

OCTAGON
INDUSTRIES LTD.

14th

ANNUAL REPORT

2005-2006

Board of Directors

Smt. Priyavandana S. Parekh	Chairperson
Shri Shailesh J. Parekh	Managing Director
Shri Jayesh M. Gangadiya	Director
Rajesh C. Dharafani	Director
Shri Jivraj M. Patel	Director
Dr. Ashalata Kulshrestha	Director

Banker's
State Bank of Hyderabad
Nanapura, Surat

Registrar & Transfer Agent :-

Sharepro Services, Satam Estate, 3rd Floor,

Above Bank of Baroda, Cardinal Gracious Road, Andheri (East) Mumbai-400 099.

Factory :-

Plot No.52, Pipariya Industries, Estate Phase II, Pipariya, Silvassa (D & NH)

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REQUEST: You may desire to have some clarification or additional information on the accounts for the year ended 31st March 2006 at the ensuing Annual General Meeting. We shall very much appreciate if you kindly write to us at least ten days in advance to enable us to keep the information ready for you at meeting.

NOTICE

NOTICE IS HEREBY GIVEN THAT THEFOURTEENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF OCTAGON INDUSTRIES LIMITED WILL BE HELD ON AT THE REGISTERED OFFICE OF THE COMPANY AT PLOT NO. 52, PIPARIYA INDUSTRIAL ESTATE PHASE II, PIPARIYA SILVASSA, DADRA AND NAGAR HAVELI

ORDINARY BUSINESS:-

1. To consider and adopt the Balance Sheet as at 31.03.2006 and the Profit and Loss Account for the year ended as on date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. Jivrajbhai M Patel , who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Rajeshbhai Manubarwala , who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification following resolution as ordinary resolution

To appoint Mr. Jayesh Gandadiya who was appointed as additional director and in respect of whom a notice as required along with deposit has been received form some of the shareholders be and is hereby appointed as Director of company liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification following resolution as ordinary resolution

To appoint Mrs. Dr.Ashalata Kulshretha who was appointed as additional director and in respect of whom a notice as required along with deposit has been received form some of the shareholders be and is hereby appointed as Director of company liable to retire by rotation.

7. To consider and if thought fit to pass with or without modification following resolution as special resolution

Resolved that pursuant to section 21 and other applicable provisions of The Companies Act 1956 and subject to approval of Central Government the name of the company be changed form Octagon Industries Limited to Gujarat Cotex Limited.

Resolved further that pursuant to provisions of section 17 and section 31 and other applicable provisions of The Companies Act 1956 and on approval of change in name by Central Government the existing name of the company the name Octagon Industries Limited be substituted by Gujarat Cotex Limited wherever it appears in the Memorandum of Association and Articles of Association of company.

8. To consider and if thought fit to pass with or without modification following resolution as ordinary resolution

Resolved that pursuant to provisions of section 198, 269 and other applicable provisions of The Companies Act 1956 and Schedule XIII of the Companies Act 1956 and in suppression of earlier resolutions Mr. Shailesh Parekh be and is hereby appointed as Managing Director of the company with effect form 01.10.2006 on a monthly salary up to Rs 10,000.00 per month plus perquisites as prescribed under schedule XIII of the companies Act 1956 with an authority of Board of directors to determine actual remuneration payable with in aforesaid limit of Rs 10,000.00 per month plus perquisites within the limits prescribed under schedule XIII of the companies Act 1956.

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/herself and that the proxy need not be a member of the company. The proxies in order to be effective, should reach the registered office of the company at least 4 hours before the time fixed for the meeting.
- (2) Members desiring any information as regards accounts, are requested to write to the Company at least 10 days before the meeting to enable the management to keep the information ready.
- (3) Members/Proxies attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting place.
- (4) Explanatory Statement pursuant to section 173 of the Companies Act 1956 is enclosed.

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT IN THE FORTIETH ANNUAL GENERAL
MEETING
(In pursuance of Clause 49 of the Listing Agreement)

1) Name of Directors	Rajeshbhai Manubarwala	Jayesh Gangadiya	Dr.Ashatala Kulshrasthat	Jivrajbhai Patel
2) Age	40	38	65	45
3) Qualification	B.Com.	B.Com	B.E.	M.Tech
4) Date of Appointment	1996	1996	2006	2005
5) Experience	20 Years	20Years	-	-
6) Other Directorship as on 31.3.2005	-	-	-	-
7)Chairman/member of the Committee as on 31.03.06	-	-	-	-

Place : Silvassa
By Order of the Board of Directors

Date :- 6TH July, 2006,

Shailesh Parekh
Managing Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

ITEM NO.5

Mr. Jayesh Gandadiya had been associated with company as director earlier. He resigned from board due to personal reasons but has been reappointed as additional director during the year. His term of appointment as additional director expires at this Annual General Meeting. Company has received a notice for some members proposing his appointment as director. The resolution is therefore put before members for consideration.

The directors recommend resolution for approval of members. None of the directors except Mr. Jayesh Gandadiya is directly or indirectly concerned or interested in resolution.

ITEM NO. 6

Dr. Ashalata Kulshrestha was as additional director during the year. Her term of appointment as additional director expires at this Annual General Meeting. Company has received a notice for some members proposing her appointment as directors. The resolution is therefore put before members for consideration.

The directors recommend resolution for approval of members. None of the directors except Ms. Ashalata Kulshrestha is directly or indirectly concerned or interested in resolution.

Item No.7

The company was originally incorporated with an object to carry on textile related business the name 'Gujarat Cotex Limited'. The name was subsequently changed to Octagon industries Limited as it was proposed to carry on varied objects. The company however continued to be a textile company and no other industries were started since the projects were not found viable.

It is now proposed to change the name of the company by restoring the original name 'Gujarat Cotex Limited' in place of existing name 'Octagon Industries Limited'. The company has made necessary application for availability of name. The change in name required approval of members by way of special resolution and hence the resolution is put before members for consideration.

The change in name shall be subject to approval of register of companies and shall be effective from date of issuance of certificate of change of name. The copy of application of availability of name. Copy of existing memorandum of association and articles of association with proposed changes is available for inspection at registered office of the company.

The Directors recommend resolution for approval of members.

None of the directors is in any way concerned or interested in resolution.

TEM No. 8

Mr. Shailesh Parekh has been acting as managing Director of the Company. He is the promoter of the company and is associated with company since incorporation. It is proposed to now appoint him as managing Director at salary not exceeding Rs. 10,000.00 per month with perquisite allowable under schedule XIII of the Companies act 1956. Since appointment is being made under schedule XIII of the Act no central government approval is required but approval of members is necessary. The resolution is therefore put before members for consideration.

None of the directors except Shri.Shailesh Parekh and Ms. Privanda Parekh are deemed to be concerned or interested in the resolution.

The directors recommend resolution for approval of members.

The extract of relevant provisions of the Act and other related documents are available for inspection of members at registered office of the company.

Place: Silvassa

Shailesh Parekh

By Order of the board of directors

Date: 6th-July-2006

Managing Director

DIRECTORS' REPORT

To,
The Members

Your directors have pleasure in presenting their Fourteenth annual report and the audited statement of accounts for the year ended on 31st March, 2006 together with the auditors report thereon.

FINANCIAL RESULTS

The summarized financial results for year end 31st March 2006 are as under

Particulars	Amount in Rupees	
	2005-06	2004-05
Sales and other income	5687959	2190667
Total expenditure	5650316	3637929
Profit (+)/loss (-) after interest but before depreciation & taxation	37643	(1447262)
Depreciation	1006537	10067460
Taxation	000	000
Net profit (+)/loss (-)	(968894)	(2514722)

DIVIDEND

In view of losses the directors do not recommend any dividend for the year ended 31st March 2006..

COMPANY PERFORMANCE

The company started the activity of sale of fabrics and concentrated on trading business along with manufacturing activities. The turn over has increased from Rs.22.40 lacs to Rs. 54.20 Lacs. The company was able to reduce losses for Rs.25.14 lacs to Rs.9.68 lacs. The directors are confident of better working in current year.

MANAGEMENT DISCUSSION AND ANALYSIS.

- (a) Industry Structure and Developments :- Company is a Textile Company
- (b) Opportunities and Threats :- The textile industry provides ample opportunities in domestic and as well as export market. However the uncertainty of raw material prices and government policies are detrimental to growth and profitability.
- (c) Segmentwise or productwise Performance :- Company operates in single segments i.e. Textile.
- (d) Outlook :- The Company has wiped off major secured loan and proposes to install fresh manufacturing facilities.
- (e) Risks & Concerns :- Company do not foresee any such risk in near future, which will hamper the activities.
- (f) Internal control systems and their adequacy :- Company is in the process of implementing various software's for better control.
- (g) Human Resources Management Initiatives:- The management is keenly interested in this field. All the efforts are made to rationalize its manpower and make effective use of the same.

BOARD OF DIRECTORS:

During the year Dr.Ashalata Kulshashtra and Mr.Jayesh gangadiya were appointed as additional directors. Mr.Rajesh Drafani and Mr.Mukesh Drafani resigned as directors. There was no other change in Board. The retiring directors are eligible for reappointment. The board recommends appointment of retiring directors.

AUDITORS :

M/s. Adil Aibada and Associates, Chartered Accountants, retire at this Annual General Meeting and being eligible offer themselves for reappointment. Your Company has received a letter from them to the effect that their reappointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. The Board of directors commend their reappointment.

FIXED DEPOSITS :

Your Company has not accepted any deposits from public.

CORPORATE GOVERNANCE :

Certificate of the company secretary regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with stock exchange, is enclosed..

STATUTORY INFORMATION :

(i) Information under section 217 (1) (e) of the Companies Act, 1956 read with the companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:-

A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken: None at present
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy: There are no proposals.
- c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: Does not arise.
- d) Total energy consumption and energy consumption per unit of production as per Form "A" to annexure in respect of industries specified in the schedule thereto: Not Applicable

B. TECHNOLOGY ABSORPTION

Form B

Research & Development (R & D)

1. Specific area in which R & D carried by the company: None at Present
2. Benefits derived as a result of the above R & D: Does not arise.
3. Future plan of action: At present it is not under consideration
4. Expenditure on R & D: Nil

Technology absorption, adaptation and innovation:

1. Efforts being made towards technology absorption, adaptation and innovation: None
2. Benefits derived as a result of the above efforts e.g. Product improvement cost, reduction, product development, import substitution etc. : None
3. Imported technology : Not applicable as technology has not been imported.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Earning: Rs. Nil Outgo : Rs. NIL

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AS AMENDED UP TO DATE :

The company do not have any employee drawing salary in excess of limits prescribed under section 217 (2a) of the companies act, 1956 read with the companies (particulars of employees) rules 1975 the particulars should be treated as nil

DIRECTORS' RESPONSIBILITY STATEMENT.

Your Directors confirm that:

- (i) In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments 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 financial year and of the loss of the company for the year.
- (iii) The Directors has taken proper and sufficient care 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, and
- (iv) The Directors had prepared the accounts on going concern basis.

INDUSTRIAL RELATIONS:

The industrial relations continued to be cordial during the year under review.

ACKNOWLEDGMENT:

The Directors express their sincere thanks to the employees, customers, suppliers, company's bankers and members of the company for their continued support.

Place : Silvassa

By Order of the Board of Directors

PRIYAVANDA S. PAREKH
SHAILESH J. PAREKH

Date : 6TH July, 2006,

Directors

REPORT ON CORPORATE GOVERNANCE

The Company's policies and practices continued to aim at efficient conduct of business and in effective meeting its obligations to the shareholders as the company believes in good corporate governance.

BOARD OF DIRECTORS:

The present strength of Board of Directors of your Company is six. Comprising of Chairperson, managing Director and four other independent directors. Managing Director is executive director and others are non executive directors. None of the directors are members in more than ten committees and they do not act as chairman of more than five committees

"Independent Director" who apart from receiving director's remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, which in judgment of the Board may affect independence of judgment of director.

Brief resume of the directors who retire by rotation and seek reappointment is given in the notes to the notice, the members are requested to refer the same.

Attendance of Directors at the meeting of Board of Directors held during the financial year 2005-2006 and the last Annual General Meeting held on 30.09.2005 are as follows:

Details of Meetings of Board of Directors held during the year 2005-2006:

Sr.No.	Date	No. of Directors present
1	30.04.2005	6
2	18.07.2005	6
3	31.07.2005	4
4	31.10.2005	4
5	31.01.2006	5

Name of Director	No. of Board Meeting Attended	Attendance in A.G.M.
Mrs. Privanda S.Parekh	5	Present
Mr. Shailesh Parekh	5	Present
Mr. Jayesh Gangadiya	5	Present
Dr. Ashalata Kulshrestha	2	Present
Mr. Rajesh Manubarwala	5	Present
Mr. Jivrajbhai Patel	2	Present

Number of Board of Directors or Board Committee of Public Limited Companies of which a Director is member or chairperson.

Name of Director	No of BOD's of public Companies	No. of Membership of Board Committee	No. of Chairmanship of Board Committee
Mrs.Privanda Parekh	0	-	1
Mr. Shailesh Parekh	1	2	--
Mr. Jayesh Gangadia	0	1	--
Ms. Ashalata Kulshrattha	0	1	2
Mr. Rajesh Manubarwala	0	-	1
Mr. Jivrajbhai Patel	0	3	-

AUDIT COMMITTEE:

Brief description of terms of reference

To oversee the company's financial reporting process, internal control system, reviewing the accounting policies and practices, reports of the company's Quarterly/Half Yearly/Yearly financial statements as also to review financial and risk management policies.

Composition : Consists of 3 directors as under :

Name of Members & Chairperson : 1) Mr. Rajesh Manubarwala
: 2) Mr. Jayesh Gangadiya
: 3) Mr. Jivrajbhai Patel

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

Brief description of terms of reference

To specifically look into the redressal of complaints like transfer of shares, non-receipt of annual reports, etc. received from shareholders/investors and improve the efficiency in investors' service wherever possible.

Composition : Consists of 3 directors as under :

Name of Members & Chairperson : 1) Mrs. Privanda Parekh (Chairperson)
: 2) Mr. Rajesh Manubarwala
: 3) Dr. Ashalata Kulshrastra

Name of Compliance Officer : Mr. Shailesh Parekh

Meeting and Attendance during the year :

Name of Directors	No. of Meeting Held	No. of Meeting attended
Mr. Dr. Ashalata Kulshrastra	3	3
Mr. Rajesh Manubarwala	3	3
Ms Privanda Shah	3	3

Details of complaints received during the year 2005-2006.

Nature of Complaint / Query	No. of complaints / queries received	No. of complaints/queries not solved to the satisfaction of shareholders
Transfer of Shares	2	Nil
Non Receipt of Annual Reports	3	Nil

REMUNERATION COMMITTEE:

The Executive Directors' remuneration is fixed by the committee within the overall limit and recommended for approval by the Board of Directors and the Shareholders at their meetings. Presently, the Non Executive Directors are not paid any remuneration.

Details of Remuneration paid to the Executive Directors for the F.Y. 2005-06.

The company has paid Rs.60,000 as directors remuneration. No sitting fees is paid to directors

ANNUAL GENERAL MEETING :**Details of last three Annual General Meetings held:**

Particulars	2002-2003	2003-2004	2004- 2005
Day	Monday	Saturday	Friday
Date	30.09.2003	30.09.2004	30.09.2005
Time	11.00. a.m	11.00. a.m	11.00. a.m

Venue Registered Office of company Registered Office of company Registered office of the company

DISCLOSURES:

1. Disclosures on materially significant related party transaction, i.e., transactions of the company of material nature, with its Promoters, Directors, or the Management their subsidiaries or relative, etc. that may have potential conflict with the interest on the company at large:-

None of the transactions with any of the related parties were in conflict with the interest of the company.

2. Details of non compliance by the company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any statutory or any matter related to capital market during the last three years.

The company has complied with the requirements of regulatory authorities on matters related to the capital market and no penalties/strictures have been imposed against the company during the last three years.

MEANS OF COMMUNICATION:

The Company publishes its financial results every quarter in newspapers. Communications on the half yearly results are not sent individually to the Shareholders of the company.

COMPLIANCE CERTIFICATE

The certificate regarding compliance of conditions of clause 49 of the Listing Agreement from the Auditors of the company is annexed hereto.

GENERAL SHAREHOLDER INFORMATION:

- 1) Annual General Meeting : 30th September 2006
Day, Date, Time & Venue : Saturday 11 a.m. Registered office of Company.
- 2) Financial Year/Calendar :
- | | |
|--|---------------------------|
| Results for first Quarter ending 30.06.2006 | : On or before 31.07.2006 |
| Results for second Quarter ending 30.09.2006 | : On or before 31.10.2006 |
| Results for third Quarter ending 31.12.2006 | : On or before 31.01.2007 |
| Results for third Quarter ending 30.01.2006 | : On or before 30.04.2007 |
| Results for year ending 31.03.2007 | : On or before 31.08.2007 |
- 3) Date of Book Closures : 15.09.2006 to 30.09.2006 (both days inclusive)
- 4) Dividend Payment Date : No dividend declared
- 5) Regd. Office : Plot No.52 Pipariya Industrial Estate Phase II Pipariya D&NH.
- 6) Registrar & Share Transfer Agent : M/s. Sharepro Services Mumbai
- 7) Address of Investors Correspondence: Sharepro Services
Unit Octagon Industries Limited
Satnam Industrial Estate, above Bank of Baroda
Andheri East Mumbai 400099
- 8) Listing on Stock Exchange : Listing Fee for Mumbai Stock Exchanges
for year 2006-07 paid
- Stock Code : M 040
Demat ISIN No. in NSDL &CSDL : INE004C01010
- 9) Outstanding GDRs, AARs warrants or any convertible instruments, etc. : NIL

Place : Silvassa

Date : 6TH July, 2006,

By Order of the Board of Directors
PRIYAVANDA S. PAREKH
SHAILESH J. PAREKH
Directors

ADIL AIBADA & ASSOCIATES
Telephone No. 2472345
Chartered Accountant
5540053, 5540063 510-511-512,
Jolly Plaza, Athwagate, Surat

AUDITORS CERTIFICATE ON CORPORATE GORVERNANCE

To,
The Members of
Octagon Industries Limited

We have examined the compliance of conditions of Corporate Governance by Octagon Industries Limited for the year ended 31st March 2005 as stipulated in clause 49 of Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to the procedures and implementation thereof, adopted by the company for encoring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company. In our opinion and to the best of our information and according to explanation given to us we certify that the company has complied with the various conditions of corporate governance as stipulated in the above-mentioned listing agreement.

We state that in respect of investors grievance received during the year ended 31st March 2005, no investors grievance are pending for a period exceeding one month against the company as per the records maintained by the company. We assurance as to the future viability of the company nor the efficiency of effectiveness with which management has conducted affairs of the company.

For *Adil Aibada & Associates*
Chartered Accountants

Place: Surat
Date : 15-8-2005

Adil Aibada & Associates Proprietor
Mem. No. 45310

AUDITOR'S REPORT

To the members of OCTAGON INDUSTRIES LIMITED.

We have audited the attached Balance Sheet of OCTAGON INDUSTRIES LIMITED as at 31st MARCH, 2006 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 Statement based on our audit.

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 Statement. 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.

1. As required by the Companies (Auditor's Report) Order 2003 issued by the Company Law Board in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 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 purposed of our audit.
 - (b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as it appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
 - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
 - (d) In our opinion, the Profit and Loss Account and Balance Sheet mentioned above complied with the mandatory accounting standards referred to in Sub-section (3c) of Section 211 of the Companies Act, 1956.
 - (e) Since we have not received any representation from directors. We are not in a position to comments regarding to their disqualification under clause (9) of sub section (l) of section 274 of Companies Act, 1956 as on 31.03.2006.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with 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 March 31, 2006 and
 - (ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

As per Our Report Of Even Date,

For Adil Aibada & Associates,
Chartered Accountants,

Proprietor.

Membership No.45310..

Place:- Surat.

Date:- 06-07-2006

ANNEXURE : 'A' TO AUDITORS' REPORT YEAR ENDED ON 31-03-2006.

- [1] In respect of Fixed Assets.
- (a) The Company is maintaining proper record to show full particulars including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (b) The fixed assets have not been revalued during the year.
- (c) In our opinion the company has disposed of some part of fixed assets during the year and even though the going concern status of the Company is not affected.
- [2] The physically verification conducted by management at reasonable intervals during the year in respect of finished goods, stores, spares and Raw materials. No Significant discrepancies between the physically stock and book stock have been noticed. In our opinion, the valuation of the above mentioned stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in previous year.
- [3] The Company has taken secured or unsecured loans to Companies, firms or other parties listed in the Register(s) maintained U/s 301 of the companies act., 1956. In our opinion terms and conditions of these loans are not prima Facie prejudicial to the interest of the Company. As explained to us there are companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act., 1956.
- [4] The Company has not made any advances to other parties during the year. The advances in the nature of loans to the employees free of interest and the same have been recovered generally as per stipulations wherever applicable or terms as listed in Register maintained under section 301 of Companies Act, 1956.
- [5] There are no sale of goods, materials and service made in pursuance of contracts and arrangements entered in the Register maintained under Section 301 of the Companies Act., 1956 and aggregating during the year to Rs. 500000/- or more.
- [6] Provision of Section 58A of the Companies Act., 1956 read with the Companies (Acceptance of deposits) Rules, 1975 have been complied with by the Company.
- [7] In our opinion the internal audit system of the company is commensurate with its size and nature of its business.
- [8] As per the information given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (i)(d) of the Companies Act., 1956.
- [9] According to the information and explanation give to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty were outstanding at 31st March, 2006 for a period of more than six months from the date the become payable.
- [10] The Company has huge accumulated losses and has incurred loss during the financial year covered by our audit.
- [11] Based on our audit procedures and according to the information and explanation given to us. We are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks.

- [12] In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company as the basis of security by way of pledge of shares, debentures and other securities.
- [13] In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund society. Therefore clause 4(xii) of the Companies (Auditors Report) order 2003 is not applicable to the company.
- [14] The Company has no transactions and contracts in respect of trading in securities, debentures and other investments. Very small investment made by company since many years.
- [15] The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- [16] The Company has not raised any new term loans during the year.
- [17] According to the information and explanations given to us, no short term funds utilized for the long term borrowing during the year under audit.
- [18] During the year, the company has not made any preferential allotment of Shares.
- [19] The Company has no debenture, issue and hence creation of securities is not applicable.
- [20] The Company has not raised any money by public issue during the year and hence clause (xx) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- [21] In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

As per Our Report Of Even Date,

For Adil Aibada & Associates,
Chartered Accountants,

Proprietor.
Membership No. 45310.

Place :- Surat

Date :- 06-07-2006.

BALANCE SHEET AS ON 31ST MARCH, 2006.

Particulars	Sch.	As at 31.03.06	As at 31.03.05
SOURCE OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) AUTHORISED SHARE CAPITAL :			
40,00,000 EQUITY SHARE OF RS. 10 EACH		40000000	40000000
b) ISSUED, SUBSCRIBED & PAID-UP CAPITAL		38500000	38500000
38,50,000 EQUITY SHARE OF RS.10 FULLY PAID			
c) RESERVE & SURPLUS	"A"	(10788086)	(9819192)
Total (1) ...		27711914	28680808
2. LOAN FUNDS			
a) SECURED LOANS :		543,866	-
b) UNSECURED LOANS :	"B"	1195421	1285786
Total (2) ...		1739287	1285786
Total (1+2) ...		29451201	29966594
APPLICATION OF FUNDS			
1. FIXED ASSETS : GROSS BLOCK			
LESS : DEPRECIATION	"C"	8009567	8427608
Total (3) ...		1006537	1067460
Total (3) ...		7003030	7360148
2. INVESTMENTS			
Total (4) ...	"D"	7475000	7550000
3. CURRENT ASSETS, LOANS & ADVANCES			
A) INVENTORIES	"E"	-	305000
B) SUNDRY DEBTORS		15257637	15312637
C) CASH & BANK BALANCE	"F"	1224888	539563
D) LOAN & ADVANCES PAID	"G"	280947	101495
16763472		16763472	16258695
LESS : CURRENT LIABILITIES AND PROVISIONS		3177681	2787826
Total (4) ...		13585791	13470869
4. MISC EXPENDITURE			
(TO THE EXTENT NOT W/OFF OR ADJUSTED)			
A) PRELIMINARY EXPENSES	"H"	47959	54810
B) PUBLIC ISSUE EXPS	"I"	1339421	1530767
Total (5) ...		1387380	1585577
Total (3+4+5) ...		29451201	29966594

For Adil Aibada & Associates,
Chartered Accountants,

Proprietor.
Membership No.45310..

Place:- Surat.
Date:- 06-07-2006

FOR OCTAGON INDUSTRIES LTD.

Priyavanda S. Parekh

Shailesh J. Parekh

DIRECTOR.

OCTAGON INDUSTRIES LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH, 2006.

<i>Particulars</i>	<i>Sch.</i>	<i>As at 31.03.06</i>	<i>As at 31.03.05</i>
INCOME			
SALES : YARN		353007	2240168
SALES : FABRICS		5067000	-
SALES : SCRAPS MATERIAL		300000	-
MISC INCOME	"J"	56452	4269
INCREASED(DECREASED) IN FINISHED STOCK	"K"	(88,500)	(53,770)
		<u>5687959</u>	<u>2190667</u>
EXPENDITURE			
MANUFACTURING & OTHER EXPS	"L"	5650316	3637929
DEPRECIATION	"C"	1006537	1067460
		<u>6656853</u>	<u>4705389</u>
PROFIT/(LOSS) FOR THE YEAR		(968,894)	(2,514,722)
ADD : PREVIOUS YEAR BALANCE		(13,867,671)	(11,352,949)
BALANCE CARRIED TO BALANCE SHEET...		<u>(14,836,565)</u>	<u>(13,867,671)</u>
For Adil Aibada & Associates, Chartered Accountants, Proprietor. Membership No.45310. Place:- Surat. Date:- 06-07-2006	FOR OCTAGON INDUSTRIES LTD. Priyavanda S. Parekh Shailesh J. Parekh DIRECTOR.		

OCTAGON INDUSTRIES LTD

SCHEDULE FORMING PART OF THE ACCOUNT AS ON 31ST MARCH, 2006.

<i>Particulars</i>	As at 31.03.06	As at 31.03.05
SCHEDULE - A : RESERVES & SURPLUS		
GENERAL RESERVES	4048479	4048479
PROFIT & LOSS ACCOUNT	(14,836,565)	(13,867,671)
	<u>(10,788,086)</u>	<u>(9,819,192)</u>
SCHEDULE-B :		
1) SECURED LOAN		
Loan From ICICI Bank for Purchase of Car No. DN09 C 2847 against Director personal Gaurantee	543866	0
Total (A)...	<u>543866</u>	
2) LOAN FROM DIRECTORS/SHAREHOLDERS/RELATIVES		
SHAILESH J PAREKH	524823	261368
PRIYAVANDANA S PAREKH	410598	410598
PRABHABEN J PAREKH	25000	200000
SHAILESH J PAREKH (HUF)	-	240940
JAYANTKUMAR H PAREKH (HUF)	-	72880
SONAL S PAREKH	35000	0
CHETAN S PAREKH	100000	100000
HARSIDDHI TEXTILES PVT LTD. - DEPOSIT	100000	-
Total (B)...	<u>1195421</u>	<u>1,285,786</u>
Total (A + B)	<u>1739287</u>	<u>1285789</u>

SCHEDULE-C : FIXED ASSETS

PARTICULARS	W. D. V. AS ON 1/4/2005	ADDITION (DEDUCTION)	TOTAL AS ON 31/03/06	RATE OF DEP.	DEPRE	W. D. V. AS ON 31/03/06
FACTORY LAND	250000	-	250000	-	-	250000
FACTORY BUILDING	2209592	-	2209592	10.00	220,959	1988633
PLANT & MACHINERY	4284959	-	4284959	13.91	596,038	3688921
ELE. INSTALLATION	359841	-	359841	13.91	50,054	309787
FURNITURE & DEAD STOCK	130031	-	130031	18.10	23,536	106495
FAX MACHINE	11338	-	11338	20.00	2,268	9070
MARUTI ESTEEM	104449	-	104449	25.89	27,042	77407
FORD FIESTA CAR	-	649420	649420	25.89	84,067	565353
YAMAHA	9937	-	9937	25.89	2,573	7364
TOTAL	7360147	649,420	8009567	-	1,006,537	7003030

SCHEDULE-D : INVESTMENTS

SHARE INVESTMENTS	7475000	7475000
BANK OF BARODA - F.D. A/C	-	75000
	<u>7,475,000</u>	<u>7,550,000</u>

SCHEDULE-E : INVENTORIES

RAW MATERIAL	-	216500
FINISHED GOODS	-	88500
	-	<u>305000</u>

SCHEDULE-F : CASH & BANK BALANCE

STATE BANK OF INDIA - SILVASA	2,676	2,676
STATE BANK OF HYDRABAD	7,890	7,338
CASH BALANCE	1,214,322	529,549
	<u>1,224,888</u>	<u>539,563</u>

SCHEDULE-G : LOAN & ADVANCES PAID

ELECTRIC LIGHT DEPOSIT (SILVASA)	120	120
ELECTRIC POWER DEPOSIT (SILVASA)	4,275	4,275
SURAT ELECTRICITY CO	1,000	1,000
BOB FD (BANK GAURANTEE FOR GEB)	79,452	-
SBOH FD (BANK GAURANTEE FOR GEB)	100,000	-
SALES TAX DEPOSIT	1,000	1,000
PURVATHA LICENCE DEPOSIT	1,000	1,000
TEXTILE COMMISSIONER DEPOSIT	1,000	1,000
STERLING HOLIDAY RESORT	93,100	93,100
	<u>280,947</u>	<u>101,495</u>

SCHEDULE-H : PRELIMINARY EXPENSES
(TO THE EXTENT NOT W/OFF)

PRELIMINARY EXPS - OPENING BALANCE	54,810	61,661
LESS : WRITTEN OFF	6,851	6,851
	<u>47,959</u>	<u>54,810</u>

SCHEDULE-I : PUBLIC ISSUES EXPENSES

PUBLIC ISSUE EXPS - OPENING BALANCE	1,530,767	1,722,113
LESS : WRITTEN OFF	191,346	191,346
	<u>1,339,421</u>	<u>1,530,767</u>

SCHEDULE-J : MISC INCOME

BANK OD INTEREST	4,452	3,764
FACTORY RENT INCOME	52,000	-
VATAV KASAR & COMMISSION INCOME	-	505

SCHEDULE: K : INCREASE/(DECREASE) IN FINISHED GOODS

OPENING STOCK - FINISHED GOODS	88,500	142,270
CLOSING STOCK - FINISHED GOODS	-	88,500
	<u>(88,500)</u>	<u>(53,770)</u>

SCHEDULE: L : MANUFACTURING & OTHER EXPS

RAW MATERIAL CONSUMED :

OPENING STOCK	216,500	359,980
ADD : PURCHASE FABRICS/YARN	4,077,973	1,840,339
	<u>4,294,473</u>	<u>2,200,319</u>
LESS : CLOSING STOCK	-	216,500

TOTAL (A).....	<u>4,294,473</u>	<u>1,983,819</u>
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ELECTRICAL POWER & FUEL EXPS

	565,000	165,010
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FACTORY EXPS

	1,500	2,071
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TOTAL (B).....	<u>566,500</u>	<u>167,081</u>
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REPAIRS & MAINTENANCE

PLANT & MACHINERY	-	58,639
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OIL & LUBRICANT PURCHASE	-	50,187
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ELECTRIC EXPS	45,760	7,329
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TOTAL (C).....	<u>45,760</u>	<u>116,155</u>
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PAYMENT & PROVISIONS FOR EMPLOYEES

SALARY & WAGES	177,900	263,260
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DIRECTOR'S REMUNERATION	60,000	72,000
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TOTAL (D).....	<u>237,900</u>	<u>335,260</u>
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SALES & DISTRIBUTION EXPS

PACKING MATERIALS	-	40,505
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TOTAL (E).....	<u>-</u>	<u>40,505</u>
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ESTABLISHMENT EXPS

TELEPHONE EXPS	13,500	1,902
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BANK COMMISSION & CHARGES	2,355	5,139
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BANK LOAN INTEREST	-	211,576
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AUDITORS REMMUNATION	11,224	8,400
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INSURANCE EXPENSES	24,933	-
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VEHICLE EXPS	705	10,114
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VEHICLE LOAN INTEREST	4,596	-
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CONSULTANCY/PROFESSIONAL FEES	56,673	55,550
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SHARE LISTING FEES	10,000	40,000
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OFFICE EXPS	2,000	1,688
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TRANSPORATION CHARGES	181,500	-
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LOSS ON SALE OF BAJAJ CLASSIC	-	4,110
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LOSS ON SALE OF COMPUTERS	-	455,178
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LOSS ON SALE OF SCOOTER BAJAJ	-	3,255
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PRILIMINEARY EXPENSES	6,851	6,851
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PUBLIC ISSUE EXPENSES	191,346	191,346
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TOTAL (F).....	<u>505,683</u>	<u>995,109</u>
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TOTAL (A + F).....	<u>5,650,316</u>	<u>3,637,929</u>
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M/S OCTAGON INDUSTRIES LTD.

SCHEDULE - M : SCHEDULE FORMING PARTS OF ACCOUNTS.

01. BASIS OF PREPARATION OF FINANCIAL STATEMENT :

- (a) The Financial statement have been prepared under the historical cost with the generally accepted accounting principals and the provisions of the Company Act,1956 as adopted consistently by the Company.
- (b) The Companies generally follows mercantile system of accounting and recognized significant items of income and expenditure on accrual basis. Except for the items specified elsewhere.

02 VALUATION OF INVENTORIES

Raw Materials, packing materials, oil and Store & Spares valued at cost and finished goods are valued at cost or market price whichever is lower. The valuation of stock made by the management only.

03. FIXED ASSETS AND DEPRECIATION :

Fixed Assets are valued at cost less depreciation. Depreciation on fixed assets are provided on written down value method at the manner provided in Schedule - C to the Companies Act,1956.

Physical existence of Fixed Assets has been certified by the management.

04 AMORTISATION OF MISCELLANEOUS EXPENDITURE :

Preliminary expenses and Public issue expenses are provided at 10% in the books on last year's balance.

05. The Balance of Debtors, Creditors, Loans and Advances and opening Balance are subject to confirmation and reconciliation. Majority of Debtors are above six months.

06. The previous year's figures have been reworked, regrouped rearranged and Reclassified wherever necessary.

07. Contingent Liabilities not provided in respect of :

Bill Discounting Rs. Nil

Previous year Rs. Nil

08. Provision of Income-tax has been not made since the company has been advised by the tax consultant that there is no taxable income for the year.
09. No provision has been made for gratuity as no employee has yet put up qualifying period of his service for entitlement for this benefit.

10. The Company is not required to obtain any license under industrial Regulations Act. Therefore the details of licensed capacity are no applicable. (Other details as certified by the management are a follows)

Unit	A/c. year 2005-2006	A/c. year 2004-2005
Texturising Machine	1	1
Crimping Machine	2	2
Twisting Machine	2	2
Actual Production	Nil	

- | | | |
|--|-----|-----|
| 11. CIF Value import in respect of : | Nil | Nil |
| 12. Expenditure & earning in Foreign currency during the year | Nil | Nil |
| 13. Amount remitted during the year in foreign currency on amount of Dividend. | Nil | Nil |

14. Payment of Auditors

<i>Auditor's Remuneration</i>	<i>A/c. year 2005-2006</i>	<i>A/c. year 2004-2005</i>
For Audit	Rs. 8980	Rs. 8400
For Tax Audit	Rs. 2244	Rs. Nil
Total	Rs. 11224	Rs. 8400

15. Directors Remuneration

Rs. 60000

Rs.72000

16. Quantitative Information

<i>Particulars</i>	<i>A/c. year 2005-2006</i>		<i>A/c. year 2004-2005</i>	
	<i>Kg</i>	<i>Rs.</i>	<i>Kg</i>	<i>Rs.</i>
<i>OPENING STOCK</i>				
Raw Materials	7690.690	216500	18967.330	359980
Textu. & Crimped	1770.000	88500	1580.780	142270
Gray Cloth	0.000	0	0.000	0
<i>CLOSING STOCK</i>				
Raw Materials	-	-	7690.690	216500
Textu. & Crimped (Yarn)	-	-	1770.00	88500
Gray Cloth (Fabrics)	-	-	0.00	0.000
<i>PURCHASE</i>				
Raw Materials	-	-	26702.320	1840339
Textu. & Crimped (Yarn)	-	-	0.00	0.000
Gray Cloth (Fabrics)	-	-	0.00	0.000
Fabrics	50670.000	4077973	0.00	0.000
<i>SALES</i>				
Raw Materials	3000.670	30007	0.000	0
Textu. & Crimped	6460.000	323000	37389.740	2240168
Gray Cloth	-	-	0.000	0
Fabrics	50670.000	5067000	0.00	0.000
<i>CONSUMPTION</i>				
Indigenous	4248.00	212400	1678692	560774

17. The Company has during the year adopted Accounting Standard (AS-22) "Accounting for taxes on income" issued by the Institute of Chartered Accountant of India. However in view of loss during the year and also in past, no deferred tax liability or Assets has been created.

18. Earning per share (0.25)

19. Segment reporting company operates for manufacturing of Grey Cloths.

20. Related party disclosures are required by AS-18 given below.

Other related party where common control exists Prabhat Infosys Ltd, Prabhat Oil Ltd.

For Aadil Aibada & Associates,
Chartered Accountants,
Proprietor.

For M/S. OCTAGON INDUSTRIES LTD.

DIRECTOR.

Membership No. 45310.

Place:- Surat.

Date:- 06-07-2006.

**BALANCE SHEET ABSTRACT
AND
COMPANY'S GENERAL BUSINESS PROILE**

REGISTRATION DETAILS

Registration No.	1	8	1	8	7
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State Code

	0	4
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Balance Sheet Date	3	1	0	3	2	0	0	6
	Date		Month		Year			

POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS			
(Amount Rs. In Thousands)			
Total Liabilities	29451	Total Assets	29451
SOURCE OF FUNDS			
Paid up Capital	38500	Reserve & surplus	-
Secured Loans	544	Un-Secured Loan	1195
APPLICATION OF FUNDS			
Net Fixed Assets	7003	Investments	7475
Net Current Assets	13585	Misc. Expenditure	1387
Accumulated Loss	10788		

PERFORMANCE OF THE COMPANY			
Turnover	5776	Total Expenditure	6745
Profit / (Loss) Before Tax	(969)	Profit & Loss after Tax	(969)
Earning per shares(Rs.)		Dividend Rate %	

GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY	
(As per Monetary Items)	
Product Description	Item Code No. (ITC Code)
Polyester Textunsed yarn	

OCTAGON INDUSTRIES LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH CASH FLOW FROM
OPERATING ACTIVITIES: (Rs. In lacs.)
Net Profit Before Tax and Extraordinary Items

		(9.69)		(25.15)
Add:				
Depreciation	10.67		10.67	
Loss on sales of assets	-		4.60	
Public Issue / Preliminary Expenses Written off	1.98	12.05	1.98	17.25
		2.36		(7.90)
Cash from Operation Total - A		2.36		(7.90)
Add:				
Inventories	3.05		1.97	
Creditors for Goods	(3.90)		(8.37)	
Less:				
Sundry Debtors	(0.55)		(4.50)	
Other Receivables	(0.79)		(0.25)	
Other payables	(0.15)	1.24	(6.11)	
Total-B				4.45
Cash Generated from Operations after Working				
Capital Changes (A - B) (C)		1.12	3.45	
Less: Income Tax Paid/(Refund)				
Net CashFlow from Operating Activities(D)		1.12	3.45	
B. Cash Flow from Investing Activities				
Interest Received				
Sale of Fixed Assets			6.73	
Less:				
Purchase of Investments	0.75			
Purchase of Fixed Assets	6.49			
Advance for Fixed Assets				
Net CashFlow from Investing Activities(E)		5.74	6.73	
C. Cash Flow from Financing Activities				
Add: Increase in Term Loan				
Less: Decrease in Working Capital Facilitates				
Interest Paid				
Net CashFlow from Financing Activities(F)				
Net Changes in Cash & Cash Equivalents (D+G+J)				3.28
Opening Balance of Cash & Cash Equivalents		5.39		2.12
Closing Balance of Cash & Cash Equivalents		12.25		5.40

Place : Silvassa

Date : 06/07/2006

For And On Behalf Of The Board

riyavanda S Parekh - Chairperson

Shailesh J Parekh - Managing Director.

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of Octagon Industries LIMITED for the period ended 31st March, 2005. The Statement has been prepared by the Company in accordance with the requirements of listing agreements with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our Report of March 31, 2005 to the members of the Company.

For Adil Aibada & Associates,
Chartered Accountants

Proprietor
Place: Surat
Date :

Octagon Industries Ltd.

Registered office: Plot.No.52, Pipariya Industries, Estate Phase II, Pipariya, Silvassa (D&NH)

PROXY

I/we of
..... in the district of
..... being member/members of
..... of
..... in the district of
..... of
..... in the district of

as my/our proxy to vote for me/us on my/our behalf at the 17th Annual General Meeting of Company to be held on Friday 30th September 2005, At 11.00 A.M. and at any adjournment thereof. Signed

This of 2005

Signed by the said

Reg. Folio No.

No. of Shares Held

Note : The Companies Act, 1956 lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY-EIGHT hours before the time for holding the meeting.

Octagon Industries Limited.

Registered office: 3-B Ratan mahal apartment, Ghod-ded road, Surat

ATTENDANCE SLIP

I hereby record my presence at the 17th Annual General Meeting of the Company to be held at Registered Office : 3-B, Ratan mahal Apartment, Ghod ded Road, SURAT on Saturday 30th September 2005, At 11.00A.M.

Name of Shareholder(s).....

(In Block Capitals)

Name of the Proxy or Company Representative

(In Block Capitals)

Signature of Shareholder(s) or

Proxy or Company Representative

Note :

- 1) A Proxy Attending on behalf of Shareholder(s) should please write the name of the Shareholder(s) from whom he holds Proxy.
- 2) Member are requested to bring to their copy of the Annual Report with them to the meeting as additional copies of the same will not be made available at the Meeting.

BOOK POST
(Printed Material)

If undelivered, please return to:

OCTAGON INDUSTRIES LTD.

Plot No.52, Pipariya Industries, Estate Phase II,

Pipariya, Silvassa (D & NH)