

PARAGON FINANCE LTD.

Corporate Information

BOARD OF DIRECTORS :

Sri Sanjay Kumar Gupta
Executive Director

Sri Alope Kumar Gupta
Sri Manoj Kumar Gupta
Sri Vishnu Lohia
Sri Suvabrato Ganguly
Sri Sanjay Goenka
Smt. Reena Gupta
Sri Ravi Agarwalla

Company Secretary :

Parul Rajgaria

REGISTERED OFFICE :

“Sikkim House”
4/1, Middleton Street,
4th Floor,
Kolkata - 700 071

STATUTORY AUDITORS :

M/s. Mandawewala & Co.
Chartered Accountants
1, British Indian Street,
1st Floor, Suite No. 110D,
Kolkata - 700 069.

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BRANCH OFFICES :

1. H. B. Road, Kokar,
Ranchi - 834 009.
2. 302, Eden Park,
20, Vittal Mallya Road,
Banglore - 560 001.
3. Sharma Market, Gola Road,
Ramgarh Cantt.

PARAGON FINANCE LTD.

NOTICE :

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of the Company will be held at its Registered Office at "Sikkim House" 4/1, Middleton Street, 4th Floor, Kolkata 700 071 on Thursday, the 29th day of September, 2011 at 10.00 AM to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended on 31st March, 2011 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Vishnu Lohia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Suvabrato Ganguly who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. Recently, the Ministry of Corporate Affairs (MCA), Government of India, through its circulars nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send documents including Annual Report to their Members electronically as part of its green initiative in corporate governance.

To enable the Company to support this green initiative of the Government in full measure, Members who not registered /updated their e-mail addresses, so far, are requested to register / update their e-mail address, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses via e-mail to paragon@nichetechpl.com

By Order of the Board
Parul Rajgaria
Company Secretary

Place: Kolkata
Dated: 12th August, 2011

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not to be a member of the Company. The instrument of proxy in order to be effective must be deposited at the Registered Office of the Company duly completed and signed not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 23rd September 2011 to 29th September 2011 (both days inclusive).
3. Members are requested to intimate the change in their address, and e-mail id if any at the Registered Office of the Company.

Registered Office:
"Sikkim House"
4/1, Middleton Street, 4th Floor,
Kolkata 700071.

By order of the Board
Parul Rajgaria
Company Secretary

Date: 12th August, 2011

PARAGON FINANCE LTD.

DIRECTORS' REPORT

TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Twenty Fifth Report together with Audited Accounts for the year ended on 31st March, 2011

FINANCIAL RESULTS

	<u>₹ In Lacs</u>	
	Year 2010 - 2011	Year 2009 - 2010
Total Income	456.84	393.11
Gross Profit	241.02	130.26
Less: Interest	147.44	43.54
Less: Prov. for Standard Assets	7.17	0.00
Cash Profit	86.41	86.72
Depreciation	7.76	8.09
Profit (Loss) before Tax	78.65	78.63
Provision for Taxation	21.62	14.01
Transfer from Prov. for Deferred Tax	(0.14)	(0.47)
Profit after Tax	57.17	65.09
Add: Profit Brought Forward	619.05	566.98
Profit available for Appropriation	676.22	632.07
Less: Transfer to General Reserve	11.43	13.02
Balance carried to Balance Sheet	664.79	619.05
Reserve excl. Revaluation Reserve	1075.15	1,017.98

DIVIDEND

Your Directors are not recommending any Dividend for the year.

OPERATIONS

The Income from the Operation increased by 25.80% in comparison to the previous year. Loans against security of vehicles increased by 49.34%. The Shareholders Funds as on 31.03.2011 were ₹ 1500.15 Lacs reflecting the inherent financial strength of the Company. The Company has done much better because of general upward outlook in the economy.

DIRECTORS

In accordance with the provisions of Section 256 of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Vishnu Lohia and Mr. Suvabrato Ganguly, Directors, will be liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Necessary resolutions for appointment and re-appointment of the aforesaid Directors have been included in the Notice of the ensuing Annual General Meeting.

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PREFERENTIAL ISSUE

Your Company has allotted 1250000 Equity Shares of ₹ 10/- each at a premium of ₹10/- each on preferential Basis to Non-Promoters Group on 31st August, 2009. The said equity shares listed on the Stock Exchange, Mumbai vide Notice No. 20100603-4 dated June 03, 2010.

SUBSIDIARY

The Company has divested its stake in its wholly owned subsidiary company vide its Board Meeting held on 02.09.2010.

AUDITORS

The Auditors, Messrs. Mandawewala & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the Listing Agreement with the Stock Exchanges, the Cash Flow Statement for the year 2010 2011 is annexed hereto.

AUDITORS' REPORT

With reference to the observations and qualifications made by the Auditors in their report, the Directors wish to state that the relevant notes forming part of the Company's accounts as given under Schedule 'Q' referred to the Accounts, are self-explanatory in this regard and hence do not require any further explanation.

EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the company has no employee employed during the year or part of the year who was in receipt of remuneration in excess of the sum prescribed therein.

PUBLIC DEPOSITS

Your Company has not accepted any fixed deposits during the year 2010 -11 from the public/ shareholders.

LISTING

Your Company's shares are listed only with BSE having nation wide trading terminal under SEBI (DIP) guidelines 2000. The Listing fees to the Stock Exchanges for the year 2010 -11 have been paid. The address of the said Stock Exchange is as follows:

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001.

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MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis has been annexed to this report in terms of Listing Agreement.

CORPORATE GOVERNANCE

Your Company has always been conducting its business with due compliance of the country's laws, rules, regulation and sound internal control system and procedures.

Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Company has complied with all the provisions of Corporate Governance and a report on Corporate Governance is annexed hereto and forms part of this report. A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance has been included in this Annual Report for your information.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provision of section 217(2AA) of the Companies Act, 1956 the Directors give hereunder the Directors' Responsibility Statement relating to the Accounts of the Company:

- (1) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (2) The Directors have 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 as at March 31, 2011 and of the Profit and Loss of the Company for the said period;
- (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; and
- (4) The Annual Accounts of the Company has been prepared on a going concern basis.

ADDITIONAL INFORMATION

In terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rule, 1988. Your Directors furnish hereunder the additional information as required:

a) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The Company does not engage in any manufacturing activity so there is no consumption of energy. The activities of the Company do not involve any technology absorption.

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b) FOREIGN EXCHANGE EARNING AND OUTGO	(₹ In Lacs)
I) Foreign Exchange Earnings	NIL
II) Foreign Exchange outgo	NIL

ACKNOWLEDGEMENT

The Board of Directors would like to thank the company's customers, employees, shareholders, brokers, dealers and all others associated with the company.

For and on behalf of the Board of Directors

Place : Kolkata
Date : 31st May, 2011

Sanjay Kumar Gupta
Executive Director

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC OVERVIEW :

2010-11 was a year of slow recovery of most of the developed economies. However, many emerging markets grew because of robust domestic demand and there is a sign of overheating. Indian economy grew at GDP of 8.5% in the Financial Year 2010-2011, because of robust agricultural growth, rising output in services sector and stable industrial productions.

INDUSTRY OVERVIEW :

The Medium and Heavy commercial vehicles segment registered growth of 37.2% and Light Commercial Vehicles grew @ 22.9% as compared to previous year. The commercial Vehicle financing segment is the oldest retail financing segment in India which is estimated to be of ₹ 90000 crores of which more than 5years old segment accounts for 61 percent and as such market for used Commercial Vehicle Finance is estimated to be approx ₹ 40000 crores. Private financing plays a predominant role in financing of this segment. Your Company has a long relation with this kind of customers and plays an active role in this segment.

INTERNAL CONTROL SYSTEMS :

The Processes and internal control system plays a critical role in the health of the Company. The Company has well defined documented policy guidelines and has an adequate internal control system commensurate with its size and nature of business and suitable internal control procedures that ensures efficiency of operations and safe guards of its assets.

The Company's Audit Committee reviews the MIS periodically and oversees the company's financial reporting process to ensure that the financial statement is correct, sufficient and credible. In addition, internal audit programmes are there to review the adequacy of audit and compliance function.

RISK MANAGEMENT :

The nature of your company business exposes it to a wide variety of risks and if not managed properly it can affect the workings of the company.

Economy risk is there because any slow down in industry has direct impact on the sale of CV. However, Your Company is more in the pre-owned Commercial Vehicles Finance which remains largely unaffected and deal sizes are also lower.

To manage *Interest Rate Risk* of the Company is very well within the overall unit of Debt Equity Ratio and cost of borrowing is also very low. Company is also not using short term borrowings to fund long term assets. To manage default risk, most of the customers are repeat customers or referred by existing customers with a good track record who stands as a guarantor mitigating the default risk.

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HUMAN RESOURCES :

Paragon Finance Ltd. believes that human resources represent its primary assets and are key to its success and growth. The Company favours an open environment by giving a right to take part in management activities so that everybody in the organization gets a platform for their performance which makes them realize and improvise their actual potential. Here people work in synergy to contribute towards the achievement of the business objectives. The importance of providing training and development opportunities to our employees is recognized by our company to enhance their skills and experience, which in turn enables the Company to achieve its business objectives.

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REPORT ON CORPORATE GOVERNANCE

In compliance with the Clause 49 of the listing Agreement with the Stock Exchanges and SEBI, the company presents the Corporate Governance Report for the financial year 2010-11 hereunder:

➤ COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

- Paragon Finance Limited adheres good corporate practices and is constantly striving to better them and adopt the best practices. The company believes in achieving excellence by focusing continuously on its resources, strengths and strategies to achieve its vision, while adopting the fundamental core value of transparency, integrity, honesty and accountability.
- The Company's Philosophy on the code of corporate governance is tuned to these aspects which are :
 - i. To ensure that the management use the hard earned money of the stakeholder in productive use.
 - ii. To ensure that the decision making policy is fair, transparent and there is fullest commitment of the management and board for the maximization of shareholders value.
 - iii. To ensure that the proper compliance with all the applicable legal and regulatory have been considered.
 - iv. To ensure that the company is driven by the demand of its customer and it cares to meet their needs by using the natural resources judiciously so as to maintain ecological balance and sustainable development.

➤ COMPOSITION OF THE BOARD :

- The board of the company is independent in making its decision and also capable and committed to address conflicts of interests and impress upon the functionaries of the company. The Board of Directors comprises of eight members out of whom one Director is Executive Director and other seven are non-Executive Directors which accounts for more than 50% of the total Board members, which is in compliance with the Listing Agreement. The Board consists of eminent persons with considerable professional experience and expertise in respective fields.
- During the financial year 2010-11, the members met 7 times on the following dates, namely, 3rd April, 2010, 28th May, 2010, 13th August, 2010, 2nd September, 2010, 29th September, 2010, 12th November, 2010 & 14th February, 2011. The Board Members also met with the investors of the Company at last held Annual General Meeting on 29th September, 2010.
- The composition of the Board of Directors and their attendance at the Meetings during the year and at the last Annual General Meeting and also number of other directorship & membership of Committees are as follows:

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Names of Director	Nature of Directorships	Attendance Particulars		Number of other Directorships and Committee Memberships/chairmanships		
		Board Meetings	AGM held on 29.09.10	Other Directorships	Committee Memberships	Committee Chairmanships
Sanjay Kumar Gupta	Executive	7	Yes	13	NIL	NIL
Aloke Kumar Gupta	Non-Executive	7	Yes	7	1	NIL
Manoj Kumar Gupta	Non-Executive	7	Yes	8	1	NIL
Reena Gupta	Non-Executive	6	Yes	2	NIL	NIL
Sanjay Goenka	Non-Executive	5	Yes	2	NIL	1
Suvabrato Ganguly	Non-Executive	5	Yes	6	1	NIL
Vishnu Lohia	Non-Executive	6	No	3	1	NIL
Ravi Agarwalla	Non-Executive	6	Yes	1	NIL	1

- No Director is related to any other Director on the Board in terms of the definition of “relative” given under the Companies Act, 1956, except Mr. Aloke Kumar Gupta, Manoj Kumar Gupta and Mr. Sanjay Kumar Gupta, who are brothers and Mrs. Reena Gupta who is the wife of Mr. Manoj Kumar Gupta.

➤ **Audit Committee :**

- As a measure of good corporate governance and to provide assistance to the board of Directors in fulfilling the responsibilities of the board, an Audit Committee of the Company met four times during the year. The role and terms of reference of Audit Committee covers areas mentioned under Clause 49 of the listing agreement and Section 292A of the Act. The Audit Committee helps to enhance the shareholders confidence by promoting accountability and also acts as a catalyst for effective financial and auditing practices. The attendance of the members at these meeting was as follows:

Sl. No.	Name of the Member	Status	No. of Meetings Attended
1	Mr. Ravi Agarwalla	Chairman	4
2	Mr. Suvabrato Ganguly	Member	4
3	Mr. Manoj Kumar Gupta	Member	4

➤ **SHAREHOLDERS'/INVESTORS' GREIVANCE COMMITTEE :**

Terms of reference :

The committee is responsible for assisting the Board of Directors in the Board's overall responsibilities relating to attending to and redressal of the grievances of the Company. The status of investor grievances is reviewed periodically and the complaints received from the

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shareholders/SEBI/Stock Exchanges/stakeholders, etc. are replied to by the Company/Share Transfer Agents at earliest. The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares or another related matter. There are no pending grievances and no grievances remain pending for registration more than 30 days from the date of receiving of complaint.

Compliance officer :

The Company Secretary Ms. Parul Rajgaria is the Compliance Officer, can be contacted at the registered office of the Company. As on 31st March 2011 no investor's complaints are pending. There were no share transfers pending for registration for more than 30 days as on the said date. The details regarding complaints received and resolved during the financial year 2010-11 are as follows:

Opening balance	Received during the Year	Resolved during the year	Closing balance
0	0	0	0

Composition :

The Composition of the Shareholders/Investors Grievance Committee and the meeting held by them during the year is given below:

Sl. No.	Name of the Member	Status	No. of Meetings Attended
1	Sri Sanjay Goenka	Chairman	2
2	Sri Alope Kr. Gupta	Member	2
3	Sri Vishnu Lohia	Member	2

➤ REMUNERATION OF DIRECTORS :

- The Company has a policy of remunerating Executive Director by way of monthly salary. No remuneration was paid to non-executive Directors. Sitting fees for all Directors are being waived; as such there is no need to constitute a Remuneration Committee.
- Mr. Sanjay Kumar Gupta, the Executive Director was remunerated with a sum of ₹ 4,80,000/- (Rupees Four Lacs Eighty Thousand only) for the period 1st April, 2010 to 31st March, 2011.

➤ SUBSIDIARY COMPANIES :

- The Company has divested its stake in its "Material Non-Listed Indian Subsidiary", (as defined in Clause 49 of the Listing Agreement), namely, "Olympia Credits & Mercantile Limited". Now, the Company has no more Subsidiary Company.

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➤ **DISCLOSURES :**

- The Notes on Accounts under Schedule - Q, which is the annexure of Financial Statement, contains the disclosure of related parties transactions and Accounting Standards followed and Accounting Treatment made during the year 2010-11.
- There were no transactions made during the financial year 2010-11, which is of material nature with promoters, Directors, management or their subsidiaries or their relatives that can have potential conflict with the interest of the Company.
- No Penalties have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last four years.
- It has always been the Company's policy and practices that apart from matters requiring the Boards approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, material investment proposal etc. are regularly placed before the Board. This is in addition to information with regard to actual operation, major litigation, feedback reports and minutes of all committee meetings. All the Directors who are on various committees are within permissible limits of the listing agreement.

➤ **Means of Communication :**

The un-audited financial results on quarterly basis and the Half-yearly results subjected to limited review by the auditors in the prescribed form, are taken into record by the Board of Directors at its meeting within 45 days of the close of every quarter/half-year respectively and the same are furnished to all the Stock Exchanges where the company's shares are listed. The results are also published in two newspapers, one in English (Business Standard/Asian Age/Financial Express) and other in Bengali Language (Arthik Lipi/Kalantar).

➤ **General Body Meeting :**

- The following is the table showing the Details of General Body meeting held in last three years with their dates & time along with the venue.

AGM	AGM Date	Time	Venue
Twenty Second	29.09.08	10.00 A.M.	4/1, Middleton Street, Kolkata-700071
Twenty Third	23.09.09	10.00 A.M.	4/1, Middleton Street, Kolkata-700071
Twenty Fourth	29.09.10	10.00 A.M.	4/1, Middleton Street, Kolkata-700071

➤ **Postal Ballot :**

- Postal Ballot was not conducted in any of the Annual General Body Meetings held so far by the Company.

➤ **CEO/CFO Certification :**

- A Certificate given by our CEO/CFO on Corporate Governance forms a part of this Annual Report

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🏠 General Shareholders' Information :

1. Date, time and venue of 25th AGM : 29th September, 2011 at 10:00 A.M.
At 4/1, Middleton Street, Sikkim House,
4th Floor, Kolkata - 700 071.
2. Financial Calendar for 2011 - 12 (Tentative)
26th Annual General Meeting : On or before 30th September, 2012
First Quarter Results : On or before 14th August, 2011
Second Quarter Results : On or before 14th November, 2011
Third Quarter Results : On or before 14th February, 2012
Results for the financial year : On or before 31st May, 2012
Ending March 31, 2012
3. Date of Book Closure : From 23.09.2011 to 29.09.2011
(Both days inclusive)
4. Listing on Stock Exchange : Bombay Stock Exchange
5. Listing Fees : Paid as per listing agreement
6. Demat Arrangement : With NSDL and CDSL
7. ISIN : INE015E01012
8. BSE Stock Code : 31255
9. Registered Office : 4/1, Middleton Street,
Sikkim House,
4th Floor, Kolkata-700 071
10. Company's e-Mail ID : paragoncal@gmail.com
11. Company's Website : www.paragonfinanceltd.com
12. Registrar & Share Transfer Agents : Niche Technologies Pvt. Ltd.
71, B. R. B. Basu Road, 5th Floor,
Kolkata-700 001.
Dial : 033-22357270/71/3070
13. Compliance Officer : Ms. Parul Rajgaria
Company Secretary

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14. Stock Market price data for the Year 2010-11 : Monthly high and low quotation during 1st April to 31st March, 2011 is given in the Table below:

Month	The Stock Exchange, Mumbai	
	High (₹)	Low (₹)
April, 2010	10.96	08.20
May, 2010	12.69	10.00
June, 2010	11.00	09.74
July, 2010	12.96	10.71
August, 2010	18.06	10.55
September, 2010	21.80	16.75
October, 2010	20.55	16.00
November, 2010	37.95	18.65
December, 2010	29.50	19.90
January, 2011	28.95	21.75
February, 2011	25.05	16.35
March, 2011	17.85	15.40

15. Shareholders pattern as on 31.03.2011 is as given below :

Sl. No	Category	No. of Shares	% of Paid-up Capital
1	Promoters	1541436	36.269
2	Mutual Funds & UTI	0	0
3	Bank, Financial Institutions, Insurance Companies (Central State Govt. Institutions, Non Govt. Institution)	0	0
4	Private Corporate Bodies	1334806	31.407
5	Indian Public	1355797	31.901
6	NRI/OCBS	5500	0.129
7	Any other (Please specify) Clearing Members	12461	0.293
	Grand Total	4250000	100.000

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16. Distribution Schedule as on 31.03.2011

Number of Shares			SHAREHOLDERS		SHAREHOLDING	
			Nos.	%	Nos.	%
UP	to	500	655	78.1623	110390	2.5974
501	to	1000	75	8.9499	61078	1.4371
1001	to	5000	58	6.9212	117347	2.7611
5001	to	10000	4	0.4773	29800	0.7012
10001	to	50000	15	1.7900	280849	6.6082
50001	to	100000	17	2.0286	1024800	24.1129
100001	&	Above	14	1.6706	2625736	61.7820
Total			838	100.0000	4250000	100.0000

17. Dematerialization of Shares : 97.01 % of the Company's Shares are held on electronic form as on March 31, 2011, whereas on March 31, 2010 it was 67.50%. 29.51% of the Company's shares have been applied for dematerialization since April, 2010.

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CEO/CFO CERTIFICATION

I, Sanjay Kumar Gupta, Executive Director of the Company certify to the Board that:

- a) I have reviewed financial statements and the cash flow statement for the year end 31st March, 2011 and that to the best of my knowledge and belief:
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year ended 31st March, 2011 which is fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls if any of which I am aware and the steps I have taken or proposed to take steps to rectify the same.
- d) I have disclosed, based on my evaluation wherever applicable, to the Auditors and the Audit Committee that :
 - i) there were no significant change in internal control over financial reporting during the year.
 - ii) all the significant changes in accounting policies during the year, if any, have been disclosed in the notes to accounts ; and
 - iii) there were no instances of significant fraud of which I am aware, with the involvement of the management or any employee having significant role in the company's internal control system over the financial reporting process.

Place : Kolkata
Date : 31.05.11

Sanjay Kumar Gupta
Executive Director

PARAGON FINANCE LTD.

**DECLARATION ON CODE OF CONDUCT PURSUANT TO CLAUSE 49(ID)
OF THE LISTING AGREEMENT.**

I, Sanjay Kumar Gupta, the Executive Director of the Company hereby confirm that the Code of Conduct as laid down by the Board has been complied by all the Board members and senior management of the Company for the year ended 31st March, 2011.

The said Code of Conduct is available on the website of the Company www.paragonfinanceltd.com.

Sanjay Kumar Gupta
Executive Director

Place: Kolkata
Date: 31st May, 2011

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AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of PARAGON FINANCE LIMITED

1. We have examined the compliance of conditions of Corporate Governance by the Paragon Finance Limited for the year ending 31st March'2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation adopted by the Company for ensuring compliance with the condition of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.
3. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. We state that no Investors Grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders/Investors Grievance Committee.
5. On the basis of our review and according to information and explanations provided to us, we certify that the Company has complied with the mandatory conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

**For, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants**

1, British Indian Street,
1st Floor, Suite No. 110D,
Kolkata - 700 069.
Dated : The 31st day of May, 2011

**[CA. ANIL KR. MANDAWEWALA]
Partner
M. No. 055939**

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AUDITOR'S REPORT TO THE MEMBERS OF PARAGON FINANCE LIMITED

We have audited the attached Balance Sheet of M/S. PARAGON FINANCE LIMITED as at 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. 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.

As required by Companies (Auditors Report) Order, 2003 (As amended) issued by the Central Govt. of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters (as are applicable to the Company) specified in Paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred to 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 purposes 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 examinations of those books and proper returns adequate to the purposes of our audit have been received from the Branches;
- (c) The Balance Sheet and the Profit & Loss Account and Cash Flow Statement dealt with by this Report are in agreement with this books of account;
- (d) In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in of Section 211(3C) of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of section 274 (1)(g) of the Co. Act, 1956;

PARAGON FINANCE LTD.

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to notes to the a/cs, give the information required by the Co. Act, 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 31st March, 2011; and
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - (iii) In the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

For, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants

Place : Kolkata
Dated : The 31st day of May, 2011

[CA. ANIL KR. MANDAWEWALA]
Partner
M. No. 055939

PARAGON FINANCE LTD.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1.
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of company and the nature of its assets. No materials discrepancies were noticed on such verification.
 - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
2.
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. The Company has received confirmation of Shares lying with depository participants at regular intervals.
 - b) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3.
 - a) The Company has not given any loans, secured or unsecured to Companies, Firms or other parties listed in the register maintained pursuant to provision of section 301 of the Companies Act, 1956.
 - b) The Company had taken loan from twelve companies/parties listed in the register maintained pursuant to provision of sections 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 1127.17 lakhs and the year-end balance of loans taken from such parties was ₹ 617.58 lakhs.
 - c) In our opinion and according to the information and explanations given to us, the rate of interest, wherever applicable and other terms and conditions are not prima facie prejudicial to the interest of the company.
 - d) In respect of loans taken by the company, the interest payments are regular and the principal amount is repayable on demand. There is no overdue amount in respect of such loans taken by the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.

PARAGON FINANCE LTD.

5.
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) No transaction of any amount of purchase of goods and materials and sale of goods, materials and services as aggregating to ₹ 5,00,000/- during the year has been made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the company has not taken any loan (Secured or Unsecured) nor has it accepted any deposit from the public within the meaning of Section 58A and Section 58AA or any other relevant provisions of the Companies Act, 1956.
7. In our opinion, the internal audit system of the company is commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under section 209 (I) (d) of the Companies Act, 1956 for any of the products of the company.
9.
 - a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respects of Income -Tax, Wealth-Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty and cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
 - c) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited on account of any dispute.
10. The company has no accumulated losses as at 31st March, 2011 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any bank as at the balance sheet date.
12. In our opinion, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

PARAGON FINANCE LTD.

13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company has maintained proper records of transactions and contracts in respect of trading in shares, securities, debentures and other investment and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the company in its own name except as permissible under section 49 of the Companies Act, 1956.
15. In our opinion, the company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
16. The company has not obtained any term loans.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. In our opinion and according to the information and explanations given to us, the company has not allotted preferential shares during the year to any parties covered U/S 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants

1, British Indian Street,
1st Floor, Suite No. 110D,
Kolkata - 700 069.
Dated : The 31st day of May, 2011

[CA. ANIL KR. MANDAWEWALA]
Partner
M. No. 055939

PARAGON FINANCE LTD.

TO THE BOARD OF DIRECTORS,

We have examined the attached Balanced Sheet of **M/S PARAGON FINANCE LIMITED** as at 31st March, 2011 and also the annexed Profit & Loss Account of the company for the year ended as on that date and report thereon as under :

As required by the “ Non- Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, we made the following observations on all matters (as are applicable to the Company) specified in Paragraphs 3 & 4 of the said Directions :

- 1 The Company is engaged in the business of non banking financial institution and has already obtained the Certificate of Registration from the Reserve Bank of India. [Regn No. 05.02104]
2. The Company is entitled to continue to hold Certificate of Registration in terms of its asset/ income pattern as on March 31 of the current financial year.
3. The Board of the Directors has passed a resolution for non-acceptance of public deposits.
4. The company has not accepted any public deposits during the relevant period.
5. The company has complied with all the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it and hence entitled to continue to hold such Certificate of Registration.
6. Other Clauses are not applicable to this Company.

For, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants

1, British Indian Street,
1st Floor, Suite No. 110D,
Kolkata - 700 069.
Dated : The 31st day of May, 2011

[CA. ANIL KR. MANDAWEWALA]
Partner
M. No. 055939

PARAGON FINANCE LTD.

BALANCE SHEET AS ON 31ST MARCH, 2011

	SCHEDULE	As at 31st March,2011 ₹	As at 31st March,2010 ₹
SOURCE OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	A	42500000	42500000
Reserve & Surplus	B	107515047	101798375
LOAN FUNDS			
Secured Loans	C	23643597	21605129
Unsecured Loans	D	<u>156224703</u>	<u>67288344</u>
TOTAL		<u>329883347</u>	<u>233191848</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	E	10928964	9306986
Less: Depreciation		<u>6334210</u>	<u>5818108</u>
Net Block		<u>4594754</u>	<u>3488878</u>
INVESTMENTS			
	F	<u>59431094</u>	<u>53738784</u>
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	G	355860	9
Cash & Bank Balances	H	6946796	2284627
Deferred Tax Assets		239247	224967
Loans & Advances	I	<u>299378290</u>	<u>203746619</u>
		<u>306920193</u>	<u>206256222</u>
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	J	37580494	28291135
Provisions	K	<u>3482200</u>	<u>2000901</u>
		<u>41062694</u>	<u>30292036</u>
NET CURRENT ASSETS		<u>265857499</u>	<u>175964186</u>
		<u>329883347</u>	<u>233191848</u>

NOTES TO THE ACCOUNTS Q

As per our report of even date attached to the BALANCE SHEET

FOR, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants
(CA. ANIL KR. MANDAWEWALA)
M. No. 055939
Partner

1, British Indian Street,
1st Floor, Suite No. 110 D,
Kolkata — 700 069.
Dated : The 31st day of May, 2011.

For and on behalf of the Board
Sanjay Kumar Gupta
Executive Director
Aloke Kumar Gupta
Director
Manoj Kumar Gupta
Director
Parul Rajgaria
Company Secretary

PARAGON FINANCE LTD.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	SCHEDULE	AMOUNT 2010 - 2011 ₹	AMOUNT 2009 - 2010 ₹
I N C O M E			
Income From Operations	L	41049548	32631522
Other Income	M	<u>4634627</u>	<u>6679782</u>
		<u>45684175</u>	<u>39311304</u>
E X P E N D I T U R E			
Payment to and Prov. for Employees	N	3569782	2971832
Administrative & Other Expenses	O	18012901	20407910
Interest	P	14743807	4354017
Provision for Standard Assets		716989	0
Loss to Mark to Margin (Future & Option)		0	2905322
		<u>37043479</u>	<u>30639081</u>
Profit Before Depreciation		8640696	8672223
Less : Depreciation		<u>776191</u>	<u>809481</u>
Profit (Loss) Before Taxation		<u>7864505</u>	<u>7862742</u>
Less: Provision for Taxation			
For Current Year	2082497		1318187
For Earlier Year	(25651)		0
Security Transaction Tax	105267		82946
Transfer from Prov. for Deferred Tax	<u>(14280)</u>	<u>2147833</u>	<u>(47738)</u>
Profit after Taxation		5716672	6509347
Balance Brought forward		<u>61905470</u>	<u>56697993</u>
Profit available for Appropriation		<u>67622142</u>	<u>63207340</u>
Less : Transfer to Statutory Reserve		<u>1143335</u>	<u>1301870</u>
Balance Carried Forward		<u>66478807</u>	<u>61905470</u>
Earning Per Share (Basic)		1.35	1.75
Earning Per Share (Diluted)		1.35	1.53
NOTES TO THE ACCOUNTS	Q		

As per our report of even date attached to the PROFIT & LOSS ACCOUNT

FOR, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants
(CA. ANIL KR. MANDAWEWALA)
M. No. 055939
Partner

1, British Indian Street,
1st Floor, Suite No. 110 D,
Kolkata — 700 069.
Dated : The 31st day of May, 2011.

For and on behalf of the Board
Sanjay Kumar Gupta
Executive Director
Aloke Kumar Gupta
Director
Manoj Kumar Gupta
Director
Parul Rajgaria
Company Secretary

PARAGON FINANCE LTD.**SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011**

	AMOUNT 2010 - 2011 ₹	AMOUNT 2009 - 2010 ₹
SCHEDULE — A		
SHARE CAPITAL		
Authorised		
62,50,000 Equity Shares of ₹ 10/- each [P.Y.62,50,000 Equity Shares of ₹ 10/- each]	<u>62500000</u>	<u>62500000</u>
Issued, Subscribed and Paid - Up		
42,50,000 Equity shares of ₹ 10/- each [P.Y.42,50,000 Equity shares of ₹ 10/- each]	<u>42500000</u>	<u>42500000</u>
SCHEDULE — B		
RESERVE & SURPLUS		
Statutory Reserve (under RBI Act)		
As per last a/c	14755405	13453535
Add : This Year	<u>1143335</u>	<u>1301870</u>
	15898740	14755405
Securities Premium Account		
Surplus as per Profit & Loss Account	25137500	25137500
	<u>66478807</u>	<u>61905470</u>
	107515047	101798375
SCHEDULE — C		
Secured Loans		
Overdraft from ING Vysya Bank	473293	1607689
Loan from Citi Corp Finance (India) Ltd.	17804429	13240313
Cash Credit from UCO Bank	2385483	4040613
Overdraft from Canara Bank	255760	0
Overdraft from SBI	<u>2724632</u>	<u>2716514</u>
	23643597	21605129
SCHEDULE — D		
Unsecured Loans		
Loan from Directors	5229840	7155066
Inter Corporate Deposits	<u>150994863</u>	<u>60133278</u>
	156224703	67288344

PARAGON FINANCE LIMITED

**SCHEDULE — E
FIXED ASSETS**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK				
	As	At	Addition	Deduction	Total	As On	For The	Adjustment	Total	AS	ON	AS	ON
	01.04.2010				31.03.2011	01.04.2010	Year		31.03.2011	31.03.2011	31.03.2010		
Owned Assets													
1. Land & Building	1578754		0	0	1578754	311345	63371	0	374716	1204038	1267409		
2. Furniture & Fixture	185823	58700		0	244523	156867	11789	0	168656	75867	28956		
3. Vehicles	4947951	1560864	452720		6056095	3409187	540330	230878	3718639	2337456	1538764		
4. Office Equipment	563704		0	0	563704	347821	30029	0	377850	185854	215883		
5. Computer	1230871	135820		0	1366691	1173431	52427	0	1225858	140833	57440		
6. Air Conditioner	254258	309800		0	564058	149471	37003	0	186474	377584	104787		
7. Refrigerator	59150		0	0	59150	42680	2291	0	44971	14179	16470		
8. Water Filter	23940		0	0	23940	9939	1948	0	11887	12053	14001		
9. Electric Equip. & Fittings	170271		0	0	170271	119373	7080	0	126453	43818	50898		
10. Cellular Phone	292264	69310	59796		301778	97994	29923	29211	98706	203072	194270		
Total	9306986	2134494	512516		10928964	5818108	776191	260089	6334210	4594754	3488878		
PREVIOUS YEAR	9803386	189600	686000		9306986	5420007	809481	411380	5818108	3488878			

PARAGON FINANCE LTD.**SCHEDULE — F**

	AMOUNT 2010 - 2011	AMOUNT 2009 - 2010
Investments (At Cost) [Long Term]	₹	₹
Mutual Funds	8588651	8468571
Shares		
Quoted (Fully Paid Up)	50267113	40037383
Quoted (Partly Paid up)	0	135000
UnQuoted (Fully Paidup)	575330	1275330
Investment in Subsidiary Co. (Unquoted)	0	3822500
	<u>59431094</u>	<u>53738784</u>
Market Value of the Quoted Shares as on 31.03.11	67326718	62210037
NAV of Mutual Fund as on 31.03.2011	<u>12418147</u>	<u>11803404</u>

SCHEDULE — G**SUNDRY DEBTORS****(Unsecured, Considered Good)**

a) Debts outstanding for a period exceeding Six months	0	0
b) Other Debts	355860	9
	<u>355860</u>	<u>9</u>

SCHEDULE — H**CASH & BANK BALANCES**

a) Cash in Hand (As certified by the Management)	2519748	786442
b) Bank bal. with schedule Banks in Current a/c	2660978	317005
c) On fixed Deposits A/c	1704269	1121180
d) Cheque in Hand	61800	60000
	<u>6946795</u>	<u>2284627</u>

SCHEDULE — I**LOANS & ADVANCES**

(Unsecured considered good)

Advances recoverable in cash or in kind or for value to be received

Loan against security of Vehicles	3044727	3528661
Advance I.Tax including T.D.S.	285344308	191070395
Loans	2743855	1997813
Advance to Parties for Vehicle	1451400	1087750
Security Deposit	6492000	5760000
Cash at Income Tax Department	2000	2000
	300000	300000
	<u>299378290</u>	<u>203746619</u>

SCHEDULE — J**CURRENT LIABILITIES**

Advances Insurance Premium	23404230	15435246
Liability for Expenses	3340763	1089465
Tax Deduction at Sources	1613256	637543
Security Deposits	4634288	3911803
Advances from Parties	3097062	2350815
Advance Initial Hire	1334750	81500
Sundry Creditors	0	3397480
Others Liabilities	156145	1387283
	<u>37580494</u>	<u>28291135</u>

PARAGON FINANCE LTD.**SCHEDULE — K
PROVISIONS**

	AMOUNT 2010 - 2011 ₹	AMOUNT 2009 - 2010 ₹
Provisions for Taxation	2765211	2000901
Contingent Provision against Standard Assets [As per RBI Directions dated 17.01.2011]	716989	0
	<u>3482200</u>	<u>2000901</u>

SCHEDULE — L**INCOME FROM OPERATIONS**

Interest on Loans against security of Vehicles(TDS ₹ 147004/-)	40728631	32337220
Interest on Loans	228596	97948
Bank Interest (TDS ₹ 12232 /-)	92321	196354
	<u>41049548</u>	<u>32631522</u>

SCHEDULE — M**OTHER INCOME**

Commission Received (TDS ₹142228/-)	610023	608365
Long Term Capital Gain on Shares with STT	(94457)	665559
Short Term Capital Gains (Shares/Units) with STT	2150335	3768242
Short Term Capital Gain on Units without STT	8763	7186
Long Term Capital Gain on Shares without STT	816700	0
Dividend	1007236	1428506
Miscellaneous Income	156454	151544
	<u>4655054</u>	<u>6629402</u>
Add : Profit (Loss) on sale of Fixed Assets	(20427)	50380
	<u>4634627</u>	<u>6679782</u>

SCHEDULE — N**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

Salaries & Bonus	3297254	2764838
Staff Welfare Expenses	272528	206994
	<u>3569782</u>	<u>2971832</u>

PARAGON FINANCE LTD.**SCHEDULE — O****ADMINISTRATIVE & OTHER EXPENSES**

	AMOUNT 2010 - 2011 ₹	AMOUNT 2009 - 2010 ₹
Travelling & Conveyance Expenses	716565	661486
Bank Charges [Including Draft Commission]	93570	82358
Medical Expenses	90036	48958
Rent	216000	216000
Misc. Expenses	2212157	2580586
Shares Expenses	49761	18528
Telephone Charges	506396	458781
Printing & Stationery	1184322	919934
Postage & Stamp	135081	179846
Advertisement Expenses	200118	155112
Vehicle Maintenance Expenses	559113	395395
Repair & Maintenance (Others)	1124240	752737
Electric Charges	273984	261352
Brokerage & Commission	6713450	4293339
Insurance Premium	52808	70261
Business Promotion Expenses	809571	419662
Computer Software & Maint.	189215	205249
Legal & Seizure Expenses	3515469	1536720
Non Performing Assets Written Off	(1242724)	6550232

Auditor's Remuneration

As Audit Fees	55150	50000
Internal Audit Fees	39000	33000
Rates & Taxes	14853	14645
Listing Fees	24766	23729
Directors' Remuneration	480000	480000
	<u>18012901</u>	<u>20407910</u>

SCHEDULE — P**INTEREST**

On Bank Loan	701032	677155
On Other Deposit	14042775	3676862
	<u>14743807</u>	<u>4354017</u>

SCHEDULE - Q

NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES :

(1) Nature of Operation

The Company is engaged in providing loan against security of vehicles, investment in shares & mutual funds, and finance business concerns, individuals, companies, etc, as per the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies (NBFC).

(2) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and the guidelines issued by the RBI as applicable to Non-Deposit accepting NBFC.

The financial statements have been prepared under the historical cost convention on an accrual basis unless otherwise stated. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(3) Fixed Assets and Depreciation

Fixed assets are stated at Cost less Depreciation.

The depreciation has been provided in accordance with the provisions of the Schedule XIV of the Companies Act, 1956 on Written Down Value Method.

(4) Revenue Recognition

- I. Income from operation represents earnings from Loan against security of vehicles arrived at by amortizing the installments containing the interest, as and when these become due, as per the related agreement. Such amortization being based on Even Spread Method on individual agreements.
- II. Additional Interest for delayed payment and rebate allowed on timely payments are recognised as and when received/paid.
- III. As a part of prudent financial management, the Company had decided to progressively follow the internationally accepted accounting principles on revenue recognition, provisioning and assets classification. These principles stipulate de recognition of income on 5 (Five) installment dues, progressive provisioning and recognition of contracts with 365 days past dues as loss assets. These principles are more stringent than the guidelines prescribed by the Reserve bank of India for compliance.

In accordance with these prudent accounting policies, all contracts with 365 days past dues treated as loss assets and written off as bad debts. Any subsequent recoveries made out of these contracts will be treated as income for the year during which the same is received.

PARAGON FINANCE LTD.

IV. Prudential Norms

Subject to Para III above, the Company has followed the Prudential Norms issued by Reserve Bank of India, as applicable, and revenue / assets have been represented (considering adjustments / written off / net off, as applicable) keeping in line therewith and management prudence.

- V. Profit / Loss on Repossessed Assets represent the profit / loss due to repossession of the vehicles.
- VI. Dividend income on investment is accounted for when the company's right to receive dividend is established.
- VII. The Company makes provision of 0.25% on Standard Assets in accordance with RBI Guidelines issued on 17th January, 2011.

(5) Expenses

All the expenses have been accounted for on accrual basis.

(6) Investment Valuation

Investments being Long term Investments are stated at cost. Provisions for diminution in value of investments are made only when such diminution is permanent in nature.

(7) Gratuity

The company has been legally advised that Payment of Gratuity Act, 1972 is not applicable to the company during the year.

NOTES TO THE ACCOUNTS

(1) Loan against security of vehicles

Loan against security of vehicle are valued at agreement value less installment received and Unmatured interest.

(2) Deferred Tax Liability

In terms of Accounting Standard 22, issued by the Institute of Chartered Accountants of India, For the Current year, there is a net deferred tax asset of ₹ 14,280/-. The Deferred Tax Asset as on 31st March, 2011 was ₹ 2,39,247/- due to Timing Difference in depreciable assets.

(3) Overdrafts from Banks are secured by hypothecation of Fixed Deposits.

(4) Cash credits Account from Banks are secured by hypothecation of Finance Documents and Personal Guarantees of Directors.

(5) Loan taken from Citicorp Finance (India) Ltd. is secured by Pledge of Shares.

(6) Previous year figures have been regrouped and re arranged, wherever necessary, to confirm to the current year's classification.

(7) Business Segments

The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Accounting Standard 17 (Segment Reporting)

PARAGON FINANCE LTD.

(8) Related Party Disclosure :

Related Party disclosures as required by "Accounting Standard (AS 18) Related Party Disclosures" are as under:

A. Names of related parties with whom transactions have taken place during the year

a) Key Management personnel

Mr. Sanjay Kumar Gupta, (SKG) Executive Director

Mr. Aloke Kumar Gupta (AKG), Director

b) Relative of key management personnel

Gayatri Gupta (GG) - Director's Mother

c) Enterprises over which key management personnel, or his relative, has significant influence

- i) Mars Viniyog Pvt. Ltd. (MARS)
- ii) Naman Barter Pvt. Ltd. (NBPL)
- iii) Mahant Vanijya Pvt. Ltd. (MVPL)
- iv) Kit Commercial Pvt. Ltd. (KCPL)
- v) Raga Commercial Pvt. Ltd. (RCPL)
- vi) Vedant Financial Consultants Pvt. Ltd. (VFCPL)
- vii) Paragon Infrastructure Pvt. Ltd. (PIPL)
- viii) Basera Abasan Pvt. Ltd. (BAPL)

Particulars of Transactions :

Amounts in ₹

Nature of Transactions :	(a)	(b)	(c)	Total
Salary Paid SKG	480000/- (480000)	NIL	NIL	480000/- (480000)
Rent Paid to GG	NIL	60000/- (60000)	NIL	60000/- (60000)
Rent paid to MVPL	NIL	NIL	108000/- 108000/-	(108000) (108000)
Rent paid to KCPL	NIL	NIL	24000/- 24000/-	(24000) (24000)
Interest Paid to				
AKG	305305/- (248962)	NIL	NIL	305305/- (248962)
KCPL	NIL	NIL	1135434/- (333593)	1135434/- (333593)
MVPL	NIL	NIL	1323583/- (477755)	1323583/- (477755)
MARS	NIL	NIL	50712/- (106089)	50712/- (106089)
NBPL	NIL	NIL	259431/- (164678)	259431/- (164678)
PIPL	NIL	NIL	285579/- (16722)	285579/- (16722)

PARAGON FINANCE LTD.

VFCPL	NIL	NIL	1215476/ (329745)	1215476/ (329745)
RCPL	NIL	NIL	947326/ (425717)	947326/ (425717)
BAPL	NIL	NIL	556448/ (286363)	556448/ (286363)

Note: Figures within brackets are those for previous year.

(9) Earnings Per Share :

Calculation of Earning Per Share (Basic & Diluted) as required by Accounting Standard 20 :

Particulars	Units	Year Ended 31st March, 2011	Year Ended 31st March, 2010
No. of Equity Shares	Nos.	4250000	4250000
Profit After Tax	₹ Lacs	57.17	65.09
E.P.S. (Basic)	₹	1.35	1.75
E.P.S. (Diluted)	₹	1.35	1.53

(10) The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM(US) 2011 dated 17th January, 2011 has issued directions to all NBFCs to make provision of 0.25% against Standard Assets with immediate effect. Accordingly, the Company has made provision of ₹ 7,16,989/- during the year against Standard Assets which has been charged to Profit & Loss Account.

(11) Contingent Liabilities :

A Search & Seizure operation was conducted by the Service Tax Department on 19.07.2006 and subsequently the Service Tax Commissionerate raised a demand of Service Tax including Education Cess amounting to ₹ 26,81,414/- vide their order dated 31.03.2009. In respect of the said demand, the Company has obtained legal opinion and accordingly an appeal before the Appropriate Authority is preferred. Consequently no provision has been made in the Accounts.

(12) Loans & Advances under Schedule 'I' include, ₹ 3,00,000/- being the cash seized by the Income Tax Department.

(13) Additional Information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 to the extent presently applicable to the Company - NIL

Signature to Schedule 'A' to 'Q' forming part of Balance Sheet and Profit and Loss Account.

FOR, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants
(CA. ANIL KR. MANDAWEWALA)
M. No. 055939
Partner

1, British Indian Street,
1st Floor, Suite No. 110 D,
Kolkata — 700 069.

Dated : The 31st day of May, 2011.

For and on behalf of the Board
Sanjay Kumar Gupta
Executive Director
Aloke Kumar Gupta
Director
Manoj Kumar Gupta
Director
Parul Rajgaria
Company Secretary

PARAGON FINANCE LTD.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No. :- 40980 State Code :- 21
Balance Sheet Date :- 31.03.2011

II. Capital Raised during the year (Amount in ₹ 000) :

Public Issue :- NIL. Right Issue :- NIL.
Bonus Issue :- NIL. Private Placement :- NIL.

III. Position of Mobilisation and Deployment of Funds (Amounts ₹ 000)

Total Liabilities :- 370946 Total Assets :- 370946

Sources of Funds :

Paid - Up Capital :- 42500 Reserve & Surplus :- 107515
Secured Loans :- 23644 Unsecured Loans :- 156225
Deferred Tax Liability :- NIL

Application of Funds :

Net Fixed Assets :- 4595 Investment :- 59431
Net Current Assets :- 265856 Misc. Expenditure :- NIL

IV. Performance of Company (₹ 000)

Turnover :- 45684 Total Expenditure :- 37819
Profit/Loss Before Tax :- 7865 Profit/Loss After Tax :- 5717
Earning per Share in ₹ :- 1.35 Dividend Rates%:- NIL.

V. Generic Name of Principal Product Company

Item Code No. :- Not Applicable
Product Description :- Investment & Finance

For and on behalf of the Board
Sanjay Kumar Gupta
Executive Director
Aloke Kumar Gupta
Director
Manoj Kumar Gupta
Director
Parul Rajgaria
Company Secretary

PARAGON FINANCE LTD.

Schedule to the Balance sheet of a Non-Deposit taking Non-Banking Financial Company
[as required in terms of paragraph 13 of Non-Banking Financial(Non-deposit Accepting or Holding)
Companies Prudential Norms (Reserve Bank) Directions, 2007]

Particulars	(₹ in lakhs)	
Liabilities Side :		
(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid :		
(a) Debentures	Amount Outstanding	Amount Overdue
: Secured	NIL	NIL
: Unsecured	NIL	NIL
(Other than falling within the meaning of public deposits)		
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	1,509.95	NIL
(e) Commercial Paper	NIL	NIL
(f) Other Loans (specify nature) - Cash Credit from Bank	55.83	NIL
- From Citicorp Finance (I) Ltd.	178.04	
Please see note 1 below - From Directors	52.30	NIL
<hr/>		
Assets side :	Amount	Outstanding
<hr/>		
(2) Break-up of Loans and Advances including bills receivables [Other than those included in (3) below] :		
(a) Secured	NIL	
(b) Unsecured		14.51
<hr/>		
(3) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities :		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial Lease	NIL	
(b) Operating Lease	NIL	
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire		-
(b) Repossessed Assets	NIL	
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	NIL	
(b) Loans other than (a) above		2,853.44

PARAGON FINANCE LTD.

(4) Break - up of Investments :

Current Investments :

1.	Quoted :		
	(i) Shares :	(a) Equity	NIL
		(b) Preference	NIL
	(ii) Debentures and Bonds		NIL
	(iii) Units of Mutual funds		NIL
	(iv) Government Securities		NIL
	(v) Others (Please Specify)		NIL
2.	Unquoted :		
	(i) Shares :	(a) Equity	NIL
		(b) Preference	NIL
	(ii) Debentures and Bonds		NIL
	(iii) Units of Mutual funds		NIL
	(iv) Government Securities		NIL
	(v) Others (Please Specify)		NIL
	Long Term Investment :		
1.	Quoted :		
	(i) Shares :	(a) Equity	502.67
		(b) Preference	NIL
	(ii) Debentures and Bonds		NIL
	(iii) Units of Mutual funds		85.89
	(iv) Government Securities		NIL
	(v) Others (Please Specify)		NIL
2.	Unquoted :		
	(i) Shares :	(a) Equity	5.75
		(b) Preference	NIL
	(ii) Debentures and Bonds		NIL
	(iii) Units of Mutual funds		NIL
	(iv) Government Securities		NIL
	(v) Others (Please Specify)		NIL

(5) Borrower group-wise classification of assets financed as in (2) and (3) above

Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
1.	Related Parties **		
	(a) Subsidiaries	NIL	NIL
	(b) Companies in the same group	NIL	NIL
	(c) Other related parties	NIL	NIL
2.	Other than related parties	2,846.27	14.51
			2,860.79
	Total	2,846.27	14.51
			2,860.79

PARAGON FINANCE LTD.

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Please see note 3 below

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries		
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	803.20	594.31
Total	803.20	594.31

(7) Other Information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	NIL
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	NIL
(iii) Assets acquired in satisfaction of debt	NIL

IN TERMS OF OUR REPORT OF EVEN DATE

FOR, MANDAW WALA & CO.
FRN : 322130E
Chartered Accountants
(CA. ANIL KR. MANDAW WALA)
M. No. 055939
Partner

1, British Indian Street,
1st Floor, Suite No. 110 D,
Kolkata — 700 069.

Dated : The 31st day of May, 2011.

Notes :

- As defined in Paragraph 2 (1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break up / fair value / NAV in respect of unquoted investment should be disclosed irrespective of whether they are classified as long term or current in column (4) above.

** As per Accounting Standard of ICAI (Please see Note 3)

For and on behalf of the Board
Sanjay Kumar Gupta
Executive Director
Aloke Kumar Gupta
Director
Manoj Kumar Gupta
Director
Parul Rajgaria
Company Secretary

PARAGON FINANCE LTD.

Cash Flow Statement for The year ended 31st March, 2011

	March 31,2011	March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax & Extra ordinary items & interest	22608312	12216759
Adjustment for :		
Depreciation	776191	809481
Contingent Provision against Standard Assets	716989	0
Profit/ Loss on Sale of Fixed Assets	20427	(50380)
	24121919	12975860
Operating Profit before Working Capital changes		
Adjustment for:		
Trade and Others receivables	(95987522)	(47642016)
Trade Payables	10053669	8924085
Cash generated from Operation	(61811934)	(25742071)
Interest paid	(14743807)	(4354017)
Tax Paid	(2162113)	(1401133)
Net Cash from Operating activities	(78717854)	(31497221)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2134494)	(189600)
Sale of Fixed Assets	232000	325000
Purchase of Investments	(5692310)	(4245062)
Net Cash used in investing activities	(7594804)	(4109662)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Capital including Premium	0	25000000
Loans borrowed (Net of repayments)	90974827	7669645
Net Cash from Financing activities	90974827	32669645
Net increase in Cash and Cash equivalent	4662169	(2937238)
Cash and Cash equivalents at the beginning of the year	2284627	5221865
Cash & Cash equivalents of close of the year	6946796	2284627

Place : Kolkata

Dated : The 31st day of May, 2011.

FOR, MANDAWEWALA & CO.
FRN : 322130E
Chartered Accountants
(CA. ANIL KR. MANDAWEWALA)
M. No. 055939
Partner

1, British Indian Street,
1st Floor, Suite No. 110 D,
Kolkata — 700 069.

Dated : The 31st day of May, 2011.

For and on behalf of the Board

Sanjay Kumar Gupta

Executive Director

Aloke Kumar Gupta - Director

Manoj Kumar Gupta - Director

Parul Rajgaria - Company Secretary

PROXY FORM
PARAGON FINANCE LIMITED

Regd. Office : Sikkim House, 4/1, Middleton Street, 4th Floor, Kolkata - 700 071

L. F. No.

NO. OF SHARES HELD

I/We
of being a member/members of Paragon
Finance Ltd. hereby appoint
of
or failing him or
failing him as my/
our proxy to attend and vote for me/us on my/our behalf at the Twenty Fifth Annual General Meeting
to be held on Thursday, 29th day of September, 2011 at 10-00 a.m. at Sikkim House, 4/1, Middleton
Street, 4th Floor, Kolkata - 700 071 and at any adjournment thereof.

Dated this.....day.....2011

Signature.....

NOTE :

1. The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding of the meeting.
2. The Proxy need not be a member of the Company.

Affix One Rupee Revenue Stamp
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Tear here

ATTENDANCE SLIP
PARAGON FINANCE LIMITED

Regd. Office : Sikkim House, 4/1, Middleton Street, 4th Floor, Kolkata - 700 071

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL ONLY SHAREHOLDERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

NAME AND ADDRESS OF THE SHAREHOLDER LE NO.

.....
.....
.....

No. of Shares held :

I hereby record my presence at the Twenty Fifth Annual General Meeting of the Company held on Thursday, the 29th September, 2011 at 10-00 a.m. at Sikkim House, 4/1, Middleton Street, 4th Floor, Kolkata - 700 071

Signature of the Shareholder or Proxy

Note :Shareholder/Proxy holder desiring to attend the meeting are requested to bring their copy of the Annual Report for reference at the Meeting.