

**NOTICE**

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Friday, the 28th September, 2007 at 10.00 a.m. in Conference Hall No. II of Confederation of Indian Industry (CII), Sector 31-A, Chandigarh to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2007, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Shri Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Lodha & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the company, at a remuneration to be decided by the Board of Directors."

**Registered Office :**  
SCO 191-192  
Sector 34-A,  
Chandigarh-160 022

By order of the Board

Dated : 29.06.2007  
Place : Chandigarh

**SATISH BAGRODIA**  
Chairman

**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The proxy form duly executed and stamped should be deposited with the company at its Registered Office not less than forty-eight hours before the meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 24.09.2007 to 28.09.2007 (both days inclusive).

## WINSOME YARNS LIMITED

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4. The dividend, as recommended by the Board of Directors, if approved at the Annual General Meeting, will be paid to those persons:
  - (a) whose names appear as Beneficial Owners as at the end of business hours on 23.09.2007 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
  - (b) whose names appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar & Share Transfer Agents on or before 023.09.2007.
5. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification for attendance at the meeting.
6. **Item No. 3 Padamshree Shri Chandra Mohan** aged about 74 years, B.A. (Hons) & B.sc. Mech. Engg. (Hons) has Served Punjab Tractors Limited & Swaraj Mazda Limited as Vice Chairman and Managing Director for about 28 years. He is also member of many Professional Institutions. He is not holding any shares of the company.

Presently, he is the Chairman of RICO Auto Industries Limited & Engineering Innovations Limited and Director of Sandhar Technologies Limited, Winsome Yarns Limited, DCM Engineering Limited, Kamla Dials & Devices Limited, IOL Chemicals & Pharmaceuticals Limited and Winsome Textile Industries Ltd. He is also the member of Audit Committee in Winsome Yarns Limited, DCM Engineering Limited and Winsome Textile Industries Ltd. and member of Remuneration Committee in DCM Engineering Limited and Kamla Dials & Devices Limited and member of Shareholders/Investors Grievance Committee in Winsome Textile Industries Ltd.
7. **Item No. 4- Shri Ashish Bagrodia** aged about 36 years, B.E. (Mech.) from Punjab Engineering College having around 14 years of experience in Textile Industry. He is holding 41400 shares of the company.

Presently, he is Joint Managing Director of Winsome Textile Industries Limited and Director of Winsome Yarns Limited, IDS Infotech Limited, Engineering Innovations Limited and Winsome Yarns (Cyprus) Limited in Cyprus. He also member of Audit Committee in Winsome Yarns Limited and member of Shareholders/ Investors grievance Committee in Winsome Textile Industries limited.
8. **M/s Intime Spectrum Registry Limited, A-40, 2nd Floor, Near Batra Banquet Hall, Naraina Industrial Area, Phase-II, New Delhi-110028 (Tele. 011-41410592-94)** is acting as common agency for dematerialisation and physical transfer of shares of the company. The members should send their physical shares and letter for change of address and issue of duplicate shares directly to the aforesaid share transfer agent.

Your Directors have pleasure in presenting the 17th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2007.

Financial Highlights	Year ended 31.3.2007 (Rs.in lacs)	Year ended 31.3.2006 (Rs. in lacs)
Sales	<u>12579.17</u>	<u>12731.64</u>
Profit before Interest , Depreciation & Tax	<u>2656.79</u>	<u>1832.76</u>
Less: Interest	<u>796.50</u>	<u>564.88</u>
Profit before Depreciation	<u>1860.29</u>	<u>1267.88</u>
Less: Depreciation	<u>748.74</u>	<u>728.22</u>
Profit before Taxes	<u>1111.55</u>	<u>539.66</u>
Provision for Taxation — Current Tax	<u>58.81</u>	<u>86.00</u>
— Credit against MAT	<u>(48.46)</u>	<u>—</u>
Provision for fringe benefit tax	<u>6.10</u>	<u>9.34</u>
Provision for deferred tax liability/ (asset)	<u>10.04</u>	<u>(220.23)</u>
Profit after Taxes	<u>1085.06</u>	<u>664.55</u>
Add : Surplus brought forward from previous year	<u>4217.62</u>	<u>3699.40</u>
	<u>5302.68</u>	<u>4363.95</u>
<b>Appropriation:</b>		
Dividend @ 6% (Previous year 5%)	<u>153.97</u>	<u>128.33</u>
Corporate Dividend Tax	<u>21.59</u>	<u>18.00</u>
Surplus carried to Balance Sheet	<u>5127.12</u>	<u>4217.62</u>
	<u>5302.68</u>	<u>4363.95</u>

### Operations & Performance

During the year under review, your Company has achieved a turnover of Rs. 12579.17 lacs and a profit before tax of Rs. 1111.55 lacs against the previous year's turnover of Rs. 12731.64 lacs and profit before tax of Rs. 539.66 lacs. In spite of no significant changes in the turnover as per last year, the cash profit of the company was significantly increased due to efficiency in operation and cost control.

### New Project/ Expansion Plans

Your directors are pleased to inform you that the company's Expansion Plan to add 60000 Spindles, installation of another 180 Knitting Machines and implementation of 3.90 MW Hydel Power Projects in Punjab were under implementation mostly as per schedule. 30000 Spindles of phase I have already been commissioned. 18 Knitting Machines have also received & installed. Another 52 Knitting Machines are expected by August 2007. Various Government approvals for Power Projects have obtained and construction of Power House etc. will start from July, 2007. Your Directors are confident there will not be any significant delay in completion of above Expansion Projects.

### Overseas Ventures

During the year the Company had floated a wholly owned subsidiary in Cyprus namely Winsome Yarns (Cyprus) Limited.

Recently, the said Wholly Owned Subsidiary of the Company acquired the knitwear business of IMM International S.p.A, in Italy and Romania. A new Company namely M/s Winsome Romania s.r.l., Satu Mare, Romania was floated for the purpose. Our Wholly Owned Subsidiary holds 90%

shareholding of this Company. Winsome Romania s.r.l had also acquired 100% shareholding of M/s IMM Winsome Italia s.p.a, based at Agliana, Italy, which is engaged in marketing, designing, planning and sourcing of raw materials etc., which in turn holds 100% shareholding of M/s S.C. Textil s.r.l, Satu Mare, Romania, which is having spinning and yarn dyeing facilities in Bistrita, Romania.

Further, your Company has also invested for acquiring equity stake of M/s Newcocot S.p.A, Italy, engaged in spinning and yarn dyeing through its wholly owned subsidiary in cyprus.

**IS/ISO 9002/ 14001**

Your directors are pleased to inform you that your company continues to be holder of IS/ISO 9002/14001 certificates.

**Outlook**

A comfortable position in hand. Our client addition continues to be strong. Our initiative in capacity growth & improved productivity are all on track. Pricing pressure are declining and a conducive atmosphere for growth is anticipated. We expect to grow our business substantially and believe should meet this target in current financial year 2007-08.

**Dividend**

Your Directors are pleased to recommend an enhance dividend @ 6% on equity shares of the company for approval of shareholders at the forthcoming Annual General Meeting.

**Directors**

During the financial year, the IFCI vide its letter no. IFCI/NDC-1/2006-31836 dated 27.11.2006 has withdrawn the nomination of Shri Dinesh Sharma from the Board of Directors of the company, since the company has repaid all loans of the IFCI. Further Shri S. K. Duggal has also resigned from the Board of the company on 22.01.2007 due to his pre-occupation.

In accordance with the Company's Articles of Association, Shri Chandra Mohan and Shri Ashish Bagrodia, Directors retire by rotation and being eligible, offer themselves for re-appointment.

**Directors' Responsibility Statement**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed :

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the accounting policies are applied consistently and reasonable prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- iii. that the directors have 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;
- iv. that the directors have prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

**Voluntary Delisting**

Shareholders of the company in their Annual General Meeting held on 27.09.2004, approved to get the shares of the company voluntary delisted from Ludhiana, Delhi and Calcutta Stock Exchanges. Accordingly, the company applied for voluntary delisting of shares to the Ludhiana, Delhi & Calcutta stock exchanges simultaneously on 02.05.2005. Ludhiana and Delhi Stock Exchanges had delisted the shares of the company w.e.f 17.08.2005 and 14.10.2005 respectively. Till date, inspite of several reminders, Calcutta Stock Exchange has never raised any objection for voluntary delisting of shares of the company.

**Auditors**

M/s Lodha & Co, Chartered Accountants, as auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from M/s Lodha & Co., Chartered Accountants, to the effect that their re-appointment as Auditors, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act,1956.

**Particulars of the Employees**

The Particulars of the employees as required by the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, is annexed to this report.

**Conservation of Energy, Technology Absorption and Foreign Exchange earning and outgo**

Information in accordance with the provisions of section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure 'A' forming part of this report.

**Auditors' Report**

Note No. 3 and 5 of Schedule 14 (B), Notes on accounts referred in the Auditors' Report are self explanatory.

**Corporate Governance**

During the financial year, the company has continued its commitment to the principles of good Corporate Governance. The company believes that best board practices and transparent disclosures are necessary for enhancing shareholders value.

A report on Corporate Governance, alongwith a Certificate of compliance from the Auditors of the Company is attached as annexure 'B' to this report.

**Acknowledgement**

Your Directors wish to thanks the company's esteemed Customers, Financial Institutions, Banks, Government authorities, Suppliers and above all the Shareholders for their continue support and cooperation.

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

By order of the Board

Place : Chandigarh  
Dated : 29.06.2007

Satish Bagrodia  
Chairman

**ANNEXURE 'A' TO DIRECTORS' REPORT****WINSOME YARNS LIMITED**

**INFORMATION AS PER SECTION 217(1)(E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 31ST MARCH, 2007**

**I. CONSERVATION OF ENERGY****a) Energy conservation measures taken :**

The Company has been giving high priority to conservation of energy by close monitoring of energy consuming equipments. All efforts are made for installing energy saving devices wherever required. The company has continued with the following projects during the year.

Sr.No.	Project Undertaken	Units saved	Annual Saving (in Rs.)
1	To reduce the Power Consumption in Workers Colony	12	4,368.00
2	To reduce the Power Consumption of Residential Block		
3	To reduce Power Consumption in Plant Lighting	274	99,736.00
4	To reduce Power Consumption in LUWA Plant	834	3,03,576.00
5	To reduce Power Consumption in Compressed Air System	—	
6	To reduce Power Consumption in Yarn conditioning	32	11,648.00
<b>Total Saving</b>		<b>1152</b>	<b>419328.00</b>

**b) Additional investments and proposals,if any,being implemented for reduction of consumption of energy.**

Additional Investments, wherever required, are being made.

**c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

Though there is saving of about Rs. 4.19 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost and increase in unit power cost of PSEB.

**d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the rules in respect of industries specified in the schedule thereto:****A) Power and Fuel consumption****1. Electricity**

	Current Year	Previous Year
a) Purchased Unit (KW)	15487840	13380460
Total amount (Rs in lacs)	671.79	574.08
Rate/Unit (Rs)	4.34	4.29

b) Own Generation through Diesel Generator Unit(KW)	17200410	19579242
Units/Ltr.of Diesel Oil	3.91	4.02
Cost/Unit(Rs/KW)	5.49	4.18

**2. Coal(Specify quality and where used)****3. LSHS & Furnace Oil Qty.(MT)**

Total amount (Rs.in lacs)	642.53	658.67
Average rate(Rs.per M.T.)	17533	15797

**4. Gas (Qty. In MT)**

Total amount (Rs.in lacs)	NIL	NIL
Average rate( Rs.per Kg)	NIL	NIL

**B) Consumption per Unit of Production**

Electricity (KW)	3.35	3.27
LSHS & Furnace Oil (Lts)	NIL	NIL
Gas (Kgs)	NIL	NIL

**II. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption as per Form-B of the Annexure to the Rules.

**1) Research & Development (R&D)****a) Specific area in which R&D carried by the Company :**

Latest new technology has been adopted.

**b) Benefits derived as a result of the above R&D**

Producing international quality products.

**c) Future plan of Action :**

— This is an ongoing process and continuous improvements are being carried out in the Plant & Machinery maintenance and the quality of finished products.

d) Expenditure on R&D (Rs. in lacs)	
Capital	NIL
Recurring	Rs.14.89 Lacs
Total R&D expenditure as a percentage of total turnover =	0.11%

**2) Technology absorption, adoption and innovation.**

- a) Efforts, in brief, made towards technology absorption and innovation :  
 — Equipments of latest technology have been installed without any foreign technical knowledge.
- b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.  
 — There has been benefit in respect of quality and Productivity of the product.
- c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year). — Nil

**III. FOREIGN EXCHANGE EARNING AND OUTGO**

- a) Activities relating to exports, initiatives taken to increase exports, development for new export market for products and services and export plans.

Exports (FOB Value) of the Company have increased from Rs. 7137.51 lacs in 2005-06 to Rs. 8073.50 lacs in 2006-07). New export markets have been developed and exports are likely to increase further.

- b) Total foreign exchange used and earned.

	<u>Current Year</u>	<u>Previous Year</u>
	(Rs. in lacs)	
Earning	8075.14	7146.93
Outgo:	7949.27	409.09

For and on behalf of the Board

Place : Chandigarh  
 Dated : 29.06.2007

Satish Bagrodia  
 Chairman

**ANNEXURE TO THE DIRECTORS' REPORT**

**STATEMENT OF PARTICULARS OF EMPLOYEES, PURSUANT TO THE PROVISIONS OF THE SECTION 217 2(A) OF COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDING 31ST MARCH, 2007**

Sr. No.	Name of Employee	Designation/ Qualification Nature of duties	Total Working Experience (Years)	Date of Commencement of Employment	Total Remuneration (Rs. in lacs)	Age (Years)	Previous Employment held
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**A. Persons employed throughout the year, who were in receipt of remuneration not less than 2400000/-**

1	Shri Manish Bagrodia	Managing Director M.Com., Advance Diploma in Computer Applications	20	7/1/1994	38.54	39	Winsome Textile Industries Limited
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**B. Persons employed for part of the year who was in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 200000/- per month. — Nil**

**NOTES :**

- Remuneration as above includes Salary, House Rent Allowance or Housing Accommodation and reimbursement of Medical Expenses and other perks/ benefits provided by the Company.
- Shri Manish Bagrodia, Managing Director is related to Shri Satish Bagrodia, Chairman and Shri Ashish Bagrodia, Director of the Company.

**CORPORATE GOVERNANCE****1. Company's philosophy on code of Governance.**

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The Company reaffirms its commitment to the good Corporate Governance practices. The core values of the Company are:

- Commitment to excellence and customer satisfaction.
- Maximising long term shareholders' value.
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value and commitment to high standard of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with take-holders and clearly laying down the core values and corporate ethics to be practiced by its entire management cadre.

**2. Board of Directors**

The Board of Directors presently consists of six directors, out of which three are Promoter Directors (one Non Executive Chairman, one Executive Managing Director and one Non-Executive Director) and three are Non-Executive Independent directors, out of which one is representing PSIDC (as Joint Sector representative). None of the directors on the board is a member on more than 10 committees and chairman of more than 5 committees (as specified in clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are directors. The necessary disclosures regarding committee memberships have been made by the directors.

During the financial year, the IFCI vide its letter no. IFCI/NDC-1/2006-31836 dated 27.11.2006 has withdrawn the nomination of Shri Dinesh Sharma from the Board of Directors of the company, since the company has repaid all loans of the IFCI. Further Shri S. K. Duggal has also resigned from the Board of the company on 22.01.2007 due to his pre-occupation.

During the financial year 2006-07, seven board meetings were held. The meetings were held on 26th April, 2006, 2nd June, 2006, 28th July, 2006, 28th September, 2006, 30th October, 2006, 23rd November, 2006 and 31st January, 2007 and the maximum time gap between any two meetings was not more than four months.

The names and categories of directors on the board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships/ Committee memberships/ chairmanship held by them in other companies are given below:

No. of Directorship and Committee Membership/ Chairmanship

Name of the Director	Category	Attendance Particulars		No. of Directorship	No. of Membership/ Chairmanship in Committees		
		Board Meeting	Last AGM	Other Directorship	Membership	Chairmanship	Total
Shri Satish Bagrodia	Chairman(NED)	6	Yes	3	—	—	—
Shri Chandra Mohan	INED	6	Yes	9	3	—	3
Shri S.K. Duggal*	INED	5	No	11	2	3	5
Shri Brij Khanna	INED	7	Yes	2	—	2	2
Shri Dinesh Sharma**	INED	2	No	1	1	—	1
Shri S.K. Singla	INED(PSIDC)	6	Yes	13	—	—	—
Shri Ashish Bagrodia	NED	6	Yes	4	2	—	2
Shri Manish Bagrodia	MD	7	Yes	5	1	—	1

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director

\*Resigned from the Board of the company on 22.01.2007.

\*\*Withdrawal of nomination by IFCI from the Board of the company on 27.11.2006.



**Code of Conduct**

In terms of the provisions of Clause 49 of the Listing Agreement and contemporary practices of good Corporate Governance, the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. All the Board members and Senior Management Personnel have affirmed compliance with the Code.

**3. Subsidiary Company**

During the year, company has floated Wholly Owned Subsidiary in Cyprus namely Winsome Yarns (Cyprus) Limited.

**4. Audit Committee**

The Audit Committee functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement read together with Section 292A of the Companies Act,1956, and additional responsibilities assigned to it by the Board of Directors. The Committee also reviews the reports of the internal auditors alongwith the comments of management. The functions of the Audit Committee among others, include approving and implementing the audit procedures, reviewing the financial reporting system, internal control and procedure and ensuring compliance with regulatory guidelines.

The composition, names of the members, chairperson, particulars of the meetings and attendance of the members during the financial year are as below:

During the financial year, four Audit Committee meetings were held on 2nd June, 2006, 28th July, 2006, 30th October, 2006 and 31st January, 2007.

Sr.No.	Name of members	Category	No. of meetings attended during the year 2006-2007
1	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2	Shri Chandra Mohan	Independent/Non-Executive	4
3	Shri S K Duggal*	Independent/Non-Executive	3
4	Shri Dinesh Sharma**	Independent/Non-Executive	1
5.	Shri Ashish Bagrodia***	Non-Executive	1

\*Resigned from the Board of the company on 22.01.2007.

\*\*Withdrawal of nomination by IFCI from the Board of the company on 27.11.2006.

\*\*\*Appointed as member on 31.1.2007.

The Managing Director alongwith the Statutory Auditors, Cost Auditors and Internal Auditor were invitees to the meetings.

**5. Remuneration of Directors**

The company has not set up a Remuneration Committee because remuneration of Directors has been approved by the Board of Directors. Managing Director has been appointed for 5 years w.e.f. 01.07.2004 and has drawn his remuneration as per terms of appointment. The details of remuneration paid to the Directors during the year 2006-07 are given below :

<b>Non-Executive</b>		(Amount in Rs.)	
Name of Directors	Sitting Fees	Total	
Shri Satish Bagrodia	30000	30000	
Shri Chandra Mohan	30000	30000	
Shri Brij Khanna	35000	35000	
Shri S K Duggal	25000	25000	
Shri Dinesh Sharma (IFCI Nominee)	10000 *	10000	
Shri S K Singla (PSIDC Nominee)	30000 *	30000	
Shri Ashish Bagrodia	30000	30000	

\* The sitting fee has been paid to the nominating institutions.

<b>Executive</b>		(Rs. in lacs)	
Name of Director	Salary	Perquisites *	Total
Shri Manish Bagrodia	37.39	1.15	38.54

\* Perquisites includes Contribution to Provident Fund and other perks.

**6. Shareholders/ Investors Grievance Committee :**

The Shareholders/ Investors Grievance Committee functions with the following objectives:

Redressing of Shareholders and Investors complaints, regarding to share transfers, non-receipt of balance sheet / dividend by the shareholder etc. During the financial year 2006-07, four Shareholders/ Investors Grievance Committee meetings were held on 2nd June, 2006, 28th July, 2006, 30th October, 2006 and 31st January, 2007. Complaints/ grievances, received during the year have been resolved in time.

The composition, names of the members, chairperson, particulars of the meetings and attendance of the members during the year are as below:

Sr.No.	Name of members	Category	No. of meetings attended during the year 2006-2007
1	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2	Shri S K Duggal*	Independent/Non-Executive	3
3	Shri Manish Bagrodia	Executive	4

\*Resigned on 22.1.2007.

During the financial year, the request for transfer/demat/remat of shares, change of address etc have been duly effected. During the year 22 nos. of complaints were received, resolved & replied and no grievance was pending at the end of the financial year.

Shri Manish Bagrodia, Managing Director/ Shri K V Singhal, Dy. General Manager (MIS) and Company Secretary are the Compliance Officer of the company for SEBI/ Stock Exchange/ROC related issues etc..

**7. General Body Meetings**

The last three Annual General Meetings of the Company were held as under :

Year	Venue	Date	Time
2003-2004	Tagore Theatre, Sector 18-C, Chandigarh	27. Sep. 2004	10.00 A.M.
2004-2005	Tagore Theatre, Sector 18-C, Chandigarh	19. Sep. 2005	10.00 A.M.
2005-2006	Tagore Theatre, Sector 18-C, Chandigarh	28. Sep. 2006	10.00 A.M.

All the resolutions, including one special resolution on 27.09.04 and four special resolutions on 28.09.06 as set out in the respective notices were passed by the shareholders. No Postal ballots were used for voting at these meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.

**B. Disclosures**

- There are no materially significant related party transactions made by the company with its promoters, directors or management, their relatives etc. that may have potential conflict with the interest of the company at large. Transactions with related parties are disclosed in Note No. 22 of Schedule 15 of the Accounts in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non-compliance of any matter related to the capital markets.

**9. Means of Communications**

- The quarterly and half yearly results are published in widely circulating national & local dailies news papers such as Economic Times (in English) and Dainik Tribune (in Hindi). The same are also being posted on SEBI website under EDIFAR.
- The management Discussion and Analysis report forms a part of this Annual Report.

**10. General Shareholder information**

Annual General Meeting at 10.00 a.m. on 28th September, 2007 in Conference Hall No. II of Confederation of Indian Industry (CII), Sector 31-A, Chandigarh.

Financial Calendar : 1st April to 31st March  
 Date of Book Closure (both days inclusive) : 24.09.2007 to 26.09.2007 (both days inclusive)  
 Dividend payment date : On or after 28th September, 2007  
 Listing on Stock Exchanges : 1. Bombay Stock Exchange Limited (BSE)  
 2. The National Stock Exchange of India Ltd (NSE)

Demat ISIN Number in NSDL & CDSL : INE 784B01019

Annual listing fees for the year 2006-2007 have been paid to BSE & NSE. Listing fee to Calcutta Stock Exchange has not been paid as the company has applied to this stock exchange on 02.05.2005 for voluntary delisting of shares as per the approval of shareholders and till date no objection has even been raised by the Calcutta Stock Exchange in this regard.

Market price data - high and low during each month on BSE in the financial year 2006-07. Stock code-514348 (website-- bseindia.com), NSE Scrip Code - WINSOMYARN.

Months	High	Low	Closed	Shares
April, 2006	21.00	18.30	19.95	322928
May, 2006	23.00	15.80	17.10	342488
June, 2006	17.75	12.60	14.00	135314
July, 2006	16.00	12.55	14.64	90713
August, 2006	18.32	14.72	16.19	186290
September, 2006	18.10	15.75	16.00	178880
October, 2006	19.90	16.10	19.00	264891
November, 2006	20.25	18.30	18.70	246795
December, 2006	19.25	16.00	17.40	121259
January, 2007	23.60	16.60	20.75	296296
February, 2007	22.25	17.25	18.45	213205
March, 2007	18.80	15.50	16.20	98175

Registrar and Share Transfer Agent : Intime Spectrum Registry Ltd.  
 A-40, 2nd Floor, Near Batra Banquet Hall,  
 Naraina Industrial Area, Phase II,  
 New Delhi-110028  
 Tel. : 011-41410592-94, Fax : 41410591  
 E-mail : delhi@intimespectrum.com

Share Transfer System : Shares lodged in physical form with the STA directly or through company, are processed and returned, duly transferred, within 30 days normally, except in cases which are under objection.  
 In respect of shares held in dematerialised mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.

Compliance Officers : Shri Manish Bagrodia and Shri K.V. Singhal  
 E-mail IDs : dgm.cs@winsomergroup.com • cshare@winsomergroup.com

## WINSOME YARNS LIMITED

Distribution of shareholding as on 31st March, 2007.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	12486	88.73	2202289	8.58
501 - 1000	838	5.96	713800	2.78
1001 - 2000	384	2.73	610989	2.38
2001 - 3000	122	0.87	322167	1.26
3001 - 4000	46	0.33	166477	0.65
4001 - 5000	56	0.40	267791	1.04
5001 - 10000	68	0.48	494357	1.93
10001 and above	70	0.50	20888109	81.38
<b>Total</b>	<b>14070</b>	<b>100.00</b>	<b>25665979</b>	<b>100.00</b>

Shareholding Pattern as on 31st March, 2007.

Category	No. of shares	Percentage
Promoters/Persons acting in concert	17964609	69.99
Financial Institutions/Banks/Mutual Funds	502094	1.96
NRIs	133431	0.52
Bodies Corporates	1839185	7.17
Indian Public	5226660	20.36
<b>Total</b>	<b>25665979</b>	<b>100.00</b>

Details of shareholding of Directors in the company as on 31.03.2007

Name of Director	No. of shares held
Shri Satish Bagrodia	42900
Shri Ashish Bagrodia	41400
Shri Chandra Mohan	—
Shri Brij Khanna	1000
Shri S K Duggal	2000
Shri Dinesh Sharma	—
Shri S K Singla	—

Dematerialisation of shares and liquidity : 88.07% of the shares issued by the company have been dematerialised upto 31st March, 2007.

Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity. : The company has not issued any GDRS/ ADRS/Warrants or any convertible instruments, the conversion of which will have an impact on equity shares.

Plant Location (Yarn) : Village-Kurawala, Tehsil-Derabassi  
Distt. Mohali (Punjab)

(Knitwear) : Winsome Knitwear (Prop. Winsome Yarns Limited)  
C-138, Industrial Area, Phase-VIII, Mohali (PB)

Address for correspondence : The Company Secretary  
Winsome Yarns Limited  
SCO 191-192, Sector 34-A,  
Chandigarh-160022

By order of the Board

Place : Chandigarh  
Dated : 29.06.2007

Satish Bagrodia  
Chairman

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES.****To the members of Winsome Yarns Limited**

We have examined the compliance of conditions of Corporate Governance by Winsome Yarns Limited, for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with 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 the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Lodha & Co.  
Chartered Accountants

Place : Chandigarh  
Date : 29.06.2007

N.K. Lodha  
Partner  
M.No. 85155

**MANAGEMENT ANALYSIS AND DISCUSSION REPORT****INDUSTRY SCENARIO**

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16.53 percent to the country's export earnings. It provides direct employment to over 35 million people, which includes a substantial number of scheduled castes, scheduled tribes, and women. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

**THE ORGANISED TEXTILE INDUSTRY**

The Cotton/Man-made fibre textiles industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals. As on January 31, 2007, there were 1818 cotton/man-made fibre textiles mills (non-SSI), with an installed capacity of 35.37 million spindles and 0.45 million rotors. This was expected to increase to 39.50 million spindles and 0.62 million rotors by March 31, 2007. The production of spun yarn, which was 3160 million kg. in 2000-2001, increased to 3458 million kg. in 2005-06, and is anticipated to touch 3791 million kg. during 2006-07.

**THE COTTON SECTOR**

The buoyancy in the textiles sector can be assessed from the fact that consumption of cotton by the mill and non-mill sectors has been increasing over the years, from 195.03 lakh bales in 2004-05, to a record figure of 217 lakh bales in 2005-06 and 240 lakhs bales in 2006-07.

Cotton is the major raw material for the domestic textiles industry. It plays a vital role in the country's economy by providing substantial employment opportunities and contributes significantly to the country's export earnings. In 2004-05 the ratio of the use of cotton to man-made fibre and man-made filament yarn by the textiles Industry was 56:44 (Prov.). The sector provides employment to about 50 million people in related activities like cultivation, trade, and processing.

India is the second largest cotton producer in the world, accounting for 16.75% of the global production, with the largest cultivated area, which is approximately 9 million hectare. However, in productivity (501 kg./ha) the country lags behind the other major cotton producing countries, viz., USA (931 kg/ha), China (1140 kg/ha) and Australia (1806 kg/ha). The global average is 728 kg/ha. One of the major reasons for low yield is that 65% of the area under cotton cultivation is rainfed.

The country harvested a bumper cotton crop for the second successive year. During 2005-06, the output was a record 244 lakh bales (170 kg. Each) and it reached 270 lakh bales (170 kg each) in the cotton season of 2006-07. The cultivated area increased from 86.77 lakh hectares to 91.58 lakh hectares. The yield per hectare has also increased from 478 kg/ ha to 501 kg/ ha.

**TEXTILES EXPORTS**

During the year Textile exports contributed 16.63% to the country's total exports earnings, and India's share in the global textiles and apparel market is 3.9% and 3%, respectively. The textiles exports basket consists of ready-made garments, cotton textiles, textiles made from man-made fibre, wool and woollen goods, silk, handicrafts, coir, and jute. According to data provided by the Directorate General of Commercial

Intelligence and Statistics (DGCI&S), Kolkata textiles exports were US \$ 14 billion in 2004-05, and increased to US \$ 17 billion in 2005-06, registering an increase of about 22%. Textiles exports during April-October 2006, increased by 6.47% in dollar terms, and 11.43% in Rupee terms, and was expected to reach US\$ 19.73 billion by March 31, 2007.

**TECHNOLOGY UPGRADATION FUND SCHEME (TUFS)**

The Technology Upgradation Fund Scheme, the flagship scheme of the Ministry of Textiles, was launched on April 1, 1999, with the objective of making funds available to the domestic textiles industry to upgrade the technology of existing units, and also to set up new units with state-of-the-art technology in order to enhance its viability and competitiveness in the domestic and international markets. The scheme, which was to last upto March 31, 2004, was extended till March 31, 2007. In the Xth five year plan (2002-07), Rs.1,270 crores was earmarked for the scheme. The Government have decided to continue the scheme in the XIth five year plan, and Rs.911.00 crores had been earmarked for the scheme during 2007-08. (However, details of the extended scheme is yet to be notified.)

The scheme covers spinning, cotton ginning & pressing, silk reeling & twisting, wool scouring & combing, synthetic filament yarn texturising, crimping and twisting, manufacture of viscose filament yarn (VFY)/ viscose staple fibre (VSF), weaving/knitting (including non-wovens) and technical textiles. It also covers the manufacture and processing of fibres, yarns, fabrics, garments and made-ups, the jute sector, and handloom sector (since 2006-07).

**MARKET INFLUENCING FACTORS**

- Fluctuations in Fiber cotton prices, as it comprises major portion of manufacturing cost.
- Export demand from main importing countries.
- Fluctuation in currency value.
- World production, consumption, import, export and ending stocks of cotton and yarn.

**MANAGEMENT'S PHILOSOPHY ON QUALITY**

Management's quality policy is to: "Provide reliable high-quality products to customers".

The Company has adopted the juran methodology for continuous improvement. A Quality Council consisting of all HODs as Member under the Chairmanship of the Managing Director is responsible for undertaking various improvement programme.

The Quality Council has undertaken upto now 40 projects in last three years out of which 34 projects are completed and balance are in progress. There has been a substantial improvement in quality and cost economics. At the same time it has been a educative procedure for all the employees of the company to learn problem solving techniques through a systematic approach.

The Company has also implemented a quality and reliability system that meets the international quality assurance standard, and achieved IS/ISO 9002/ 14001 certification.

The Management is building a system that can reliably create high-quality, high-reliability products and at the same time working hard to constantly improve quality and reliability that are reassuring to customers under the "Better Quality" motto.

**INTERNAL CONTROL SYSTEMS**

The Company has adequate internal control procedures commensurate with its size and nature of business. These internal policies ensure efficient use and protection of assets and resources, compliance with policies, statutes and ensure reliability as well as promptness of financial and operational reports.

**HUMAN RESOURCE DEVELOPMENT**

"An Organization is only as good as the people within" is an axiom, which the company understands and appreciates deeply. The Company continues to emphasize on its commitment to acquiring, developing and enhancing its human potential. Recruitment and retention of intellectual capital is a key management exercise. The Company's human capital constitutes a diverse pool of knowledge a judicious mix of youth, imagination, risk-taking ability and seasoned experience.

We continue to build our team with high quality talent. Manpower investment continues to be skewed towards marketing, sales and research.

By order of the Board

Place : Chandigarh  
Dated : 29.06.2007

Satish Bagrodia  
Chairman

## AUDITOR'S REPORT

## WINSOME YARNS LIMITED

### TO THE MEMBERS OF WINSOME YARNS LIMITED

We have audited the attached Balance Sheet of Winsome Yarns Limited as at 31st March 2007 and also the Profit and loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of 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 the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("The Order") issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ("The Act"), we annexe 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:
  - (i) 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;
  - (ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
  - (iv) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31.3.07 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (vi) Attention is invited to:
    - (a) Note No. 9 regarding provision for depreciation has been made on certain Plant and Machinery as per the rates applicable to continuous process plant based on technical evaluation as stated in the said note, which is a technical matter (Impact Unascertained).
    - (b) Note No. 11 regarding non provision for shortfall in recovery (amount unascertainable) against overdue debts aggregating Rs.149.76 lacs for which legal and other persuasive actions for recovery has been initiated, since in the opinion of the management these debts are good and recoverable.

We further report that the profit for the year, the balance in reserve and surplus, debtors and fixed assets are without considering items mentioned above, the effect of which could not be determined.

Subject to the forgoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Note No 20 of Schedule 15B and read together with other notes on accounts give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2007;
- (ii) in the case of the Profit and Loss account, of the profit of the company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Lodha & Co.  
Chartered Accountants

Place : Chandigarh  
Date : 29.06.2007

N.K. Lodha  
Partner  
Membership No.: 85155

(Referred to in Paragraph 1 of our report of even date to the members of Winsome Yarns Limited for the year ended 31st March 2007)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) As explained to us, the fixed assets have been physically verified by the management according to the regular programme of periodical verification in phased manner which in our opinion is reasonable having regard to size of the company and the nature of its fixed assets. The discrepancies noticed on such physical verification were not material.  
(c) No substantial part of fixed assets has been disposed off during the year, which affects going concern concept.
2. (a) As explained to us, the inventory of the company have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the nature of business and particular circumstances.  
(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) According to the information and explanation given to us, we are of the opinion that the company is maintaining proper records of inventory (In case of process stock, records are updated on monthly physical verification of stocks). As per records and information made available the discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company.
3. The Company has neither granted nor taken any loans, secured/unsecured to/from companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, the Provisions of clauses 4 (iii) (b) to (d), (f) & (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature for which as explained, used department has preferred specific items/brands and/or for which alternative source/quotations are not available, there are internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventories, fixed assets and for the sale of goods and services which needs to be further strengthened. Based on the audit Procedure Performed and on the basis of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section; and  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements (exceeding the value of Rs. 5 lacs in respect of each party during the financial year) have been made at the prices which are generally reasonable having regard to prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the company has not accepted any deposits from public within the meaning of Sections 58A, 58AA and rules framed thereunder and the directives issued by Reserve Bank of India and other relevant provisions of the Act. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company as prescribed by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with view to determine whether they are accurate and complete.



## WINSOME YARNS LIMITED

9. (a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax (except in case of Fringe Benefit Tax), Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed statutory dues payable for a period more than six months from the date they became payable as at 31.03.2007.
- (b) According to the records and information and explanations given to us, there are no dues in respect of Income Tax, Custom Duty, Wealth Tax, Service Tax and Cess that have not been deposited on account of any dispute. In our opinion and according to the information and explanations given to us, the dues in respect of Sales Tax and Excise duty that have not been deposited with the appropriate authorities on account of dispute and the forum where the disputes are pending are given below:

Name of Statute	Nature of Dues	Period to which the amount relates	Amount (In Lacs)	Forum Where pending
Central/ State Sales tax	Sales tax	1999-2000	4.35	Joint Director Excise and Taxation
Central Excise Act	Excise Duty	1998-99	1.43	CESTAT
Excise Duty	Excise Duty	2001-02	10.09	CESTAT

(excluding excise show cause notices)

10. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses during the current financial year and in the immediately preceding financial year.
11. In our opinion, on the basis of audit procedures and according to the informations and explanations given to us, the company has defaulted in repayment of dues to financial institution or banks or debenture holders as the balance sheet date.
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and /or advances on the basis of security by way of pledge of shares, debenture and other securities.
13. Clause (xiii) of the order is not applicable to the company as the company is not a Chit Fund Company or nidhi/ mutual benefit fund/ society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debenture and other investment.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institution.
16. According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that the company has not used fund raised on short-term basis Rs. 1500 lacs for long-term investments.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 during the year.
19. No debenture has been issued/ outstanding during the year hence the provision of clause 4(xix) of the said order are not applicable.
20. The company has not raised money by public issues during the year.
21. Based on the audit procedures performed and information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Lodha & Co.  
Chartered Accountants

Place : Chandigarh  
Date : 29.06.2007

N.K Lodha  
Partner  
Membership No.: 85155

**BALANCE SHEET**  
AS AT 31ST MARCH, 2007

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31st March 2007 (Rs. in lacs)</b>	<b>31st March 2006 (Rs. in lacs)</b>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	5348.56	4437.06
<b>Loan Funds</b>			
Secured Loans	3	11469.91	7139.32
Unsecured Loans	4	7343.23	—
Deferred Tax Liability (Net)		1592.72	1582.68
		<b>28330.63</b>	<b>15737.27</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	5	15205.64	15132.18
b) Less : Depreciation		5980.19	5234.33
c) Net Block		9225.45	9897.85
d) Capital work-in-progress		9933.84	284.35
		19159.29	10182.20
<b>Investments</b>			
	6	1.05	—
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	5823.39	3799.73
Sundry Debtors		1058.59	1286.87
Cash and Bank Balances		1273.82	425.67
Loans & Advances		5827.24	1390.41
		13983.04	6902.68
<b>Less : Current Liabilities &amp; Provisions</b>	8	4812.75	1347.61
Net Current Assets		9170.29	5555.07
		<b>28330.63</b>	<b>15737.27</b>

Accounting Policies & Notes on Accounts 15

As per our report of even date.  
For LODHA & CO.  
Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.08.2007

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2007**

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31st March 2007 (Rs. in lacs)</b>	<b>31st March 2006 (Rs. in lacs)</b>
<b>INCOME FROM OPERATIONS</b>			
Sales	9	12579.17	12731.64
Less: Excise Duty		129.83	223.44
Net Sales		12449.34	12508.20
Increase/(Decrease) in Stocks	10	666.08	(576.52)
Other Income	14	541.12	46.40
		<u>13676.54</u>	<u>11978.08</u>
<b>COST OF OPERATIONS</b>			
Raw Materials consumed	11	6493.14	6091.67
Cotton Yarn Purchase		—	65.66
Manufacturing & other Expenses	12	4526.61	3987.99
		<u>11019.75</u>	<u>10145.32</u>
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>		<b>2656.79</b>	<b>1832.76</b>
Less: Financial Expenses	13	796.50	564.88
		<u>1860.29</u>	<u>1267.88</u>
Depreciation		748.74	728.22
<b>Net Profit before Tax</b>		<b>1111.55</b>	<b>539.66</b>
Less : Provision for Taxation			
— Current Tax		58.81	86.00
— Credit against MAT		(48.46)	—
— Fringe Benefit Tax		6.10	9.34
— Deferred Tax Liability/(Asset)		10.04	(220.23)
<b>Net Profit after Tax</b>		<b>1085.06</b>	<b>664.55</b>
Add : Balance brought forward from last year		4217.62	3699.40
<b>Balance available for appropriation</b>		<b>5302.68</b>	<b>4363.95</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		153.97	128.33
Tax on Dividend		21.59	18.00
Balance carried to Balance Sheet		5127.12	4217.62
		<u>5302.68</u>	<u>4363.95</u>
<b>Earning Per Share-Basic and Diluted (Rs)</b>		<b>4.23</b>	<b>2.59</b>
Accounting Policies & Notes on Accounts	15		
<b>As per our report of even date. For LODHA &amp; CO. Chartered Accountants</b>			

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.06.2007

**SCHEDULES****WINSOME YARNS LIMITED**

PARTICULARS	AS AT 31.03.2007 (Rs. in lacs)	AS AT 31.03.2006 (Rs. in lacs)
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>	<b>2750.00</b>	<b>2750.00</b>
2,75,00,000 Equity Shares of Rs. 10/- each		
<b>ISSUED</b>		
2,60,45,579 Equity Shares of Rs. 10/- each	<b>2604.56</b>	<b>2604.56</b>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
2,56,65,979 Equity Shares of Rs. 10/- each	<b>2566.60</b>	<b>2566.60</b>
Add : Amount Paid-up on shares forfeited	<b>11.61</b>	<b>11.61</b>
	<b>2578.21</b>	<b>2578.21</b>
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
<b>CAPITAL RESERVE</b>		
State Investment Subsidy	<b>25.00</b>	<b>25.00</b>
Capital Reserve — Buyback of Shares	<b>27.03</b>	<b>27.03</b>
Capital Redemption Reserve (As per last Balance Sheet)	<b>124.44</b>	<b>124.44</b>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	<b>42.97</b>	<b>42.97</b>
<b>SURPLUS</b>		
As per annexed Profit & Loss Account	<b>5127.12</b>	<b>4217.62</b>
	<b>5346.56</b>	<b>4437.06</b>
<b>SCHEDULE - 3 : SECURED LOANS</b>		
<b>TERM LOANS FROM FINANCIAL INSTITUTIONS</b>		
Foreign Currency Loans from The IFCI Ltd.	—	<b>265.89</b>
<b>FROM BANKS</b>		
Term Loans	<b>7999.44</b>	<b>3571.78</b>
Packing Credit	<b>3470.47</b>	<b>3300.86</b>
Vehicle Loan	—	<b>0.79</b>
	<b>11469.91</b>	<b>7139.32</b>

**NOTES :**

- Term Loans of Rs Nil lacs (PY- Rs 265.89 Lacs) from IFCI and Rs.5327.84 lacs (PY-Rs. 1000.00 lacs) from banks are secured by mortgage of immovable properties situated at Village Kurawala, Distt. Mohali and hypothecation of all the company's movable properties (save & except book debts) including moveable plant & machinery, spares, tools and accessories both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. Such Loans are also guaranteed by two directors. The Mortgage and Charges created shall rank pari-passu 'inter-se' between the Banks. Term Loans from Banks of Rs. 2671.60 lacs (PY-Rs 2571.78 Lacs) under TUF Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
- Packing Credit Loan is secured by hypothecation of current assets and also secured by second charge on fixed assets of the company and guaranteed by two directors.

**SCHEDULE - 4 : UNSECURED LOANS**

From Bank	<b>1500.00</b>	—
Buyer's Import Credit	<b>5843.23</b>	—
	<b>7343.23</b>	—

## SCHEDULE - 5 : FIXED ASSETS

(Rs. in Lacs)

Nature of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions	Sale/ adjustments	As at 31.03.2007	Upto 31.03.2006	For the year	Sale/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
<b>Tangible</b>										
Freehold Land	334.94	—	—	334.94	—	—	—	—	334.94	334.94
Leasehold Land*	630.77	—	350.50	280.27	2.89	3.89	2.89	3.89	276.38	627.88
Buildings**	1746.50	—	—	1746.50	459.50	52.43	—	511.93	1234.57	1287.00
Plant & Machinery	12071.91	380.88	—	12452.80	4601.80	654.63	—	5256.43	7196.37	7470.11
Furniture & Fixtures	239.41	30.00	—	269.41	113.51	25.22	—	138.73	130.68	125.90
Vehicles	71.28	13.07	—	84.35	36.22	6.51	—	42.72	41.63	35.07
<b>Intangible</b>										
Specialised Software	37.37	—	—	37.37	20.42	6.06	—	26.47	10.89	16.95
<b>Total</b>	<b>15132.18</b>	<b>423.96</b>	<b>350.50</b>	<b>15205.64</b>	<b>5234.34</b>	<b>748.74 ***</b>	<b>2.89</b>	<b>5980.19</b>	<b>9225.45</b>	<b>9897.84</b>
Previous Year	14049.67	1162.60	80.09	15132.18	4550.72	731.11	47.50	5234.33	9697.85	9498.95

Note :

\* Include cost of assets Rs. 336 lacs as stated in Note No. 7 of Schedule 15.

\*\* Building and Furniture &amp; Fixtures include Capital Expenditure incurred on Assets not owned by the Company Rs. 41.18 lacs (Gross) and Rs. 56.94 lacs (Gross) (Previous Year Rs. 41.18 lacs and Rs. 56.94 lacs) and net Rs. 24.71 lacs and Rs. 32.30 lacs respectively (Previous year Rs. 28.83 lacs and Rs. 39.86 lacs)

\*\*\* Includes Rs. 2.83 lacs (Previous Year - Rs 2.89 lacs) as amortisation of Leasehold Land and depreciation/amortisation of earlier period Rs. 1.06 lacs (Previous Year - Rs 9.12 lacs)

**SCHEDULES****WINSOME YARNS LIMITED**

PARTICULARS	AS AT 31.03.2007 (Rs. in lacs)	AS AT 31.03.2006 (Rs. in lacs)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>Long Term Investments (other than trade)</b>		
Wholly owned subsidiary company - unquoted fully paid up 1000 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 cyprus pound each	1.05	—
	<u>1.05</u>	<u>—</u>
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b> (As taken, valued and certified by the management)		
Raw Materials	3330.86	2332.17
Stock in Process	569.76	416.94
Stores & Spares	499.86	160.97
Finished Goods (including goods in transit Rs. 212.16 lacs (PY Rs. 184.26 lacs)	1416.19	874.96
Waste (As net realisable value)	6.72	14.89
	<u>5823.39</u>	<u>3799.73</u>
<b>Sundry Debtors (Unsecured, considered Good)</b>		
Debts over six months	343.09	344.70
Other Debts	715.50	942.17
	<u>1058.59</u>	<u>1286.87</u>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.01	0.01
<b>Bank Balances with scheduled Banks</b>		
On Current Accounts	220.08	167.64
On Margin Account	—	15.26
On Unpaid Dividend Account	20.42	15.26
On Fixed Deposit Account (Lodged with Banks as Margin)	1033.31	227.50
	<u>1273.82</u>	<u>425.67</u>
<b>Loans &amp; Advances (Unsecured, considered good)</b>		
Advance recoverable in cash or in kind or for value to be received	3157.13	748.96
Advance Income Tax including TDS	143.56	38.32
Advances towards Share Application Money	1516.20	—
Refunds/Claims Receivable	135.46	18.99
MAT Credit Entitlement	48.46	—
Interest Receivable	246.34	107.88
Cenvat/VAT/Sales Tax Reimbursable	560.45	440.77
Security Deposits	19.64	37.49
	<u>5827.24</u>	<u>1390.41</u>
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note No. 13)	3909.37	995.24
Nook Overdraft (Temporarily overdrawn)	313.84	—
Interest Accrued but not due on Loans	86.13	22.17
Other Liabilities	132.43	45.04
Unpaid Dividend*	20.42	15.26
	<u>4462.19</u>	<u>1163.71</u>
<b>PROVISIONS</b>		
For Retirement Benefits	30.19	37.57
For Proposed Dividend	153.97	128.33
For Corporate Tax	144.81	86.00
For Tax on Dividend	21.59	18.00
	<u>350.56</u>	<u>269.90</u>
	<u>4812.75</u>	<u>1433.61</u>

\*shall be credited to Investor's Education and Protection Fund when due.

**SCHEDULES****WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>2006-2007 (Rs. in lacs)</b>	<b>2005-2006 (Rs. in lacs)</b>
<b>SCHEDULE - 9 : SALES</b>		
Yarns	11611.28	12000.11
Knitwear	360.75	168.91
Waste Sales	597.66	544.43
Job Charges (TDS Rs. Nil, Previous Year Rs. Nil)	9.48	18.19
	<u>12579.17</u>	<u>12731.64</u>
<b>SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
Finished Goods (Yarn)	1416.19	874.96
Stock in Process	569.76	416.94
Waste	6.72	14.69
	<u>1992.67</u>	<u>1306.59</u>
<b>Less : Opening Stock</b>		
Finished Goods (Yarn)	874.96	1289.06
Stock in Process	416.94	590.52
Waste	14.69	3.53
	<u>1306.59</u>	<u>1883.11</u>
	<u>686.08</u>	<u>(576.52)</u>
*including trial run production of Rs. 8.36 lacs		
<b>SCHEDULE - 11 : RAW MATERIALS CONSUMED</b>		
Opening Stock	2332.17	1884.15
Purchases	7491.83	6539.69
	<u>9824.00</u>	<u>8423.84</u>
Closing Stocks	3330.86	2332.17
Raw Materials Consumed	<u>6493.14</u>	<u>6091.67</u>
<b>SCHEDULE - 12 : MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>PAYMENT &amp; PROVISIONS OF EMPLOYEES</b>		
Salaries, Wages & Other Allowances	444.81	404.67
Contribution to Provident & Other Funds	46.56	42.36
Employees Welfare	9.21	22.19
	<u>500.58</u>	<u>469.22</u>
<b>MANUFACTURING EXPENSES</b>		
Stores & Spares consumed	861.10	753.72
Power & Fuel	1425.20	1319.99
Repairs to Buildings	5.98	5.48
Repairs to Plant & Machinery	17.83	12.82
Processing Charges & Dyeing Charges	250.96	226.98
Material Handling Charges	57.85	73.07
	<u>2618.72</u>	<u>2392.06</u>

**SCHEDULES****WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>2006-2007</b> <b>(Rs. in lacs)</b>	<b>2005-2006</b> <b>(Rs. in lacs)</b>
<b>SCHEDULE - 12 : EXPENSES (continued)</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	34.58	9.04
Printing & Stationery	1.79	2.01
Rates & Taxes	0.42	6.06
Director Sitting Fee	1.90	1.55
Insurance	70.22	59.65
Repair & Maintenance	6.73	—
Travelling & Conveyance	138.97	97.85
Miscellaneous Expenses	69.55	73.65
Postage, Telegrams and Telephones	52.06	39.34
Legal & Professional Charges	42.30	19.19
Charity & Donation	10.14	—
Prior Period Expenses (Net)	60.31	23.54
Foreign Exchange Variation Loss (Net)	—	27.61
<b>AUDITORS' REMUNERATION</b>		
Audit Fees	1.50	1.00
Tax Audit Fees	0.15	0.20
Other Services	0.06	—
Re-imburement of expenses	0.77	0.48
	<b>491.45</b>	<b>361.17</b>
<b>SELLING EXPENSES</b>		
Commission on sales	251.87	218.13
Freight & Handling Charges	609.37	497.38
Advertisement & Other Selling Expenses	54.82	50.03
	<b>915.86</b>	<b>765.54</b>
	<b>4526.61</b>	<b>3987.99</b>
<b>SCHEDULE - 13 : FINANCIAL EXPENSES</b>		
Interest on Term Loans (Net of re-imburement under TUFs Rs. 127.92 Lacs Previous Year Rs. 95.56 Lacs)	301.71	214.91
Interest on Working Capital (Net of receipt of Rs. 1.74 lacs Previous Year Rs. 9.42 Lacs)	378.90	226.89
Bank Charges & Commission	117.89	123.08
	<b>796.50</b>	<b>564.88</b>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Income (Refer Note No. 5)	101.03	0.49
Interest Received (TDS Rs. 2.66 lacs Previous Year Rs. 2.26 lacs)	49.02	20.05
Sale of Scrap	18.20	15.19
Liability/Balances written back (net)	0.23	0.88
Exchange Rate Difference (Net)	101.11	—
Profit on Sale of Fixed Assets (Note No. 7 of Schedule 15)	269.63	8.07
Export Incentives	1.90	1.72
	<b>541.12</b>	<b>46.40</b>



**SCHEDULE - 15****ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A) Statement of Significant Accounting Policies****1. Basis of Accounting**

The Financial Statements are prepared as a going-concern under historical cost convention on an accrual basis except those with significant uncertainty and in accordance with the Companies Act, 1956. Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principles and mandatory accounting standards.

**2. Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and the estimates are recognised in the period in which the results are known/materialized.

**3. Revenue Recognition**

Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and is recognised usually when all significant risks and rewards of ownership of the asset sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of material by-products are included in revenue. Interest income is recognised on an accrual basis in the incoming statement.

**4. Borrowing Cost**

Borrowing Cost attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which they are incurred.

**5. Fixed Assets**

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and installation expenses less accumulated depreciation and impairment loss, if any.

**6. Expenditure during Construction Period**

All pre-operative project expenditure (net of income accrued) incurred upto the date of commercial production is capitalized and the same are allocated to the respective assets on the completion of the construction period.

**7. Depreciation**

(i) Depreciation has been provided on Fixed Assets on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of additions arising on account of translation of foreign currency liabilities for acquisition of fixed assets, Insurance spares, on additions/ extensions forming an integral part of existing plants and on the revised carrying amount of the assets identified as impaired on which depreciation has been provided over residual life of the respective fixed assets.

(ii) Amortisation of leasehold land and buildings has been done in proportion to the period of lease.

(iii) Fixed Assets where ownership vests with the Government/Local authorities are amortized at the rates of depreciation specified in Schedule XIV to the Companies Act, 1956.

(iv) Capital Expenditure on assets not owned are written off over the duration of contract or ten years whichever is lower.

**8. Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortisation. Technical know-how is amortised over the useful life of the underlying plant. Specialised Software is amortised over an estimated useful period of six year. Amortisation is done on straight line basis.

**9. Inventories**

(i) Inventories are valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.

(ii) Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and other related overhead costs.

(iii) Cost of inventories of raw material, work-in-process and Stores & Spares is determined on weighted average cost method.

**10. Investments**

Long Term Investments are stated at cost. Provision for diminution in long term investments is made only if such decline is other than temporary.

**11. Foreign Currency Transactions**

(i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

- (ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of the contract.
- (iii) Non monetary foreign currency items are carried at cost.
- (iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**12. Retirement Benefits**

Contribution to Provident Fund and Superannuation Fund are accounted on actual liability basis. Gratuity and leave encashment liabilities are accounted for on the basis of actuarial valuation.

**13. Export Incentives**

Duty drawback is recognised at the time of exports and the benefits in respect of advance license received by the company against export made by it are recognised as and when goods are imported against them.

**14. Government Grants**

- (i) Grants relating to fixed assets are shown as deduction from the gross value of fixed assets and those of the nature of project subsidy are credited to Capital Reserves.
- (ii) Other Government grants including incentives are credited to Profit and Loss Account or deducted from the related expenses.

**15. Provision for Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is reasonable/virtual certainty that asset will be realised in future.

**16. Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**17. Provision, Contingent Liabilities and Contigent Assets**

Provision involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and its is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contigent Assets are neither recognised nor disclosed in the financial statements.

**B) NOTES ON ACCOUNTS**

- 1. a) During the year the Company has made an investment of Rs. 1.05 lacs in the capital of wholly owned subsidiary company Winsome Yarns (Cyprus) Ltd. (WYCL). The WYCL has incurred loss during the year ended 31st March, 2007 in view of the long term in nature, no provision for dimution in value of investments is considered necessary by the management.

- b) Loans and Advances includes advance share application money (pending allotment) of Rs. 1516.20 Lacs paid to the above wholly owned subsidiary company.

**2. Capital Work-In-Progress Includes**

	<u>Current Year</u>	<u>Previous Year</u>
b. Pre-operative expenditure as follows :		(Rs. in lacs)
Opening Balance	—	—
Stores & Spares	204.62	40.89
Repairs & Maintenance	13.11	—
Power & Fuel	60.31	1.11
Salary, Wages & Allowances	60.48	23.38
Upfront Fees	101.81	15.95
	<b>440.33</b>	<b>81.33</b>
Less: Capitalised during the year	<b>203.58</b>	<b>81.33</b>
	<b>236.75</b>	<b>—</b>

Above is excluding interest Rs. 121.03 lacs (Previous Year Rs. 12.68 lacs).

- 3. Loans & Advances includes advances against capital orders amounting to Rs. 48.15 Lacs (Previous Year Rs. Nil)

4. In accordance with the Accounting Standards (AS-28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, during the year the company has reassessed its fixed assets and is of the view that no further impairment/reversal is considered to be necessary in view of its expected realisable value.
5. Miscellaneous income includes Rs 95.59 lacs (Rs. Nil) on account of refund of duty drawback allowed to 100% EOU by NSEZ.
6. Unit No. II of the Company being a 100% EOU and covered under Section 10B of the Income Tax Act, 1961, eligible for certain tax deduction/concessions.
7. During the year the Company has delivered possession of leasehold land, building etc. (cost capitalised in previous year Rs. 336 lacs) to a party by way of request for cancellation of lease deed made in earlier year as per the order of the Hon'ble Supreme Court. Accordingly, additional Rs. 300 lacs received toward cost and compensation (total amount Rs. 636 lacs) is shown as part of profit on sale of fixed assets (Schedule-14).

<b>B. Managerial Remuneration</b>	(Rs. in lacs)	
<b>A. Remuneration to Executive Directors</b>	<b>2006-07</b>	<b>2005-06</b>
(i) Salary	<u>26.91</u>	<u>19.32</u>
(ii) Contribution to Provident Fund & Family Pension Funds	1.73	1.66
(iii) Perquisites & Other Benefits	1.15	1.15
(iv) Commission	8.75	5.60

**Computation of net profit in accordance with section 349 of the Companies Act, 1956**

Profit before taxation	1111.55	539.66
Add/(Less) : Loss/(Profit) on sale of assets	(269.63)	—
Directors Sitting Fees	1.90	1.55
Commission	8.75	5.60
Managing Director's remuneration	29.79	22.13
<b>Net Profit for the year</b>	<u>882.36</u>	<u>568.94</u>
Managing Director's Commission @ 1% (Restricted to)	8.75	5.60

9. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment which has been relied upon by the auditors.
10. Since it is not possible to ascertain with reasonable certainty/accuracy the amount for accrual in respect of certain insurance and other claims and interest on overdue bills, the same are continued to be accounted for on settlement/acceptance basis.
11. The company has taken legal and other persuasive actions for recovery of certain debtors aggregating to Rs. 149.76 lacs (Previous Year Rs. 165.57 lacs), in the opinion of the management, these outstanding are good and recoverable.
12. Addition to Fixed Assets/Capital Work-in-progress includes gain (net) of Rs. 113.59 lacs (Rs. 5.19 lacs) on account of exchange rate fluctuation of foreign currency loan.
13. a) Sundry Creditors include Rs. Nil (Previous Year Rs. Nil) due to Small Scale Industrial Undertakings to the extent such parties have been identified from available information.  
b) The Company is in process of collection of full information in respect of SME (The Micro Small & Medium Enterprises Development Act, 2006). However information so far available (till 30.04.2007) with the Company, there is no delay in payment of dues to such enterprises.

14. A) Contingent Liabilities, not provided for in respect of : Particulars	(Rs. in Lacs)	
	<b>As at</b>	<b>As at</b>
	<b>31st March, 2007</b>	<b>31st March, 2006</b>
i) Bills discounted with banks	1853.12	1694.26
ii) Outstanding Letter of Credit	856.87	891.10
iii) Sales Tax liability in respect of matters in appeal	8.05	8.05
iv) Excise duty show cause notices/matters in appeal	894.52	185.18
v) Other Matters	—	10.14
<b>B) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances Rs. 48.15 Lacs previous year Rs. 3.86 Lacs)</b>	<b>107.68</b>	<b>68.54</b>

## WINSOME YARNS LIMITED

15. Research and development expenditure amounting to Rs. 14.89 lacs (Previous year Rs. 16.98 lacs) have been debited to Profit and Loss account.
16. The company has given interest free loan/advances in the nature of loan, to employees, in the ordinary course of its business. No loan/advances in the nature of the loans have been given to employees/others for the purpose of investment in securities of the company.

**17. Segment Reporting**

- (i) The Company is only in one line of business namely Textile (Yarn and Knitting)
- (ii) The segment revenue is geographical segments considered for disclosure is as follow :
- (a) Revenue inside India includes sales to customers located within India.
- (b) Revenue outside India includes sales to customers located outside India.

Information about geographical segments (by location of customers) (Rs. in lacs)

Particulars	India	Outside India	Total
i) External Revenue-Sales	4010.37 (5168.58)	8568.80 (7563.06)	12579.17 (12731.64)
ii) Carrying amount of segment assets by location of assets	31088.19 (14952.79)	2055.19 (2132.09)	33143.38 (17084.88)
iii) Capital Expenditure	10073.45 (1414.76)	— —	10073.45 (1414.76)

18. During the year, deferred tax in respect of timing differences has been re-assessed/re-computed and Liability (net) amounting to Rs. 10.04 lacs for the year has been reversed/credited to Profit & Loss Account.

	<u>2006-07</u>	<u>2005-06</u>
<b>Deferred Tax Liability (Differential Depreciation)</b>	4731.78	4701.97

19. Prior period adjustments (net) include Freight & handling charges Rs. 10.49 lacs (Rs. 2.51 lacs) Interest expense Rs. Nil (Rs. 0.28 lacs), Commission on Sales Rs. 6.58 lacs (Rs. 11.82 lacs), Electricity charges Rs. Nil (Rs. 6.18 lacs), Discount and Brokerage Rs. 41.18 lacs (Rs. 2.89 lacs).
20. Balance of certain debtors, loans and advances and creditors are in the process of confirmation/reconciliation.

**21. Earning per share**

Basis for calculation of basic and diluted Earning Per Share as under :

	<u>2006-07</u>	<u>2005-06</u>
Net Profit attributable to Equity Shareholders (Rs. in lacs)	1085.06	664.55
Weighted average number of equity shares	25665979	25665979
Nominal Value per equity share (Rs.)	10	10
Basic and Diluted EPS (Rs.)	4.23	2.59

**22. Related party disclosures.**

List of "Related party & Relationship disclosures" are given below : (as identified by the management)

**1. (a) Associate**

Winsome Textile Industries Ltd.

**(b) Wholly Owned Subsidiary Company**

Winsome Yarns (Cyprus) Limited

**2. Key Management Personnel and their relatives**

- Shri Manish Bagrodia Key Management Personnel
- Shri Satish Bagrodia Father
- Shri Ashish Bagrodia Brother

**3. Organisation where Key Management Personnel & their relative have significant influence**

- Winsome Foundation
- Starpoint Financial Services (Pvt.) Ltd.

# WINSOME YARNS LIMITED

## Aggregated Related Party disclosures for the year ended 2006-2007

(Rs. in Lacs)

Particulars	Associate Company	Subsidiary Company	Key Management personnel and their relatives	Organisations where Key Management Personnel & their relative have significance influences	Total
Sale of material & goods and services	189.63 (182.04)	— (—)	— (—)	— (—)	189.63 (182.04)
Purchase of material goods and services	251.51 (284.96)	— (—)	— (—)	16.80 (—)	267.90 (284.96)
Expenses reimbursed to others	33.69 (4.57)	— (—)	— (—)	— (—)	33.69 (4.57)
Expenses paid on behalf of others	8.36 (13.02)	— (—)	— (—)	— (—)	8.36 (13.02)
Remuneration	— (—)	— (—)	38.54 (27.73)	— (—)	38.54 (27.73)
Investment in subsidiary	— (—)	1.05 (—)	— (—)	— (—)	1.05 (—)
Advances as share application	— (—)	1516.20 (—)	— (—)	— (—)	1516.20 (—)
Director Sitting fee	— (—)	— (—)	0.60 (0.35)	— (—)	0.60 (0.35)
Balance outstanding as at 31.03.2007	66.34 (Dr) (151.17) (Dr)	1517.25 (Dr) (—)	8.75 (Cr) (5.60) (Cr)	— (—)	1574.84 (145.57)

Note : Chairman and Managing Director have given guarantees to secured lenders against loans taken by the Company (Refer notes of Schedule-3).

### 23. Additional Information pursuant to the provisions of Paragraphs 3 and 4 of Schedule-VI to the Companies Act, 1956.

(a) Licensed & Installed Capacity	2006-07	2005-06
Licensed Capacity :		
Yarn — Spindles	133440	73440
— Rotors	1536	1536
Knitweaves (Nos.)	1944000	216000
Installed Capacity :		
Yarn — Spindles	49824	49824
— Knitweaves (Nos.)	192000	192000

### (b) (i) Production, Turnover & Stocks : (Value Rs. in lacs)

Particulars	Opening Stock		Production Qty. MT	Purchase		Turnover		Closing Stock	
	Qty. MT	Value		Qty. MT	Value	Qty. MT	Value	Qty. MT	Value
Yarn	670.985 (1144.773)	852.68 (1277.06)	9524.628 (10076.268)	— (61.432)	— (65.66)	9231.91 (10611.488)	11611.28 (12000.11)	963.707 (670.985)	1383.39 (852.68)
Knitweaves (Pcs.)	11794 (8506)	22.28 (12.00)	90566 (57318)	— (—)	— (—)	94259 (54030)	360.75 (187.10)	8101 (11794)	32.80 (22.28)
Waste/Scrap		14.69 (3.53)	— (—)	— (—)	— (—)	— (—)	597.66 (544.43)	— (—)	6.72 (14.69)

## WINSOME YARNS LIMITED

(ii) Raw Material Consumed	Qty. (MT)	Value	Qty. (MT)	Value
Viscose	227.78	205.21	485.442	348.93
Cotton	13059.95	6142.52	12844.51	5684.44
Yarn	34.180	145.41	20.325	58.30

### (iii) Total Value of Raw Materials and Stores & Spares Consumed

	Raw Material				Stores & Spares			
	Current year	% Previous Year	Current Year	%	Current year	% Previous Year	Current Year	%
Imported	152.78	2.35	375.25	6.18	24.17	2.81	128.58	17.06
Indigenous	6340.36	97.65	5715.42	93.82	836.93	97.19	625.14	82.94
<b>Total</b>	<b>6493.14</b>	<b>100.00</b>	<b>6091.67</b>	<b>100.00</b>	<b>861.10</b>	<b>100.00</b>	<b>753.72</b>	<b>100.00</b>

Profit or loss on sale of stores/raw materials remains adjusted in their respective consumption accounts :

	31st March 2007 (Rs. in lacs)	31st March 2006 (Rs. in lacs)
<b>c) Imports at CIF Value :</b>		
Plant & Machinery	7195.73	94.31
Spare Parts & components	62.94	130.81
Raw Material	549.38	11.38
<b>d) Earning in Foreign Exchange :</b>		
Export of goods on FOB basis (Excluding Export through Export Houses)	8073.40	7137.51
Interest realisation	1.74	9.42
<b>e) Expenditure in Foreign currency : (Cash basis)</b>		
Foreign Travelling	49.68	49.38
Commission on sales	48.12	85.25
Consultancy Fees	16.45	NIL
Others	7.34	15.74
Bank Charges	19.63	22.22
<b>f) Remittance in Foreign Currency on Dividend Account</b>		
Number of Non Resident Shareholders	61	64
Number of shares held by Non Resident Shareholders	27400	28200
Net Amount of Dividend Remitted (Amount in Rs.)	13700	14100
Year to which Dividend relates	2005-06	2004-05

24. Figures for the previous year have been re-grouped/recast wherever necessary to make them comparable with those of current year.

26. Schedule 1 to 15 form an integral part of the Balance Sheet and Profit & Loss Account.

As per our report of even date.  
For LODHA & CO.  
Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.06.2007

## WINSOME YARNS LIMITED

**27. Balance Sheet abstract and Company's General Business profile as per Schedule VI, Part (IV) of the Companies Act, 1956.**

**I. Registration Details**

Registration No. (CIN)	L17115CH1990PLC010566	State Code	53
Balance Sheet Date	31-03-2007		

**II. Capital Raised during the year (Amount Rs. in thousands)**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. Position of Mobilization and Deployment of Funds (Amount Rs. in thousands)**

	Total Liabilities	Total Assets
	2833063	2833063
<b>Sources of Funds</b>		
	Paid-up Capital	Reserve & Surplus
	256660	534656
	Secured Loans	Unsecured Loans
	1146991	734323
	Forfeited share account	Deferred Tax Liability
	1161	159272
<b>Application of Funds</b>		
	Net Fixed Assets	Investments
	1915929	105
	Net Current Assets	Misc. Expenditure
	917029	—
	Accumulated Losses	
	—	

**IV. Performance of Company (Amount Rs. in thousands)**

Turnover including other income	1367654	Total Expenditure	1256499
Profit Before Tax	111155	Profit After Tax	108506
Earning per share (Rs.)	4.23	Dividend Rate (%)	6

**V. Generic Names of Principal Products of Company (as per monetary terms)**

Item Code No.	COTTON YARN CONTAINING 85% OR MORE OF COTTON	520500
Item Code No.	COTTON YARN CONTAINING LESS THAN 85% COTTON	520600
Item Code No.	APPAREL, KNITTED OR CROCHETED	6101

As per our report of even date.

For LODHA & CO.

Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh

DATED : 29.06.2007

**WINSOME YARNS LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

	2006-2007		2005-2006	
	(Rs. in Lacs)	(Rs. In Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>		<b>1111.55</b>		<b>539.66</b>
<b>Adjustment for :</b>				
Depreciation	<b>744.85</b>		<b>728.22</b>	
Amortisation of Leasehold Land	<b>3.89</b>		<b>2.89</b>	
Profit/(Loss) on sale of fixed assets	<b>(269.63)</b>		<b>(8.07)</b>	
Interest paid	<b>678.51</b>		<b>441.80</b>	
Interest income	<b>(49.02)</b>	<b>1108.70</b>	<b>(20.05)</b>	<b>1144.79</b>
		<b>2220.25</b>		<b>1684.45</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
<b>Adjustment for :</b>				
Trade & other receivable	<b>(4115.80)</b>		<b>68.77</b>	
Inventories	<b>(2623.66)</b>		<b>122.56</b>	
Trade & other Payables	<b>3371.95</b>	<b>(2767.51)</b>	<b>(350.27)</b>	<b>(158.94)</b>
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(547.26)</b>		<b>1525.51</b>
Direct Taxes Paid		<b>(64.91)</b>		<b>(95.34)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(612.17)</b>		<b>1430.17</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	<b>(10117.74)</b>		<b>(1402.39)</b>	
Sale of fixed assets	<b>617.24</b>		<b>40.66</b>	
Purchase of Investments	<b>(1.05)</b>			
Interest Received	<b>49.02</b>	<b>(9452.53)</b>	<b>20.05</b>	<b>(1341.68)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(9452.53)</b>		<b>(1341.68)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of Share Capital				
Interest Paid	<b>(614.65)</b>		<b>(434.42)</b>	
Dividend including Dividend Tax	<b>(146.33)</b>		<b>(146.33)</b>	
Proceeds from borrowings	<b>12359.92</b>		<b>1829.93</b>	
Repayment of borrowings	<b>(696.09)</b>	<b>10912.85</b>	<b>(1256.56)</b>	<b>(7.38)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>10912.85</b>		<b>(7.38)</b>
Net Increase/decrease in cash and cash equivalents		<b>848.15</b>		<b>51.11</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2006 (opening balance)		<b>425.67</b>		<b>344.56</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2007 (closing balance)		<b>1273.82</b>		<b>425.67</b>

As per our report of even date.

For LODHA & CO.

Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh

DATED : 29.06.2007



**SECTION 212****Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary company**

S.No.	Particulars	
1.	Name of wholly owned Subsidiary Company	Winsome Yarns (Cyprus) Limited
2.	Financial year of the Subsidiary Company ended on	31st December
3.	Date of incorporation	8th November, 2007
4.	Shares of the Subsidiary Company held on the above date and extent of holding	
	a) Equity shares	1727
	b) Extent of Holding	100%
5.	The net aggregate amount of the Subsidiaries profit/(Loss) so far as it is concerned with the members of Winsome Yarns Limited	
	(i) Not dealt within the company's accounts	
	a) For the financial year of the Subsidiary (in Lacs)	(Rs. 5.67 Lacs)
	b) For the previous financial years of the subsidiary/since it became Holding Company's subsidiary (in Lacs)	NIL
	(ii) Dealth within the holding company's accounts	
	a) For the financial year of the Subsidiary (in Lacs)	Nil
	b) For the previous financial years of the subsidiary/since it became the Holding company's subsidiary (in Lacs)	Nil
46.	Material changes, if any, between the end of the financial year of the subsidiary company and that of the Holding Company	No such material changes

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors of Winsome Yarns Limited on the Consolidated Financial Statements of Winsome Yarns Limited and its Subsidiary.

We have examined the attached consolidated Balance Sheet of Winsome Yarns Limited and its subsidiary as at 31st March 2007, and the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Winsome Yarns Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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.

We did not audit the financial statements of subsidiary Winsome Yarns (Cyprus) Limited, whose financial statement reflects total assets of Rs. 1485.20 lacs as at 31st March 2007 and total revenues of Rs. Nil for the year then ended. The financial statements of subsidiary which was furnished to us by the management, was unaudited.

Attention is invited to:

- (a) **Provision for depreciation has been made on certain Plant and Machinery as per the rates applicable to continuous process plant based on technical evaluation as stated in the said note, which is a technical matter (Impact Unascertained). (Note No. 9 of Schedule 15 of Winsome Yarns Ltd.)**
- (b) **Non provision for shortfall in recovery (amount unascertainable) against overdue debts aggregating Rs 149.76 lacs for which legal and other persuasive actions for recovery has been initiated, since in the opinion of the management these debts are good and recoverable (Note No. 11 of Schedule 15 of Winsome Yarns Ltd.)**

Subject to the above, we report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Winsome Yarns Limited and unaudited financial statement of its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations give to us and on the consideration of the separate audit report on individual audited financial statements of the Company and unaudited financial statements its Subsidiary included in the Consolidated Financial Statements, we are of the opinion that the said consolidated financial statements read together with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the company and its Subsidiary as at 31st March, 2007;
- b) in the case of the Consolidated Profit and Loss account, of the Consolidated results of operations of the Company and its Subsidiary for the year the ended; and
- c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its Subsidiary for the year then ended.

For Lodha & Co.  
Chartered Accountants

Place : Chandigarh  
Date : 29.06.2007

N.K. Lodha  
Partner  
Membership No.: 85155

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST MARCH, 2007**

**WINSOME YARNS LIMITED**

PARTICULARS	31st March 2007 (Rs. In lacs)	
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital		2578.21
Reserves & Surplus	5340.89	
Less: Foreign Currency Translation Reserve	<u>33.84</u>	5307.05
<b>Loan Funds</b>		
Secured Loans		11469.91
Unsecured Loans		7343.23
Deferred Tax Liability (Net)		<u>1592.72</u>
		<u>28291.12</u>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	15205.64	
Less : Depreciation	<u>5980.19</u>	
Net Block	9225.45	
Capital work-in-progress	<u>9934.84</u>	
		19159.29
<b>Current Assets, Loans &amp; Advances</b>		
Inventories	5823.99	
Sundry Debtors	1058.59	
Cash and Bank Balances	1299.61	
Loans & Advances	5764.79	
	<u>13946.98</u>	
<b>Less : Current Liabilities &amp; Provisions</b>	<u>4815.15</u>	
Net Current Assets		9131.83
		<u>28291.12</u>

Accounting Policies & Notes on Accounts

As per our report of even date.  
For LODHA & CO.  
Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.06.2007

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2007**

**WINSOME YARNS LIMITED**

PARTICULARS	31st March 2007 (Rs. In lacs)
<b>INCOME FROM OPERATIONS</b>	
Sales	12579.17
Less Excise Duty	<u>129.83</u>
Net Sales	12449.34
Increase/(Decrease) in Stocks	686.08
Other Income	<u>541.12</u>
	<b>13676.54</b>
<b>COST OF OPERATIONS</b>	
Raw Materials consumed	6493.14
Cotton Yarn Purchase	—
Manufacturing & Other Expenses	4532.28
Interest & Financial Charges	<u>796.50</u>
	<b>11821.92</b>
<b>PROFIT BEFORE DEPRECIATION &amp; EXCEPTIONAL ITEMS</b>	<b>1854.62</b>
Less : Depreciation	<u>748.74</u>
Net Profit before Tax	<b>1105.88</b>
Less : Provision for Taxation	
— Current Tax	58.81
Credit against MAT	(48.46)
Fringe Benefit Tax	6.10
— Deferred Tax Liability/(Asset)	<u>10.04</u>
Net Profit after Tax	<b>1079.39</b>
Add : Balance brought forward from last year	<u>4217.62</u>
<b>Balance available for appropriation</b>	<b>5297.01</b>
<b>APPROPRIATIONS</b>	
Proposed Dividend on Equity Shares	153.97
Corporate Dividend Tax	21.59
Balance carried to Balance Sheet	<u>5121.45</u>
	<b>5297.01</b>
Earning Per Share-Basic and Diluted (Rs)	<b>4.21</b>
Accounting Policies & Notes on Accounts	

**As per our report of even date,  
For LODHA & CO.  
Chartered Accountants**

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.06.2007

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

	2006-2007	
	(Rs. in Laacs)	(Rs. in Laacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>		1105.88
<b>Adjustment for :</b>		
Depreciation	744.85	
Amortisation of Leasehold Land	3.89	
Profit/(Loss) on sale of fixed assets	(269.63)	
Interest paid	678.61	
Interest income	(49.02)	
	1108.70	2214.58
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
<b>Adjustment for :</b>		
Trade & other receivable	(4087.47)	
Inventories	(2023.66)	
Trade & other Payables	3374.03	(2737.10)
	(522.52)	(522.52)
<b>CASH GENERATED FROM OPERATIONS</b>		(522.52)
Direct Taxes Paid		(64.91)
		(587.43)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		(587.43)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(10117.74)	
Sale of fixed assets	617.24	
Interest Received	49.02	(9451.48)
	(9451.48)	(9451.48)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(9451.48)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital	—	
Interest Paid	(614.65)	
Dividend including Dividend Tax	(146.33)	
Proceeds from borrowings	12369.92	
Repayment of borrowings	(696.09)	10912.85
	10912.85	10912.85
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		10912.85
Net Increase/decrease in cash and cash equivalents		873.94
Cash & Cash equivalent being cash & bank balances as at 31.03.2006 (opening balance)		425.67
Cash & Cash equivalent being cash & bank balances as at 31.03.2007 (closing balance)		1299.61

As per our report of even date.  
 For LODHA & CO.  
 Chartered Accountants

N.K. Lodha Partner	K.V. Singhal Company Secretary	Manish Bagrodia Managing Director	Satish Bagrodia Chairman	Directors : Shri Brij Khanna Shri Chandra Mohan Shri Ashish Bagrodia
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PLACE : Chandigarh  
 DATED : 29.06.2007

## WINSOME YARNS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. The accounts have been prepared to comply with the requirements of Accounting Standard-21 to include all material items.
2. Consolidated financial statements (CFS) comprised the financial statements of Winsome Yarns Limited and its following subsidiary as on 31st March 2007 :

Name of the Subsidiary	% Shareholding	Country of Incorporation
a) Winsome Yarns (Cyprus) Limited	100%	Cyprus
3. The Consolidated Financial Statements have been prepared based on a line-by-line consolidation using uniform accounting policies for like transactions and other events in similar circumstances. The effects of intra group transactions are eliminated in consolidation.
4. In view of insignificant/negligible transactions of the subsidiary companies the accounts of which are annexed elsewhere, notes and schedules are not prepared.
5. This is first year of Consolidation, hence Previous Year figures are not given.

As per our report of even date.  
For LODHA & CO.  
Chartered Accountants

N.K. Lodha  
Partner

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Brij Khanna  
Shri Chandra Mohan  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 29.06.2007

**Report of the Board of Directors**

1. The Board of Directors presents its first report together with the audited financial statements of the Company for the period from 8 November 2006 (date of incorporation) to 31 March 2007.

**Principal activities**

2. The principal activities of the Company are the import and export of textile and apparels, and the holding of investments. The company did not have any activities during the period under review.

**Review of developments, position and performance of the Company's business**

3. The financial position of the Company as presented in the financial statements is considered satisfactory. The net loss of the Company for the period under review amounted to Euro 9.750 and its net liabilities at 31 March 2007 amounted to Euro 8.023. The Board of Directors of the Company does not expect any significant changes in the activities of the Company in the foreseeable future.

**Principal risks and uncertainties**

4. The Board considers that the Company does not face any principle risks or uncertainties other that those stated in note 3 of the financial statements.

**Future developments**

5. The Board of Directors does not expect any significant future developments other than those stated in note 11 of the Directors' report.

**Results**

6. The Company's results for the period are set out on page 6. The net loss for the period is carried forward.

**Share capital**

7. On 8 November 2006 the Company issued 1000 ordinary shares of €1,00 each. There were no changes in the share capital of the Company.

**Board of Directors**

8. The members of the Board of Directors at 31 March 2007 and at the date of this report are shown on page 1. Mr Soterakis Koupepides and Mrs Stella Raouna who were appointed as Directors on 8 November 2006, resigned on 16 November 2006 and were replaced by Mr Andreas Alexiou, Mrs Androulla Kakoyianni, Mr Ashish Bagrodia, Mr Manish Bagrodia and Mr Stelios Sivitanides who were appointed as Directors on the same date.
9. In accordance with the company's Articles of Association, Mr Stelios Sivitanides Mrs Androulla Kakoyianni, Mr Andreas Alexiou, Mr Ashish Bagrodia and Mr Manish Bagrodia retire and, being eligible, offer themselves for re-election.
10. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

**Events after the balance sheet date**

11. In April 2007 the Company acquired 90% of the share capital of a Romanian Company, namely SC Winsome Romania SRL.

**Branches**

12. The Company did not operate through any branches during the period.

**Auditors**

13. The auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Stelios Sivitanides  
Director

## WINSOME YARNS (CYPRUS) LIMITED

### Income Statement

for the period from 8 November 2006 (date of incorporation) to 31 March 2007

	Note	Euro
Other Losses - Net	5	(14)
Administrative expenses		(9.736)
<b>Loss before tax</b>		<b>(9.750)</b>
Tax	7	--
<b>Net loss for the period</b>		<b>(9.750)</b>

The attached notes are an integral part of these financial statements.

### Balance sheet

at 31 March 2007

	Note	Euro
<b>ASSETS</b>		
<b>Current Assets</b>		
Trade and other receivables	8	2.500.000
Cash and cash equivalents	9	44.338
		<u>2.544.338</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	10	1.727
Accumulated losses		(9.750)
		<u>(8.023)</u>
<b>Current liabilities</b>		
Trade and other payables	11	2.552.361
<b>Total liabilities</b>		<u>2.552.361</u>
<b>Total equity and liabilities</b>		<u>2.544.338</u>

For and on behalf of the Board

Stellos Sivitanides, Director  
Androulla Kakoyianni, Director

### Cash Flow Statement

for the period from 8 November 2006 (date of incorporation) to 31 March 2007

	Note	Euro
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax		(9.750)
Changes in working capital :		
— Trade and other receivables		(2.500.000)
— Trade and other payables		2.552.361
		<u>42.611</u>
<b>Cash generated from operations</b>		
Tax paid		--
		<u>42.611</u>
<b>Net cash generated from operating activities</b>		
Cash Flows from financing activities		
Issue of ordinary share capital	10	1.727
<b>Net cash from financing activities</b>		<u>1.727</u>
<b>Net increase in cash and cash equivalents</b>		<b>44.338</b>
Cash and cash equivalents at beginning of period		--
<b>Cash and cash equivalents at end of period</b>	9	<b>44.338</b>



**Notes to the financial statements**

**1. General**

**Country of incorporation**

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at 58 Grivas Dighenis Avenue, City House, CY-8047, Paphos, Cyprus.

**Principal activities**

The principal activities of the Company are the international trading i.e. import and export of textile and apparels, and the holding of investments.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**Basis of preparation**

The financial statements of Winsome Yarns (Cyprus) Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. In addition the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Earlier adoption of new and revised IFRS**

Despite the fact that the period of these financial statements begins on 8 November 2006, the Company adopted as from this date all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2007.

At the date of authorisation of these financial statements the following new Standards and amendments to the existing Standards were in issue but not yet effective:

Effective for years ending 31 December 2007

- IFRS 7 "Financial Instruments: Disclosures" and IAS 1 (Amendment) "Presentation of Financial Statements"
- IFRIC Interpretation 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
- IFRIC Interpretation 8 "Scope of IFRS 2" effective from 1 May 2006
- IFRIC Interpretation 9 "Reassessment of Embedded Derivatives"
- IFRIC Interpretation 10 "Interim Financial Reporting and Impairment"

Effective for years ending 31 December 2008

- IFRIC Interpretation 11 "IFRS 2 Group and Treasury Share Transactions"
- IFRIC Interpretation 12 "Service Concession Arrangements".

Effective for years ending 31 December 2009

- IFRS 8 "Operating Segments"

## WINSOME YARNS (CYPRUS) LIMITED

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The Board of Directors anticipates that the adoption of these Standards and IFRIC Interpretations in future periods will have no material impact on the financial statements of the Company.

### Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in EURO, which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### Share Capital

Ordinary shares are classified as equity.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

### Cash and cash equivalents

Cash and cash equivalents include cash at bank.

## 3. Financial risk management

### (a) Financial risk factors

The Company is exposed to liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

- (i) **Liquidity risk :** Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash.
- (ii) **Currency risk :** Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Cyprus pound. The

## WINSOME YARNS (CYPRUS) LIMITED

Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The foreign exchange difference credited to the income statement amounts to Euro 14, is included within the operating loss and relates to operating activities (Note 5).

**(b) Fair value estimation**

The nominal value less any estimated credit adjustments for the financial assets and liabilities with a maturity of less than one year assumed to approximate their fair values.

**4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Considering the Company's current position the Board has not concluded to any accounting estimates and judgements in the period under review.

**5. Other losses - net**

	Euro
Net foreign exchange transaction loss on operating activities	14

**6. Expenses by nature**

Auditors' remuneration	2,225
Other expenses of administrative nature	7,511
Total administrative expenses	9,736

**7. Tax**

Current tax :  
Corporation tax

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rates as follows :

Loss before tax	9,750
Tax calculated at the applicable corporation tax rate of 10%	(975)
Tax effect of expenses not deductible for tax purposes	354
Tax effect of tax losses for which no deferred tax was recognised	621
Tax charge	-

The Company is subject to corporation tax at the rate of 10%.

At 31 March 2007, the Company had tax losses of Euro 6,214 which can be carried forward and set off against future taxable profits.

No provision for deferred taxation has been made as :

- (i) there are no differences between the amounts attributed to assets and liabilities for tax purposes and their corresponding carrying amounts in the balance sheet; and
- (ii) there is uncertainty over the utilization of the accumulated tax losses in future years

**8. Trade and other receivables**

Other receivables	2,500,000
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Other receivables represent a partial payment for the acquisition of 933,750 shares in an Italian Company namely Newcocot S.r.l. It is expected that the total cost for this acquisition will be Euro 4,600,000.

**9. Cash and cash equivalents**

Cash and cash equivalents include the following for the purposes of the cash flow statement :

Cash at bank	44,338
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## WINSOME YARNS (CYPRUS) LIMITED

<b>10. Share capital</b>		Number of shares	C£	Euro
	<b>Authorized</b>			
	Shares of C£1 each	10000	10.000	
	<b>Issued and fully paid</b>			
	Shares of C£1 each	1000	1.000	1.727
<b>11. Trade and other payables</b>				
	Payable to related parties (Note 12a)			2.548.243
	Accrued expenses			4.118
				2.552.361

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

### 12. Related party transactions

The Company's is controlled by Winsome Yarns Limited, a public company incorporated in India, which owns 100% the Company's shares.

The following transactions were carried out with related parties :

#### (a) Shareholders current account

At beginning of the period	—
Withdrawals during the period	1.727
Deposits during the period	(2.549.970)
	(2.548.243)
At the end of period (Note 11)	(2.548.243)

The balance due to the shareholders bears no interest and is payable on demand.

#### (b) Directors' remuneration

The total remuneration of the Directors was as follows :

Fees	234
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### 13. Events after the balance sheet date

In April 2007, the Company acquired 90% of the share capital of a Romanian Company, namely SC Winsome Romania SRL.

## Analysis of expenses

for the period from 8 November 2006 (date of Incorporation) to 31 March 2007

### Administrative expenses

Incorporation expenses	3.536
Accounting and administration expenses	2.324
Auditors' remuneration	2.225
Directors fees	234
Secretarial fees	118
Bank charges	780
Unrecoverable VAT	519
	9.736