committee met almost twice every fortnight during the year 2004-2005.

M/s. Cameo Corporate Services Limited, Chennai are the Registrar and Share Transfer Agent including electronic connectivity Agent with effect from 31st March 2003.

9. Shareholding pattern / Distribution

Shareholding Pattern as on 30.09.2005

Category	% to total capital
Promoter Group	62.48
Financial Institutions	-
Non-residents (NRIs/OCBs/FIIs)	2.08
Banks	0.01
Mutual Funds	0.01
Others	35.42
Total	100.00

Distribution of shareholding as on 30.09.2005

Category (in Rs.)	No. of holders	% to total	No. of shares	% to total
Upto 5,000	3721	88.51	643141	13.75
5,001-10,000	284	6.76	215044	4.60
10,001- 20,000	101	2.40	152938	3.27
20,001- 30,000	41	0.97	100203	2.14
30,001- 40,000	15	0.36	53553	1.14
40,001- 50,000	7	0.17	31727	0.68
50,001-1,00,000	15	0.36	103705	2.22
1,00,001 and above	20	0.47	3376104	72.20
Total	4204	100.00	4676415	100.00

10. Dematerialisation of shares

The Company's shares can be sold through stock exchanges only in dematerialised form. As on date, shares constituting 25.62% of the total paid up capital of the Company have been dematerialised.

11. Means of communication

The quarterly, half yearly and yearly financial results are intimated to both the Stock Exchanges where the Company's shares are listed and also published in the English Newspaper "News Today" and Tamil Newspaper "Malai Chudra". The annual reports are sent by mail to all shareholders.

12. Compliance officer

Mrs Valliammai Muthiah, Company Secretary
SIP Industries Limited
Regd Office: 6th Floor, Crown Court,
No. 128, Cathedral Road, Chennai - 600 086.

13. Contact address for shareholders' assistance

M/s Cameo Corporate Services Limited
Subramanian Building, No. 1 Club House Road,
Mount Road, Chennai 600 002.
Telephone : (044) 2846 0390 - 94
Fax : (044) 28460129
E-mail : cameo@cameoindia.com

Chennai
24.11.2005

On behalf of the Board
Mr. K C Raghunathan
Chairman and Managing Director

AUDITORS' CERTIFICATE ON CLAUSE 49 COMPLIANCE

CERTIFICATE

We have reviewed the implementation of the Corporate Governance procedure by SIP Industries Limited for the year ended 30th September, 2005 with the relevant records and documents maintained by the Company as furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

Chennai
24.11.2005

For P B VIJAYARAGHAVAN & Co.
Chartered Accountants

P.B. SANTHANAKRISHNAN
Partner



SIP INDUSTRIES LIMITED

AUDITOR'S REPORT

AUDITOR'S REPORT TO THE MEMBERS OF SIP INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of SIP Industries Limited as at 30th September 2005 and also the Profit and Loss Account 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 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 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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 in paragraph 3 above, we report that :
 - (a) 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.
 - (b) 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.

- (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet and Profit & 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 to the extent applicable.
- (e) On the basis of written representations received from the Directors, we report that none of the Directors is disqualified as on 30th September 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of balance sheet, of the state of affairs of the company as at 30th September 2005;
 - (ii) In the case of the Profit & Loss Account, of the LOSS for the year ended on that date;
 - (iii) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For P.B. VIJAYARAGHAVAN & CO.,
Chartered Accountants.

Date : 24.11.05
Place : Chennai

P.B. SANTHANAKRISHNAN
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT ON THE ACCOUNTS OF SIP INDUSTRIES LIMITED FOR THE YEAR ENDED 30TH SEPTEMBER 2005

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 report that :

- 1) In respect of fixed assets :
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As per the information and explanation given to us, all the fixed assets have been physically verified by the management during the year at reasonable intervals, which in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
 - c) During the year, the Company has disposed off the land and factory building related to Resin Division for Rs. 50 lacs. As the sale value of land and building is not mentioned separately, the apportionment to the land has been done according to the estimated market value of the land on the date of sale and the balance will be taken as the sale value for building.
- d) During the year the Company has disposed off substantial part of fixed assets of Resin Division, as there is no activity. However, the going concern is not affected as the business of the Floriculture Division continues.
- 2) In respect of inventories :
 - a) All the inventories maintained in the Floriculture Division are perishable in nature. So the Company has not taken any value for the closing inventory.
 - b) The stock in trade shown under Balance Sheet relates to shares. These shares are valued at lower of the cost or market value.
 - c) The consumables are valued at lower of the cost or market value.
 - d) In our opinion and according to the information and explanations given to us, the procedures followed by the management for physical verification of the above said items are reasonable and adequate in relation to size of the Company and nature of its business.
 - e) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. There are no material discrepancies noticed on physical verification.

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- 3) In respect of loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

The Company has taken unsecured loan from SIP Technologies & Exports Ltd.

- a) In our opinion and according to the information and explanations given to us, the rate of interest, wherever applicable and other terms and conditions on which loans are taken and granted by the Company are not prima-facie prejudicial to the interest of the Company.
- b) In respect of loans taken and granted by the Company, the interest payment & receipt is regular and the principal amount is repayable on demand.
- c) Since the loans taken and granted by the Company are repayable on demand, no question of overdue amounts arises.
- 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 nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods. During the course of audit, no major weakness has been noticed in the internal control.
- 5) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- a) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements, if any, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore, the provisions of Section 58A and 58AA of the Companies Act, 1956 and Rules there under are not applicable to the Company.
- 7) The internal audit for the period has not been carried out even though required, the management informs us that there have been no manufacturing activities during the period and the other activities are not significant.
- 8) The Department of Company Affairs has withdrawn the cost audit order issued u/s. 233B of the Companies Act, 1956 vide letter-dated 28.04.2003, in respect of Resin Division and hence the question of maintenance of cost audit records does not arise. No cost audit has been prescribed for the Floriculture Division.
- 9) In respect of statutory dues :
- a) According to the information and explanations given to us, the Company was regular in depositing dues in respect of Employees Provident Fund, Employees State Insurance Fund, Income Tax and other statutory dues with the appropriate authority during the year.
- b) At the end of the financial year there were no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except as follows:

Name of the statute	Nature of Dues	Amount in Rs.	Forum where dispute is pending and status
Income Tax Act 1961	Interest u/s 234 B, 234C, 220 (2) AY 2000-01	Rs. 27,66,636/-	Waiver petition before the Commissioner of Income Tax, (Appeal) Chennai.
Income Tax Act 1961	Interest u/s 234 B, 220 (2) AY 1996-97	Rs. 27,19,730/- Rs. 9,92,690/-	Waiver petition before Chief commissioner of Income Tax, Chennai.
Industrial Tribunal	Amount deposited in Industrial Tribunal Chennai	Rs. 1,23,830/-	Case pending in High Court. Chennai.
Industrial Tribunal	Amount deposited in Industrial Tribunal, Chennai	Rs. 5,75,000/-	Case pending in High Court. Chennai.
Industrial Tribunal	Amount deposited in Industrial Tribunal, Chennai	Rs. 4,69,130/-	Case pending in Labour Court, Chennai.

- 10) The Company's accumulated losses as at 30th September 2005 are not more than 50% of its net worth and it has not incurred cash losses for the period ended on that date. But the company has incurred cash losses during the preceding years.
- 11) The Company has not taken any loan from Banks or any other Financial Institutions. So the question of default in repayment does not arise.
- 12) In our opinion and according to information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other security.
- 13) The provision of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies is not applicable to the Company.
- 14) The Company is a dealer in shares, debentures etc., and proper records and books of accounts are maintained. Also the Company in its name holds the shares and debentures.
- 15) As per the information and explanation given to us by the management, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- 16) The Company has not taken any term loan from Banks or Financial Institutions.
- 17) The Company has not acquired any Long Term or Short Term Loans. So the question of utilization does not arise.
- 18) The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956, during the year.
- 19) No debentures has been issued during the year.
- 20) The Company has not raised money by way of public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- 21) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For P.B. VIJAYARAGHAVAN & CO.,
Chartered Accountants.

Date : 24.11.2005
Place : Chennai

P.B. SANTHANAKRISHNAN
Partner