

**18<sup>th</sup>**

**ANNUAL  
REPORT**

**2007-2008**



**Winsome Yarns Limited**



**IS/ISO  
9002**



**BOARD OF DIRECTORS**

Shri Satish Bagrodia	Chairman
Shri Chandra Mohan	Director
Shri Brij Khanna	Director
Shri Ashish Bagrodia	Director
Shri S.K. Singla	Director (PSIDC Nominee)
Shri Manish Bagrodia	Managing Director

**DGM (LEGAL) & COMPANY SECRETARY**

Shri K.V. Singhal

**AUDITORS**

M/s. Lodha & Co.  
Chartered Accountants,  
12, Bhagat Singh Marg,  
New Delhi

**BANKERS**

Canara Bank  
State Bank of Patiala  
Punjab National Bank

**REGISTERED OFFICE**

SCO 191-192, Sector 34-A,  
Chandigarh-160 022

**SHARE TRANSFER AGENT**

Intime Spectrum Registry Ltd.  
A-40, 2nd Floor, Near Batra Banquet Hall,  
Naraina Industrial Area, Phase-II,  
New Delhi-110 028

**CONTENTS**

Notice	1-6
Directors' Report	7-11
Corporate Governance Report	12-19
Auditors' Report	20-22
Balance Sheet	23
Profit & Loss Account	24
Cash Flow Statement	25
Schedules	26-30
Notes on Accounts	31-36
Balance Sheet Abstract	37
Schedule 212	38
Audit Report on Consolidated Financial Statement	39-40
Consolidated Financial Statement with Schedules	41-52

**NOTICE**

NOTICE is hereby given that the 18th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Tuesday, the 23rd day of September, 2008 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, 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 2008, 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, 2008.
3. To appoint a Director in place of Shri Satish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Brij Mohan Khanna, 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."

**SPECIAL BUSINESS:**

**6. ISSUE OF CONVERTIBLE WARRANTS AND EQUITY SHARES ON CONVERSION OF SUCH CONVERTIBLE WARRANTS:**

**To consider and if thought fit, to pass, with or without modification as may be deemed fit, the following resolution as SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the rules/regulations/guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India (GOI), the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and/or prescribed by the Listing Agreements entered into by the Company with the Stock Exchanges on which the Company's shares are listed, or any other relevant authority from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as might be required and subject to such conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorized to accept, that the consent of the Company, be and is hereby accorded to the Board for offering, issuing, allotting on preferential basis, to the Financial Investors belonging to non promoter group and members of the Promoters' Group and / or their nominees ("the Allottees") up to 1,55,00,000 Convertible Warrants ("Convertible Warrants"), (and for the allotment of one Equity Share on exercise of each such Convertible Warrant) at a price of Rs. 18/- each i.e. the exercise price, being a price not lower than the minimum price specified as per SEBI Guidelines for Preferential Issue (Chapter XIII of the SEBI (DIP) Guidelines 2000), on such further terms and conditions, as may be finalized by the Board of Directors, in accordance with guidelines/ applicable to preferential allotment of the Convertible Warrants, by Government of India, Securities & Exchange Board of India (SEBI), Stock Exchanges or any other authorities, as the case may be, and/or any modification thereof in preferential allotment to the Financial Investor and Promoter(s)/ promoter group, hereinafter referred as the "Promoter Group"; as detailed herein below:

**NON PROMOTER GROUP**

S.No.	Name of Proposed Allottees	No. of Convertible Warrants
1	Arpit Agencies (P) Ltd.	3000000
2	Land Scape Traders (P) Ltd.	3000000
3	Daniel Vinimay (P) Ltd.	1500000
4	Ankur Agencies (P) Ltd.	1500000
5	Shailesh Somabhai Patel	1000000
6	Nita Shailesh Patel	1000000
	<b>Total</b>	<b>11000000</b>

## WINSOME YARNS LIMITED

### PROMOTER GROUP

S.No.	Name of Proposed Allottees	No. of Convertible Warrants
1	Roselab Commodities (P) Ltd.	750000
2	Kailash Pati Vinimay (P) Ltd.	750000
3	Satyam Combines (P) Ltd.	1500000
4	Shell Business (P) Ltd.	1500000
	Total	4500000

Whether or not such person(s) in the promoter Group are members of the company, in such manner and upon such conditions as are hereinafter contained;

1. A sum of 10% of the exercise price (such amount being referred to hereinafter as "the strike price") shall be payable by the Allottees at the time of allotment of the Convertible Warrants. If the Allottees do not exercise the Convertible Warrants during the conversion period, the strike price shall be forfeited by the Company. In case the Allottees exercise the Convertible Warrants, the strike price shall be adjusted against the share application monies payable by the Allottees and only the balance 90% shall be payable by them.
2. The Convertible Warrants shall be allotted within a period of 15 (Fifteen) days of the passing of the resolution at the general meeting held to consider and approved the issue of Convertible Warrants. Provided that where the allotment in one or more lots on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 (Fifteen) days from the date of such approval.
3. The Convertible Warrants shall be exercisable at the option of the holder, in such number of options exercised by the holder, in one or more lots at the option of the holder of such Convertible Warrants at any time within the exercise period. The exercise period shall not exceed 18 months from the date of allotment.
4. The terms relating to such Convertible Warrants including the exercise period and relating to the Equity Shares being allotted on their exercise may be decided in accordance with SEBI guidelines and other provisions of law as may be applicable to the transaction, by the Board of Directors.
5. The price of convertible warrants to be allotted to the proposed allottees on preferential basis shall be Rs. 18/- each, being a price not lower than the price determine in accordance with the chapter XIII of the SEBI (DIP) guidelines and the relevant date for the purpose of pricing shall be 24.08.2008 being the date which is 30 days prior to the date of Annual General Meeting which enter alia is being held for this purpose.
6. The Equity Shares so allotted on exercise and conversion of the Convertible Warrants shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the then existing Equity Shares of the Company.
7. The option attached to the Warrants shall not be transferred or otherwise disposed off to any other person/ third party.
8. The Convertible Warrants and the Equity Shares allotted on the conversion of such Convertible Warrants shall be locked in the manner specified, during the lock-in period so specified, in the SEBI (DIP) Guidelines except to the extent and in the manner permitted there under (or out of the above Equity Shares so issued and allotted, 45,00,000 convertible warrants/ Equity Shares on conversion issued to Promoter Group, shall be subject to lock-in of a total period of three years from the date of allotment of the Equity Shares. The remaining 1,10,00,000 convertible warrants/ Equity Shares on conversion shall be subject to lock-in for a total period of one year from the date of allotment of the Equity Shares or such other period as may be applicable under the applicable SEBI Preferential Issue Guidelines as amended from time to time).
9. The entire pre-preferential allotment shareholding of the above allottees shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment or such other period as may be applicable under the applicable SEBI Preferential Issue Guidelines as amended from time to time.
10. The said Convertible Warrants and the Equity Shares allotted on conversion of such Convertible Warrants shall be subject to such further terms and conditions, if any, as may be agreed to by and between, the Board of Directors, and the Regulatory Authorities, and Subscriber(s) of Convertible Warrants / Shares.

11. For the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorized to offer, issue & allot such number of the Convertible Warrants (and Equity Shares arising on conversion of the Convertible Warrants) as may be necessary and to do all deeds, things and take action on matters, give such directions, including without limitation, the entering into arrangements for appointment of agencies for managing, underwriting, marketing, listing, trading of Securities issued, such as depository, custodian, registrar, stabilizing agent, paying and conversion agent, trustee and to issue any offer document(s), including but not limited to prospectus, and sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power to settle any questions doubt or difficulties which may arise with regard to the offer, issue or allotment of the said Convertible Warrants and / or shares and to take appropriate actions to bring into effect the decision of above as an enabling resolution."
7. **To consider and if thought fit, to pass, with or without modification as may be deemed fit, the following resolution as ORDINARY RESOLUTION**  
"RESOLVED THAT pursuant to section 94 and all other applicable provisions of the Companies Act, 1956, the Authorized Share Capital of the Company is hereby increased from Rs. 27,50,00,000 (Rs. Twenty seven crores fifty lacs only) divided into 2,75,00,000 equity shares of Rs.10/- each to Rs. 43,00,00,000 (Rupees Forty Three Crores only) by creation of further 1,55,00,000 equity shares of Rs 10/- each.  
"RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby amended accordingly to incorporate therein the effect of the increase in Authorized Share Capital and be read as follows:  
"The Authorised Share Capital of the Company is Rs. 43,00,00,000 (Rupees Forty Three crores only) divided into 4,30,00,000 (Four Crore Thirty lacs) Equity Shares of Rs. 10/- each."
8. **To consider and if thought fit, to pass, with or without modification as may be deemed fit, the following resolution as SPECIAL RESOLUTION:**  
"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the existing Clause 4 of the Articles of Association of the Company be and is hereby amended accordingly to incorporate therein the effect of the increase in Authorized Share Capital and be read as follows:  
"The Authorised Share Capital of the Company shall be such sum as mentioned in Clause V of the memorandum of association of the company. "

By order of the Board

Dated 29.08.2008  
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 19.09.2008 to 23.09.2008 (both days inclusive).
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 18.09.2008 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 18.09.2008.
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 Shri Satish Bagrodia aged about 69 years, B.Sc. Engg. (Mech.) & FIE has around 42 years experience of setting up and implementing Industrial Projects. He is Sr. Vice President of all India PHD

Chamber of Commerce and Industry. He is holding 42900 shares of the company. Presently, he is Chairman of Winsome Textile Industries Limited and Winsome Yarns Limited. He is also director of IDS Infotech Limited and Winsome Capital Services Limited.

7. Item No. 4- Shri Brij Mohan Khanna aged about 76 years, B.A., L.L.B. is the leading Income Tax practitioner, having experience about 50 years. He is holding 1000 shares of the company. Presently, he is director of Winsome Yarns Limited, Engineering Innovations Limited and Stanlay Engineering (P) Limited. He is also Chairman of Audit Committee and Shareholders/ Investors Grievance Committee of Winsome Yarns Limited.
8. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the Notice.
9. Copies of the Memorandum and Articles of Association of the Company, the certificate of the Statutory Auditors of the Company, certifying that the preferential issue of Equity Shares proposed pursuant to the special resolution at Item No. 6 is in accordance with the requirements contained in the SEBI (Disclosure and Investor Protection) Guidelines, 2000 shall be opened for inspection of the members of the Company at the Registered Office of the Company between 11:00 A.M. to 2:00 P.M. on any working day prior to the date of the Meeting and also at the Meeting.
10. Members / proxies should fill the attendance slip for attending the Meeting.
11. In case of joint holders attending the meeting only such joint holders who are higher in the order of names will be entitled to vote.
12. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
13. M/s Intime Spectrum Registry Limited, A-40, 2<sup>nd</sup> Floor, Near Batra Banquet Hall, Phase-II, Naraina Industrial Area, New Delhi-110028 (Tele. 011-41410592-94, Fax No. 011-41410591) 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.

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

##### **Item No. 6**

To strengthen the ongoing expansion and long term working capital requirements, your company proposed to raise funds through issue of convertible warrants to Promoters and Financial Invertors.

Promoters have agreed to provide the necessary funds by subscribing to 4500000 Convertible Warrants out of total issue of 15500000 convertible warrants.

The price of the Convertible Warrants to be allotted to proposed allottees on preferential basis shall be Rs. 18/- each being a price not lower than the price determined in accordance with the Chapter XIII of SEBI DIP Guidelines. Currently SEBI DIP Guidelines, provide that the issue of shares on a preferential basis can be made at a price not less than the higher of the following:

1. The average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the six months preceding the relevant date; or
2. The average of the weekly high and low of the closing prices of the shares quoted on a stock exchange during the two weeks preceding the relevant date.

The Relevant Date for the purpose of pricing of the Convertible Warrants shall be 24.08.2008 being the date which is 30 days prior to the date of Annual General Meeting.

In terms of the SEBI (DIP) Guidelines 2000 as amended to date the following disclosures are being made:

- a) **Object of the issue:** The Company is looking forward to foray into retail business of its knitwear products and at the same time also needs to strengthen its spinning and garment business. There is requirement of funds for the growth of the business and to fund the capacity enhancement. The proceeds of the preferential issue are intended to finance the expansion in terms of capital investments including investments in overseas venture, retail business and to meet long term working capital requirement.
- b) **Intention of the Promoters, Directors, and management personnel to subscribe to the offer:** The select Promoters (Corporate Entities) of the Company named below intend to subscribe to the convertible warrants mentioned against their name respectively. However, none of the other Directors and other Promoters or management personnel intends to subscribe to any shares in the preferential offer of Convertible Warrants.
- c) **The shareholding pattern and the identity of the proposed allottees before and after the preferential issue considering full allotment of Equity Shares arising out of the issue of Convertible Warrants is given below:**

**WINSOME YARNS LIMITED**

S.No.	Shareholders	Existing Shareholding (as on 30-06-2008)		Post Issue Shareholding (Upon conversion of proposed warrants)	
		No. of shares	%	No. of Shares	%
<b>A</b>	<b>Promoters &amp; Promoter Group shareholding</b>				
1. a)	Indian Promoters	17964609	69.99	22464609	54.57
b)	Foreign Promoters	NIL	NIL	NIL	NIL
	<b>Sub-Total (A)</b>	<b>17964609</b>	<b>69.99</b>	<b>22464609</b>	<b>54.57</b>
<b>B</b>	<b>Public Shareholding</b>				
1.	<b>Institutional Investors</b>				
a)	Mutual Funds & UTI	12500	0.05	12500	0.03
b)	Financial Institutions/ Banks	489394	1.91	489394	1.19
c)	Central Govt./ State Govt.	NIL	NIL	NIL	NIL
d)	Venture Capital Funds	NIL	NIL	NIL	NIL
e)	FIs	NIL	NIL	NIL	NIL
	<b>Sub-Total (B)(1)</b>	<b>501894</b>	<b>1.96</b>	<b>501894</b>	<b>1.22</b>
2.	<b>Non-Institutional</b>				
a)	Bodies Corporate	1983639	7.73	10983639	26.68
b)	(i) Individuals-shareholders holding nominal share capital up to Rs. 1 lakh.	4560707	17.77	4560707	11.08
	(ii) Individuals-shareholders holding nominal share capital in excess of Rs. 1 lakh.	543483	2.12	2543483	6.18
c)	Any Other (Specify) <b>NRIs</b>	111647	0.43	111647	0.27
	<b>Sub-Total (B)(2)</b>	<b>7199476</b>	<b>28.05</b>	<b>18199476</b>	<b>44.21</b>
	<b>Total Public Shareholding (B1+B2)</b>	<b>7701370</b>	<b>30.01</b>	<b>18701370</b>	<b>45.43</b>
	<b>Grand-Total</b>	<b>25665979</b>	<b>100.00</b>	<b>41165979</b>	<b>100.00</b>

d) **Proposed time within which allotment of the Convertible Warrants will be completed:** The Convertible Warrants shall be allotted within a period of 15 (fifteen) days of the passing of the resolution at the ensuing general meeting. Provided that where the allotment in one or more lots on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 (fifteen) days from the date of such approval.

e) **The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:**

**NON PROMOTER GROUP**

S.No.	Name of Proposed Allottees	Existing Shareholding as on 29.08.2008	No. of Warrants/ Shares to be Issued	Post issue Shareholding	% of Post issue Shareholding
1	Arpit Agencies (P) Ltd. 50, Western St., Room No. 106, Kolkata-700012	0	3000000	3000000	7.29
2	Land Scape Traders (P) Ltd. 63, Radha Bazar St., 3rd Flr. Kolkata-700001	0	3000000	3000000	7.29
3	Daniel Vinimay (P) Ltd. 55/2, Kankurgachi, 2nd Lane, 1st Flr., Kolkata-700054	0	1500000	1500000	3.64
4	Ankur Agencies (P) Ltd. 55/2, Kankurgachi, 2nd Lane, 1st Flr., Kolkata-700054	0	1500000	1500000	3.64
5	Shailesh Somabhai Patel A/14, Snehadri, Shryas Tekra, AmbaVadi, Ahmedabad-3800015	0	1000000	1000000	2.43
6	Nita Shailesh Patel A/14, Snehadri, Shryas Tekra, AmbaVadi, Ahmedabad-3800015	0	1000000	1000000	2.43

**PROMOTER GROUP**

S.No.	Name of Proposed Allottees	Existing Shareholding as on 29.08.2008	%	No. of Warrants/ Shares to be Issued	Postissue Shareholding	% of Post issue Shareholding
1	Roselab Commodities (P) Ltd. (erstwhile known as Jutex International Ltd. and Agarsar Commerce Ltd., since merged with)	2740415	10.68	750000	3490415	8.48
2	Kailash Pati Vinimay (P) Ltd. (erstwhile known as Soil Products (India) Ltd., since merged with)	2740414	10.68	750000	3490414	8.48
3	Satyam Combines (P) Ltd.	5480829	21.35	1500000	6980829	16.96
4	Shell Business (P) Ltd.	5480829	21.35	1500000	6980829	16.96

- i) **Auditors' certificate:** A certificate from the Statutory Auditors of the Company has been obtained to the effect that the proposed issues of Convertible Warrants to the proposed Allottees is in accordance with the SEBI (DIP) Guidelines 2000 relating to preferential issues & such certificate shall be laid before the general meeting for inspection by the shareholders. The Auditors' certificate as required under paragraph 13.5 of SEBI (DIP) Guidelines will be available for inspection at the Registered office of the Company during 10 a.m. to 2 p.m. on any working day.

Pursuant to the provisions of Section 81(1A) of Companies Act, 1956, any offer or issue of shares in a company to persons other than the holders of the equity shares of a company requires prior approval of the shareholders in general meeting by a Special Resolution. The Listing Agreements executed by the Company with the Stock Exchanges also provide that the Company shall, in the first instance, offer all Securities for subscription pro rata to the Shareholders unless the Shareholders in a general meeting decide otherwise. Additionally, the SEBI (DIP) Guidelines require matters to be stated in the resolution which is required to be passed under Section 81 (1A) of the Companies Act, 1956 and in the explanatory statement in respect of such resolution. Hence, the consent of the shareholders by way of special resolution is being sought for issue of the convertible warrants/shares on preferential basis.

The Directors recommend the resolution for your approval.

None of the Directors are interested in the proposed resolution, save and except Sh. Satish Bagrodia, Sh. Manish Bagrodia and Sh. Ashish Bagrodia who may be deemed to be interested indirectly being the shareholders of the corporate entities seeking to subscribe the preferential allotment under Promoter Group. No other Directors of the Company are in any way concerned or interested in the proposed resolution.

**Item No. 7 & 8**

The existing Authorized Share Capital of the Company is Rs. 27,50,00,000 divided into 2,75,00,000 equity shares of Rs. 10/- each. In order to put the proposal of issue of convertible warrants/shares into effect, the Authorized Share Capital of the Company is required to be increased to accommodate the allotment/ issue of equity shares to the warrant holders pursuant to exercise of the option of aforesaid warrants. It is proposed to increase the Authorized Share Capital to Rs. 43,00,00,000 (Rupees Forty Three crores only)

The Board of Directors recommends the passing of the Ordinary Resolution and Special Resolution as set out under Item No. 7 & 8 of the accompanying Notice.

None of the Directors of the Company is personally interested in the aforesaid resolution.

By order of the Board

Dated 29.08.2008  
Place : Chandigarh

SATISH BAGRODIA  
Chairman



Your Directors have pleasure in presenting the 18th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2008.

Financial Highlights	Year ended 31.3.2008 (Rs. in lacs)	Year ended 31.3.2007 (Rs. in lacs)
Sales	<b>17692.50</b>	12676.76
Profit before Interest, Depreciation & Tax	<b>3539.29</b>	2656.79
Less: Interest	<b>1778.16</b>	796.50
Profit before Depreciation	<b>1761.13</b>	1860.29
Less: Depreciation	<b>1307.64</b>	748.74
Profit before Taxes	<b>453.49</b>	1111.55
Provision for Taxation — Current Tax	<b>50.67</b>	58.81
— Credit against MAT	<b>(50.67)</b>	(48.46)
Provision for fringe benefit tax	<b>9.87</b>	6.10
Provision for fringe benefit tax for earlier years	<b>0.95</b>	—
Provision for deferred tax liability/ (asset)	<b>238.04</b>	10.04
Profit after Taxes	<b>204.63</b>	1085.06
Add : Surplus brought forward from previous year	<b>5127.12</b>	4217.62
	<b>5331.75</b>	5302.68
<b>Appropriation:</b>		
Dividend @ 1% (Previous year 6%)	<b>25.67</b>	153.97
Corporate Dividend Tax	<b>8.94</b>	21.59
Surplus carried to Balance Sheet	<b>5297.14</b>	5127.12
	<b>5331.75</b>	5302.68

### Operations & Performance

During the year under review, your Company has achieved a turnover of Rs. 17692.50 lacs against the previous year's turnover of Rs. 12676.76 lacs. In spite of increase in turnover there is marginal decrease in cash profit on account of increase in raw material prices from 15% to 20%. Being 100% EOU the rupee appreciation has adversely affected the cash profits. Further, due to substantial capital investment there is a large increase in depreciation which has significantly reduced the net profits for the year.

### New Project/ Expansion Plans

Your company has undertaken expansion and modernisation initiatives to reinforce the existing competitive advantage. The Company has completed various expansion and modernisation projects to upgrade technology and enhance the operational scale across its various units through the following initiatives:

1. During the year out of 60,000 spindles, 30,000 spindles were installed and commercial production started on 1<sup>st</sup> of July, 2007. The balance 30,000 spindles are under installation and expected to be completed soon.
2. The expansion of knitwear unit by addition of 180 knitting machines is undergoing well. 146 machines have already been purchased and installed. The commercial production on 56 of the above is commenced w.e.f July 2007 and on the balance 90 machines the commercial production has started w.e.f May 2008. The purchase and installation of the balance 34 machines is scheduled to be completed by September 2008. The implementation of this project is ahead of schedule.

3. The implementation of five mini hydel power projects to produce 3.9 MW of electricity is underway. Two of them are at advanced stage and are expected to be commissioned by end of September, 2008.

**Subsidiary Companies & Overseas Operations**

With a view to expand its knitwear business in European countries, the Company had promoted and acquired companies in Cyprus, Romania and Italy. The Statement and Accounts required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report. Two step down subsidiaries namely IMM Winsome Italia S.p.a., Italy and S C Textile S.r.l., Romania were formed & acquired during the year, the Company intends to divest the shareholding in the near future and accordingly investments in these companies have been considered temporary in nature, hence there financial figures have not been considered in these consolidated accounts. The reorganization and integration of overseas operations with Indian operations is under process. The benefit of this investment should be reflected in coming years.

**IS/ISO 9002/ 14001**

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

**Dividend**

Your Directors are pleased to recommend a dividend @ 1 % on equity shares of the company for the year ended 31<sup>st</sup> March, 2008, subject to approval at the forthcoming Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of the market hours on 18.09.2008, would be entitled for the dividend.

**Directors**

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

**Consolidated Accounts**

In accordance with Accounting Standards AS-21 on Consolidated Financial Statements, your directors provide the Audited Consolidated Financial Statement in the Annual Report

**Insurance**

All the properties of your Company have been adequately insured against fire, flood, earthquake and explosive risks.

**Public Deposit**

The Company did not accept any Fixed Deposit during the year.

**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 31<sup>st</sup> March, 2008, 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 31<sup>st</sup> March, 2008 on a going concern basis.

**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**

Auditor's observations regarding provision of depreciation on plant and machinery as per rates applicable on "continuous process plant" and "non provision of doubtful debts" have been explained in details in Note No. 8 and 12 of Schedule 15(B) on Accounting Policies and Notes on accounts and also in the addendum to the directors report attached herewith are self explanatory and therefore do not require any further comments.

**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.

**Acknowledgment**

Your Directors place on record their deep appreciation of the devoted and sincere services rendered by the officers, staff and workers who have contributed significantly for its performance and for enhancing the Company's inherent strength. Your Directors are also grateful for the co-operation and assistance received from financial institutions, banks and customers, during the year under review.

By order of the Board

Place : Chandigarh  
Dated : 30.06.2008

Satish Bagrodia  
Chairman

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 YEAR ENDED 31ST MARCH, 2008

### 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	230505	9,86,561.00
2	To reduce the Power Consumption of Residential Block	21417	91,665.00
3	To reduce Power Consumption in Plant Lighting	66792	2,85,870.00
4	To reduce Power Consumption in LUWA Plant	658482	28,18,303.00
5	To reduce Power Consumption in Compressed Air System	699501	29,93,864.00
6	To reduce Power Consumption in Yarn conditioning	106359	4,55,216.00
<b>Total Saving</b>		<b>1783056</b>	<b>76,31,479.00</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. 76.31 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost.

#### 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		Current Year	Previous Year
<b>1. Electricity</b>			
a) Purchased Unit (KW)		43846680	15487840
Total amount (Rs in lacs)		1875.08	671.79
Rate/Unit (Rs)		4.28	4.34
b) Own Generation through FO/ Diesel Generator Unit (KW)		6314682	17200410
Units/Ltr. of Diesel Oil/ FO		3.85	3.91
Cost/Unit (Rs/KW)		4.82	4.48
<b>2. Coal (Specify quality and where used)</b>			
		NIL	NIL
<b>3. HSD &amp; Furnace Oil Qty. (MT)</b>			
Total amount (Rs. in lacs)		1639.06	3132.81
Average rate (Rs. per M.T.)		304.35	642.53
		18569	17533
<b>4. Gas (Qty. in MT)</b>			
Total amount (Rs. in lacs)		NIL	NIL
Average rate (Rs. per Kg)		NIL	NIL
<b>B) Consumption per Unit of Production</b>			
Electricity/Own Generation (KW)		3.99	3.42
HSD & 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.

## WINSOME YARNS LIMITED

d) Expenditure on R&D (Rs. in lacs)	
Capital	NIL
Recurring	Rs.20.53 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. 8073.40 lacs in 2006-07 to Rs. 11623.70 lacs in 2007-08). New export markets have been developed and exports are likely to increase further.
- b) Total foreign exchange used and earned.

	Current Year	(Rs. in lacs) Previous Year
Earning	<b>11623.70</b>	8075.14
Outgo:	<b>1194.97</b>	7949.27

For and on behalf of the Board

Place : Chandigarh  
Dated : 30.06.2008

Satish Bagrodia  
Chairman

### ANNEXURE TO THE DIRECTORS' REPORT

#### STATEMENT OF PARTICULARS OF EMPLOYEES, PURSUANT TO THE PROVISIONS OF THE SECTION 217 (2A) 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, 2008

Sr. No.	Name of Employee	Designation/ Nature of duties	Qualification	Total Working Experience (Years)	Date of Commencement of Employment	Total Remuneration (Rs. in lacs)	Age (Years)	Previous Employment held
<b>A. Persons employed throughout the year, who were in receipt of remuneration not less than 2400000/-</b>								
1	Shri Manish Bagrodia	Managing Director	M.Com., Advance Diploma in Computer Applications	21	19/07/1990	34.75	40	Winsome Textile Industries Limited

**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 :

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

### ADDENDUM TO THE DIRECTORS' REPORT

Pursuant to Section 217(3) of the Companies Act 1956, following explanations are given on remarks contained in the Auditors' Report:

Auditors' observations regarding provision of depreciation on plant and machinery as per rates applicable on "continuous process plant" and "non provision of doubtful debts" have been explained in details in Note No. 8 and 12 of Schedule 15(B) on Accounting Policies and Notes on accounts are self explanatory and therefore do not require any further comments. However, for the sake of convenience the same are being reproduced herein below:

1. 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.
2. The company has taken legal and other persuasive actions for recovery of certain debtors aggregating to Rs. 250.41 Lacs (Previous year Rs. 149.79 Lacs), in the opinion of the management, these outstanding are good and recoverable.

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

The company is committed to good Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance, to its shareholders. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealing and places emphasis on business ethics.

**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 2007-08, nine board meetings were held. The meetings were held on 10th April, 2007, 29th June, 2007, 28th July, 2007, 24th August, 2007, 31st October, 2007, 13th November, 2007, 30th November, 2007, 31st January, 2008 and 26th March, 2008 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 Other Directorship	No. of Membership/ Chairmanship in Committees		
		Board Meeting	Last AGM		Membership	Chairmanship	Total
Shri Satish Bagrodia	Chairman(NE)	9	Yes	3	—	—	—
Shri Chandra Mohan	INED	7	Yes	10	8	—	8
Shri Brij Khanna	INED	9	Yes	2	—	2	2
Shri S.K. Singla	INED(PSIDC)	6	No	13	—	—	—
Shri Ashish Bagrodia	NED	9	Yes	4	2	—	2
Shri Manish Bagrodia	MD	8	Yes	7	1	—	1

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director (Executive)

NE : Non Executive

**3. 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.

**4. Subsidiary Company**

With a view to expand its knitwear business in European countries, the Company had promoted and acquired companies in Cyprus, Romania and Italy. The Statement and Accounts required pursuant to provisions of Section 212 of the Companies Act, 1956 is provided in the Annual Report

**5. CEO/ CFO Certification**

The Managing Director (CEO) and the Financial Controller (CFO) of the Company have certified to the Board that the requirements of the Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements

## WINSOME YARNS LIMITED

and cash flow statement for year ended on 31st March, 2008, transactions entered into by the company during the said period, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

### 6. 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 along with 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, five Audit Committee meetings were held on 29th June, 2007, 28th July, 2007, 31st October, 2007, 31st January, 2008 and 26th March, 2008.

Sr.No.	Name of members	Category	No. of meetings attended during the year 2007-2008
1	Shri Brij Khanna, Chairman	Independent/Non-Executive	5
2	Shri Chandra Mohan	Independent/Non-Executive	5
3.	Shri Ashish Bagrodia	Non-Executive	5

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

### 7. 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 2007-08 are given below:

Non-Executive		(Amount in Rs.)	
Name of Directors	Sitting Fees	Total	
Shri Satish Bagrodia	45000	45000	
Shri Chandra Mohan	35000	35000	
Shri Brij Khanna	45000	45000	
Shri S K Singla (PSIDC Nominee)	30000 *	30000	
Shri Ashish Bagrodia	45000	45000	

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

Executive		(Rs. in lacs)	
Name of Director	Salary	Perquisites *	Total
Shri Manish Bagrodia	33.93	0.82	34.75

\* Perquisites includes House Rent Allowance, Contribution to Provident Fund and other perks.

### 8. 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 2007-08, four Shareholders/ Investors Grievance Committee meetings were held on 29th June, 2007, 28th July, 2007, 31st October, 2007 and 31st January, 2008. Complaints/ grievances, received during the year have been resolved in time.

## WINSOME YARNS LIMITED

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 2007-2008
1.	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2.	Shri Manish Bagrodia	Executive Director	4

During the financial year, the request for transfer/demat/remat of shares, change of address etc have been duly effected. During the year six 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, DGM (Legal) & Company Secretary are the Compliance Officer of the company for SEBI/ Stock Exchange/ROC related issues etc..

### 9. General Body Meetings

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

Year	Venue	Date	Time
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.
2006-2007	Confederation of Indian Industry (CII), Sector 31-A, Chandigarh	28 Sep. 2007	10.00 A.M.

All the resolutions, including 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.

### 10. 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.

### 11. Means of Communications

- The quarterly and half yearly results are published in widely circulating national & local dailies news papers such as Economic Times and Business Standards (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.

### 12. General Shareholder information

Annual General Meeting at 3.30 p.m. on 23rd September, 2008 at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh.

Financial Calendar	: 1st April to 31st March
Date of Book Closure	: 19.09.2008 to 23.09.2008 (both days inclusive)
Dividend payment date	: On or after 23rd September, 2008
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 2007-2008 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.



## WINSOME YARNS LIMITED

Market price data – high and low during each month on BSE in the financial year 2007-08. Stock code-514348 (www.bseindia.com), NSE Scrip Code - WINSOMYARN (www.nseindia.com).

Months	High	Low	Closed	Shares
April, 2007	17.80	15.85	16.30	51123
May, 2007	17.20	15.80	15.95	97391
June, 2007	17.45	14.20	15.10	82844
July, 2007	17.00	14.50	15.00	196584
August, 2007	15.30	12.60	14.26	125900
September, 2007	17.90	14.12	14.29	383362
October, 2007	17.25	13.00	13.47	478986
November, 2007	16.94	13.41	15.15	356014
December, 2007	28.20	15.00	27.65	2162377
January, 2008	30.20	14.85	15.90	1154673
February, 2008	17.50	13.95	15.35	139359
March, 2008	15.00	11.90	13.05	136412

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

Distribution of shareholding as on 31st March, 2008.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	12145	87.74	2179292	8.49
501 - 1000	881	6.37	760994	2.96
1001 - 2000	397	2.87	633387	2.47
2001 - 3000	122	0.88	319195	1.24
3001 - 4000	66	0.48	240054	0.94
4001 - 5000	79	0.57	377541	1.47
5001 - 10000	89	0.64	677777	2.64
10001 and above	62	0.45	20477739	79.79
<b>Total</b>	<b>13841</b>	<b>100.00</b>	<b>25665979</b>	<b>100.00</b>

Shareholding Pattern as on 31st March, 2008.

Category	No. of shares	Percentage
Promoters/Persons acting in concert	17964609	69.99
Financial Institutions/Banks/Mutual Funds	502094	1.96
NRIs	112147	0.44
Bodies Corporates	2009947	7.83
Indian Public	5077182	19.78
<b>Total</b>	<b>25665979</b>	<b>100.00</b>

## WINSOME YARNS LIMITED

Details of shareholding of Directors in the company as on 31.03.2008

Name of Director	No. of shares held
Shri Satish Bagrodia	42900
Shri Brij Khanna	1000
Shri Chandra Mohan	—
Shri S K Singla	—
Shri Manish Bagrodia	52040
Shri Ashish Bagrodia	41400

Dematerialisation of shares and liquidity	:	88.61% of the shares issued by the company have been dematerialised upto 31st March, 2008.
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) B-58, Industrial Area, Phase-VII, Mohali (PB)
Address for correspondence	:	The Company Secretary Winsome Yarns Limited SCO 191-192, Sector 34-A, Chandigarh-160022 dgm.cs@winsomegroup.com cshare@winsomegroup.com

By order of the Board

Place : Chandigarh  
Dated : 30.06.2008

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, 2008, 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 : New Delhi  
Date : 30.06.2008

N.K. Lodha  
Partner  
M.No. 85155

**MANAGEMENT ANALYSIS AND DISCUSSION****INDUSTRY SCENARIO:**

The last four years have proved to be a defining period for the Indian textiles industry. In the face of testing global conditions, the Ministry of Textiles, has stayed the course by introducing timely policy changes and innovative programmes, aimed at spurring growth and development across the organised and unorganised sectors of the industry.

Driven by the vision for providing all possible support that the textile industry needs like modernization or create more jobs, the Ministry's catalytic role in increasing investment, introducing modern technologies and providing marketing support have borne rich fruit.

**INFRASTRUCTURE DEVELOPMENT:**

The Government is committed to develop world-class infrastructural and production facilities at handicrafts, handlooms, and decentralised powerlooms clusters with a minimum of 5,000 looms (handlooms and powerlooms) through adoption of a Comprehensive Cluster Development approach.

The Scheme for Integrated Textile Parks (SITP) was launched by the Government in July 2005 to strengthen infrastructural facilities in potential growth areas. Till March 31, 2008, 30 Integrated Textile Parks had been sanctioned.

**Indian textiles to attract Rs 1, 50,000 crore investment by 2010**

These Parks will attract an investment of Rs. 16,953 crore and when operationalised, will create employment (direct and indirect) for 5.75 lakh workers, and produce goods worth Rs. 27,386 crore annually.

The Scheme will continue during the XIth Five Year Plan. The Government have earmarked Rs 450 crore for the Scheme during 2008-09. There is a proposal to develop ten additional parks during the XI th Five Year Plan.

The Palladam Hi-Tech Weaving Park, Tamil Nadu set-up under the SITP Scheme was inaugurated on April 19, 2008. The Park will provide employment to about 5,000 people. The remaining 29 parks will be completed by 2008-09.

**Technology Upgradation:**

The Government recognised technological obsolescence as the main impediment to the growth of the textiles industry. The Government gave a new impetus to the Technology Upgradation Fund Scheme (TUFS), which ensures the availability of bank finance, at rates comparable to global rates, to modernise the production facilities. All the segments of the textiles industry are getting benefits under the Scheme. The efforts of the Government have brought results, the Scheme had attracted 11,279 applications till March 31, 2007, involving an investment of Rs 93, 447 crore. The Government have provided Rs. 1,140 crore for the Scheme during 2008-09. The Scheme will continue till 2012.

**Increased Plan Allocation:**

The Government recognises textiles sector as the main engine of growth and provider of employment opportunities. In 2007-08, the Plan allocation textiles was Rs 2,243 crore which was 66.21% higher than that of the previous year – second only to the Department of Secondary Education & Higher Education, Ministry of Human Resource Development. In 2008-09, Plan Allocation has shot up by over 11.45% (Rs 2,500 crore) over a much larger base. This shows the commitment of the Government to develop the sector in a sustainable manner.

**Investments:**

The policy measures initiated by the Government are showing striking results. Investment has increased significantly in the textiles sector, and is expected to touch Rs. 1,50,600 crore by 2012. This enhanced investment will generate 17.37 million jobs (comprising 12.02 million direct and 5.35 million indirect jobs) by 2012. Investment in the textiles and clothing sector in the past three years increased from Rs. 7,349 crore in 2004-05 to Rs. 15,032 crore in 2005-06, and Rs. 48,145 crore in 2006-07. The total investment between 2004-07 was Rs. 70,526 crore.

**COTTON:**

Cotton plays an important role in the textiles economy. It provides sustenance to millions and contributes significantly to the country's export earnings. Due to focused support provided by the Government to cotton growers, cotton production has shown a consistent growth and it was 244 lakh bales (170 kg. each) in the cotton season (October- September) of 2005-06, 270 lakh bales in the cotton season of 2006-07, and 310 lakh bales (approx) in the cotton season of 2007-08, a record.

The productivity jumped from 399 Kg./hectare in the cotton season of 2003-04 to 553 kg./hectare in the cotton season of 2007-08. In 2006-07, 58 lakh bales of cotton were exported against 47 lakh bales in 2005-06, and 0.84 lakh bales in 2002-03. In 2007-08, exports are expected to touch 65 lakh bales. Consequently, cotton imports have declined from around 17 lakh bales in 2002-03 to 5 lakh bales in 2006-07. Imports are expected to be around 6.50 lakh bales in 2007-08. Since 2005-06, the country has become a net exporter of cotton.

The Technology Mission on Cotton (TMC) was launched on February 21, 2000, to improve the quality and productivity of cotton, and reduced post – harvest contamination. TMC comprises four mini missions of which mini missions III and IV are being implemented by Ministry of Textiles.

The mini mission III and IV have been extended to March 31, 2009 from March 31, 2007. Under mini mission III of the 250 market yard which were to be setup / revived 127 market yards have been completed at an estimated cost of Rs.255 crore. Under mini mission IV of the 1000 ginning and pressing factory 679 had been completed.

During the current year high cotton prices and the inability of mills to procure at current price levels have put the

textile players on the backfoot. Following a surge in global prices, there is a cascading effect in the Indian market as well. Domestic prices have soared by 15-20% since last year.

Confederation of Indian Textile Industry (CITI) Chairman Mr. P.D. Patodia said the domestic prices are ruling higher despite bumper production. Interestingly, there is significant increase in exports of cotton this year. Exports have already clocked a growth of 46%, crossing 85 lakh bales as against 58 bales last year. Textile commissioner JN Singh pointed out that in India, the prices are still low compared to global market even though they have risen. That is why exports are good he said. Mr. Singh further added that in the next cotton year -starting October 1, 2008 – the production is expected around 325 lakh bales. Despite good domestic production globally, availability is less and local buyers should buy at the right time, he said.

#### **TEXTILES EXPORT:**

The sharp appreciation in the value of the rupee vis-a-vis the dollar and the euro has affected garments and home textile exports to the US and EU. In 2007-08, the Textiles exports were US\$ 20.5 billion, against the target of US\$ 25 billion, registering a growth of 9.4% in dollar terms against exports in 2006-07. The exports grew only by 1.49% between April-October 2007, but the situation improved radically in the later half of the fiscal, registering a total growth of 9.4%..

The Government has taken steps in the short, medium, and long terms to provide relief to exporters. As part of a short term strategy, the Government has enhanced the Duty Entitlement Pass Book (DEPB) and Duty Drawback Rates, exempted Service tax on 12 services, reduced interest rates on pre-and post shipment credit, and facilitated faster clearance of arrears of terminal excise duties and Central Sales Tax. As a part of the medium term strategy, the Government has decided to continue with the Technology Upgradation Fund Scheme, Scheme for Integrated Textiles Parks and the Technology Mission on Cotton in the XIth Five Year Plan. In the long run, there is a need for improvement in the infrastructure, labour law reforms, and create a new business orientation by the industry in line with the global trends.

In spite of a difficult global scenario, the Government is confident of achieving the exports targets set out in the National Textiles Policy, 2000, and the Working Group on Textiles and Jute Industry for the XIth Five Year Plan.

#### **OPPORTUNITY AND THREATS**

The health of textile units is primarily dependant on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seeds and larger production of hybrids and Bt.cottons, the production and productivity of cotton in India have been increasing. Therefore, the supply of quality cotton is expected to be comfortable. This augurs well for the future growth of the textile industry.

The growth and development of textile industry in the past was stunted because of distorted fiscal structure, which favoured fragmentation and tax evasion. This lacuna has been removed and the level playing field has been provided. Government is carrying this policy forward, especially for cotton products. Besides, continuation of Technology Upgradation fund Scheme during the Eleventh Plan announced in this year's budget would go a long way in improving competitiveness of textile industry. This will also boost the demand for quality yarns from downstream sectors.

#### **OPPORTUNITIES IN GARMENTING**

Garmenting is the way to go in future as predicted by most textile analysts. In garments, China's global market share is way ahead at 33% with Mexico at 13% and India trailing at a paltry 5%. Taking the message from these figures, almost every textile company in the country is walking up the value aisle. As a result of which, garmenting is stated to grow at 15-18% annually.

#### **OUTLOOK**

Indians have well understood the importance of staying one step ahead of developments in the world economic environment. Industry operators are increasingly moving towards modernization and expansion as encouraged by the so-designated Textile Upgradation Fund Scheme implemented by Government.

China's impressive production capacity and its growing strength compelled Europe and USA markets to some serious reflections. With traders realizing the threat of relying on a single manufacturing source such as China, India could do well in proposing a valuable alternative to buyers on the international scene, but this is only possible through an adequate and appropriate development strategy and macro-economic policy.

In that view, many manufacturing companies in India are rushing towards expansion and modernization options. Manufacturers are having recourse to fund raising programmes pushing EPS to higher growth, dissolving equity on its way. Business collaborations with foreign players, creation of buying offices and Government's effort to enhance quality production and export are many visible signs of Indians coming into force on the global market.

#### **INTERNAL CONTROL SYSTEMS**

The Company has in place effective systems of internal control ensuring accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with laws and regulations.

The internal control is supplemented by an extension programme of internal audits, review by the management and documented policies, guidelines and procedures.

**HUMAN RESOURCE DEVELOPMENT**

The company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resource Development. With utmost respect to human values, the Company served its human resources with integrity, through a variety of services by using appropriate training, motivation techniques and employee welfare activities.

**CAUTIONARY STATEMENT:**

Certain Statements in the " Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Director's envisage in terms of future performance and outlook.

**Main Source of Information:** [www.fibre2fashion.com](http://www.fibre2fashion.com)

By order of the Board

Place : Chandigarh

Dated : 30.06.2008

Satish Bagrodia

Chairman

## TO THE MEMBERS OF WINSOME YARNS LIMITED

We have audited the attached Balance Sheet of **Winsome Yarns Limited** as at 31st March 2008 the Profit and loss Account and also the Cash Flow Statement of the Company 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.

1. As required by the Companies (Auditor's Report) Order, 2003 ("The Order") as amended by the Companies (Auditor's Report) order 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ("The Act"), we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, 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 to the extent applicable.
  - (e) On the basis of written representations received from the directors of the Company and taken on the record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.08 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (f) *Attention is invited to:*
    - (i) *Note No. 8 of schedule 15B regarding provision for depreciation has been made on certain Plant & Machinery as per the rates applicable to the continuous process plant as stated in the said note, which is a technical matter (Impact unascertained).*
    - (ii) *Note No. 12 of schedule 15B regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating Rs. 250.41 lacs for which legal and other persuasive action 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 foregoing*, 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 13 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, 2008;
- (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 : New Delhi  
Date : 30.06.2008

N.K. Lodha  
Partner  
Membership No.: 85155

(Referred to in Paragraph 1 of our report of even date of Winsome Yarns Limited for the year ended 31st March 2008)

- i. (a) The Company has maintained records in respect of Fixed Assets showing full particulars including quantitative details and situation of fixed assets except in respect of certain fixed assets, which are in process of updation.  
(b) As per information & explanations given to us, physical verification of the fixed are in process of completion according to the regular programme of physical verification once in every three years, in phased manner, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. As explained, in view of the necessary security arrangements there will not be any material discrepancies on completion of such physical verification.  
(c) As per the records and information and explanations given to us, fixed assets disposed off during the year were not substantial.
- ii. (a) As explained to us, the inventories of the Company (except stock lying with the third parties, job worker and in transit) 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 particulars 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.
- iii. (a) During the year Company has not granted any loans, secured or unsecured to companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d) of the Order are not applicable.  
(b) The Company has taken unsecured demand loans from two Companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and year end balance of such loans aggregate to Rs. 180.38 lacs and Rs. Nil respectively.  
(c) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions of such loans taken by the Company are not prima facie prejudicial to the interest of the Company.  
(d) In respect of aforesaid loans taken, the Company is generally regular in repayment of principal and Interest amount.
- iv. 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 specialised nature for which as explained, user department has preferred specific nature 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 the purchase of inventory, fixed assets, services and for the sale of goods and services *which needs to be further strengthened (read with note No. 13 & 16 of Schedule 15B)*. Based on the audit procedure performed and information & explanation provided by the management, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. (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.
- vi. 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.
- vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the company as prescribed by the Central

## WINSOME YARNS LIMITED

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.

- ix. (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 and TDS), 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 31.03.2008.
- (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 (Rs. In Lacs)	Forum Where dispute is 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
Income Tax	Income Tax	2005-06	33.94	CIT (A)

#(Excluding excise show cause notices)

This is to be read with Note No. 17 of schedule 15B.

- x. 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.
- xi. In our opinion, on the basis of audit procedures and according to the informations and explanations given to us, the company has not defaulted in repayment of dues (except for maximum amount of interest Rs. 221.08 lacs and delay for maximum period of 44 days) to financial institution or banks or debenture holders.
- xii. 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.
- xiii. 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.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debenture and other investment.
- xv. 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.
- xvi. According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- xvii. On the basis of information and explanations given to us and on overall examination of the financial statements of the Company, we are of the opinion that no fund raised on short-term basis used for long term investment.
- xviii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Act.
- xix. No debenture has been issued/ outstanding during the year hence the provision of clause 4(xix) of the said order are not applicable.
- xx. The company has not raised money through a public issue during the year.
- xxi. To the best of our knowledge and belief, based on the audit procedures performed and on the basis of information and explanation provided by the management, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For Lodha & Co.  
Chartered Accountants

Place : New Delhi  
Date : 30.06.2008

N.K. Lodha  
Partner  
Membership No.: 85155



**BALANCE SHEET**  
AS AT 31ST MARCH, 2008

**WINSOME YARNS LIMITED**

PARTICULARS	SCHEDULE	31st March 2008 (Rs. in lacs)	31st March 2007 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	5508.69	5346.56
<b>Loan Funds</b>			
Secured Loans	3	27094.49	11469.91
Unsecured Loans	4	1750.00	7343.23
Deferred Tax Liability (Net)		1830.76	1592.72
		<b>38762.15</b>	<b>28330.63</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
	5		
Gross Block		28789.42	15205.64
Less : Depreciation		7235.51	5980.19
Net Block		21553.91	9225.45
Capital work-in-progress		6134.25	9981.99
		27688.16	19207.44
<b>Investments</b>	6	1517.25	1.05
<b>Current Assets, Loans &amp; Advances</b>			
	7		
Inventories		5916.81	5823.39
Sundry Debtors		4558.77	1058.59
Cash and Bank Balances		1587.01	1273.82
Loans & Advances		4331.40	5779.09
		16393.99	13934.89
<b>Less : Current Liabilities &amp; Provisions</b>	8	6837.25	4812.75
Net Current Assets		9556.74	9122.14
		<b>38762.15</b>	<b>28330.63</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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

**WINSOME YARNS LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	2007-2008		2006-2007	
	(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>453.49</b>		<b>1111.55</b>
<b>Adjustment for :</b>				
Depreciation	1304.81		744.85	
Amortisation of Leasehold Land	2.83		3.89	
Profit/(Loss) on sale of fixed assets	8.26		(269.63)	
Transitional liability of gratuity & leave encashment adjusted in General Reserve	(7.89)		—	
Interest paid	1657.13		678.61	
Interest income	(69.96)	<b>2895.19</b>	(49.02)	<b>1108.70</b>
		<b>3348.67</b>		<b>2220.25</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
<b>Adjustment for :</b>				
Trade & other receivable	(2001.82)		(4115.80)	
Inventories	(93.42)		(2023.66)	
Trade & other Payables	2198.11	<b>102.87</b>	3371.95	<b>(2767.51)</b>
<b>CASH GENERATED FROM OPERATIONS</b>		<b>3451.55</b>		<b>(547.26)</b>
Direct Taxes Paid		<b>(61.49)</b>		<b>(64.91)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>3390.05</b>		<b>(612.17)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(9809.67)		(10117.74)	
Sale of fixed assets	13.06		617.24	
Purchase of Investments	(1516.20)		(1.05)	
Interest Received	69.96	<b>(11242.86)</b>	49.02	<b>(9452.53)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(11242.86)</b>		<b>(9452.53)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of Share Capital	—		—	
Interest Paid	(1685.21)		(614.65)	
Dividend including Dividend Tax	(180.14)		(146.33)	
Proceeds from borrowings	12262.74		12369.92	
Repayment of borrowings	(2231.40)	<b>8165.99</b>	(696.09)	<b>10912.85</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>8165.99</b>		<b>10912.85</b>
Net Increase/decrease in cash and cash equivalents		<b>313.19</b>		<b>848.15</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2007 (opening balance)		<b>1273.82</b>		<b>425.67</b>
<b>Cash &amp; Cash equivalent being cash &amp; bank balances as at 31.03.2008 (closing balance)</b>		<b>1587.01</b>		<b>1273.82</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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

**SCHEDULES TO AND FORMING PART OF THE ACCOUNTS WINSOME YARNS LIMITED**

PARTICULARS	AS AT	AS AT
	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)

**SCHEDULE - 1 : SHARE CAPITAL**

<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>	<b>2604.56</b>	<b>2604.56</b>
2,60,45,579 Equity Shares of Rs. 10/- each		
<b>SUBSCRIBED &amp; PAID-UP</b>	<b>2566.60</b>	<b>2566.60</b>
2,56,65,979 Equity Shares of Rs. 10/- each		
Add : Amount Paid-up on shares forfeited	<b>11.61</b>	<b>11.61</b>
	<b>2578.21</b>	<b>2578.21</b>

**SCHEDULE - 2 : RESERVES & SURPLUS**

	Opening	Addition	Adjustment	Closing
<b>Capital Reserve</b>				
State Investment Subsidy	25.00	—	—	25.00
Capital Reserve — Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
General Reserve*	42.97	—	7.89	35.08
Profit & Loss Account	5127.12	204.63	34.61	5297.14
*Refer Note No. 15	5346.56	204.63	42.50	5508.69
	<b>(4437.06)</b>	<b>(1085.06)</b>	<b>(132.38)</b>	<b>(5346.56)</b>

**SCHEDULE - 3 : SECURED LOANS**

**FROM BANKS**

Term Loans	21367.20	7999.44
Interest accrued and Due	221.08	—
Packing Credit	5501.02	3470.47
Vehicle Loan	5.19	—
	<b>27094.49</b>	<b>11469.91</b>

**NOTES :**

1. Term Loan of Rs. 19119.50 Lacs (Pr. Yr. Rs. 5293.49 Lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Patiala 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 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. 2247.70 Lacs (Previous Year - Rs. 2671.60 Lacs) under TUF Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
2. 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.
3. Vehicle Finance is secured by hypothecation of specific assets purchases under such arrangements. Amount repayable within one year Rs 1.79 lacs (PY Nil)

**SCHEDULE - 4 : UNSECURED LOANS**

From Banks *	1750.00	1500.00
Buyer's Import Credit	—	5843.23
	<b>1750.00</b>	<b>7343.23</b>

\* includes Rs. 1000 Lacs secured by Hypothecation of immovable property owned by group Company.

**SCHEDULE - 5 : FIXED ASSETS** (Rs. in Lacs)

Nature of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2007	Additions	Sales/ adjustments	As at 31.03.2008	Upto 31.03.2007	For the year	Sale/ Adjustments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
<b>Tangible</b>										
Freehold Land	334.94	—	—	334.94	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	280.27	3.89	2.83	—	6.72	273.55	276.38
Buildings**	1746.50	2319.78	—	4066.28	511.93	93.36	—	605.29	3460.99	1234.57
Plant & Machinery	12452.80	11231.78	62.65	23621.93	5256.43	1164.40	44.99	6375.84	17246.09	7196.37
Furniture & Fixtures**	269.41	72.97	3.71	338.67	138.73	30.86	2.99	166.60	172.07	130.68
Vehicles	84.35	6.77	7.27	83.85	42.72	7.17	4.32	45.57	38.28	41.63
<b>Intangible</b>										
Specialised Software	37.37	26.11	—	63.48	26.47	9.02	—	35.49	27.99	10.89
<b>Total</b>	<b>15205.64</b>	<b>13657.41</b>	<b>73.63</b>	<b>28789.42</b>	<b>5980.19</b>	<b>1307.64</b>	<b>52.30</b>	<b>7235.51</b>	<b>21553.91</b>	<b>9225.45</b>
Previous Year	15132.18	423.96	350.50	15205.64	5234.34	748.74	2.89	5980.19	9225.45	9897.84

Note : \*\*Building and Furniture & Fixtures includes 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. 32.30 Lacs Rs. 56.94 Lacs) and net Rs.20.59 Lacs and Rs. 24.74 Lacs, respectively, (Previous year Rs. 24.71 Lacs and Rs. 32.30 Lacs).

**SCHEDULES TO AND FORMING PART OF THE ACCOUNTS WINSOME YARNS LIMITED**

PARTICULARS	AS AT 31.03.2008 (Rs. In lacs)	AS AT 31.03.2007 (Rs. in lacs)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>Long Term Investments (Trade)- unquoted</b>		
Wholly owned subsidiary company		
101000 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 cyprus pound each (Previous year 1000 shares )	446.25	1.05
180000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 cyprus pound each (Refer Note No. 1 of Schedule 15B)	1071.00	—
	<u>1517.25</u>	<u>1.05</u>
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
<b>(As taken, valued and certified by the management)</b>		
Raw Materials (including material in transit Rs. 799 lacs previous year- Nil)	2094.36	3330.86
Stock in Process	1235.26	569.76
Stores & Spares	360.76	499.86
Finished Goods (including goods in transit Rs. 416.53 lacs (PY Rs. 212.16 lacs)	2152.66	1416.19
Waste (At net realisable value)	73.77	6.72
	<u>5916.81</u>	<u>5823.39</u>
<b>Sundry Debtors (Unsecured, considered Good)</b>		
Debts over six months	728.13	343.09
Other Debts	3830.64	715.50
	<u>4558.77</u>	<u>1058.59</u>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.01	0.01
<b>Bank Balances with scheduled Banks</b>		
On Current Accounts	282.73	220.08
On Margin Account	245.00	—
On Unpaid Dividend Account	25.85	20.42
On Fixed Deposit Account (Lodged with Banks as Margin)	1033.42	1033.31
	<u>1587.01</u>	<u>1273.82</u>
<b>Loans &amp; Advances (Unsecured, considered good)</b>		
Advance recoverable in cash or in kind or for value to be received	2019.74	3108.98
Advance Income Tax including TDS	245.12	143.56
Advances towards Share Application Money	—	1516.20
Refunds/Claims/ Subsidy Receivable	1204.71	381.80
MAT Credit Entitlement	99.13	48.46
Cenvat/VAT/Sales Tax Reimbursable	852.47	560.45
Security Deposits	110.23	19.64
	<u>4331.40</u>	<u>5779.09</u>
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
<b>Sundry Creditors for Trade</b>		
- Due to Micro & Small Enterprises*	—	—
- Others	5792.25	3909.37
Book Overdraft (Temporarily overdrawn)	416.51	313.84
Interest Accrued but not due on Loans	56.05	86.13
Other Liabilities	345.13	132.43
Unpaid Dividend**	25.85	20.42
	<u>6637.79</u>	<u>4462.19</u>
<b>PROVISIONS</b>		
For Retirement Benefits	59.97	30.19
For Proposed Dividend	25.87	153.97
For Corporate Tax	109.48	144.81
For Tax on Dividend	4.34	21.59
	<u>199.46</u>	<u>350.56</u>
	<u>6837.25</u>	<u>4812.75</u>

\*To the extent information available Refer Note No 16 of Schedule 15B

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

**SCHEDULES TO AND FORMING PART OF THE ACCOUNTS WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>2007-2008 (Rs. in lacs)</b>	<b>2006-2007 (Rs. in lacs)</b>
<b>SCHEDULE - 9 : SALES</b>		
Yarns*	15960.60	11706.97
Knitwear	749.51	362.65
Waste Sales	942.45	597.66
Job Charges (TDS Rs. 0.22 Lacs, Previous Year Rs. Nil)	39.94	9.48
*Includes Duty Drawback Rs. 760.32 lacs (PY Rs. 97.59 lacs)	<u>17692.50</u>	<u>12676.76</u>
<b>SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
Finished Goods	2152.66	1416.19
Stock in Process	1235.26	569.76
Waste	<u>73.77</u>	<u>6.72</u>
	3461.69	1992.67
<b>Less : Opening Stock</b>		
Finished Goods	1416.19	874.96
Stock in Process	569.76	416.94
Waste	<u>6.72</u>	<u>14.69</u>
	1992.67	1306.59
<b>Less : Stock Transfer from Trial run</b>		
Finished Goods	198.21	-
Stock in Process	136.51	-
Waste	<u>18.79</u>	<u>-</u>
	<u>353.51</u>	<u>-</u>
	1115.51	686.08
<b>SCHEDULE - 11 : RAW MATERIALS CONSUMED</b>		
Opening Stock	3330.86	2332.17
Purchases	7935.48	7491.83
	<u>11266.34</u>	<u>9824.00</u>
Closing Stocks	2094.36	3330.86
Raw Materials Consumed	<u>9171.96</u>	<u>6493.14</u>
<b>SCHEDULE - 12 : MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>PAYMENT &amp; PROVISIONS OF EMPLOYEES</b>		
Salaries, Wages & Other Allowances	715.15	444.81
Contribution to Provident & Other Funds	62.32	46.56
Employees Welfare	<u>13.17</u>	<u>9.21</u>
	790.64	500.58
<b>MANUFACTURING EXPENSES</b>		
Stores & Spares consumed	909.23	861.10
Power & Fuel	2100.22	1425.20
Repairs to Buildings	14.60	5.98
Repairs to Plant & Machinery	22.46	17.63
Processing Charges & Dyeing Charges	231.52	250.96
Material Handling Charges	<u>123.11</u>	<u>57.85</u>
	3401.14	2618.72

**SCHEDULES TO AND FORMING PART OF THE ACCOUNTS WINSOME YARNS LIMITED**

PARTICULARS	2007-2008 (Rs. In lacs)	2006-2007 (Rs. in lacs)
<b>SCHEDULE - 12 : (continued)</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	35.88	34.58
Printing & Stationery	6.67	1.79
Rates & Taxes	0.93	0.42
Directors Sitting Fee	2.00	1.90
Insurance	78.83	70.22
Repair & Maintenance	8.25	6.73
Travelling & Conveyance	180.36	138.97
Miscellaneous Expenses	119.54	69.55
Wealth Tax	0.20	—
Postage, Telegrams and Telephones	58.53	52.06
Loss on sale of fixed assets	8.26	—
Legal & Professional Charges	187.92	42.30
Charity & Donation	—	10.14
Prior Period Expenses (Net)	7.37	60.31
<b>AUDITORS' REMUNERATION</b>		
Audit Fees	2.35	1.50
Tax Audit Fees	0.15	0.15
Other Services	1.08	0.06
Re-imburement of expenses	0.15	0.77
	<u>3.73</u>	<u>2.48</u>
	<b>678.27</b>	<b>491.45</b>
<b>SELLING EXPENSES</b>		
Commission on sales	194.49	251.87
Freight & Handling Charges	844.77	609.37
Advertisement & Other Selling Expenses	39.31	54.62
	<u>1078.57</u>	<u>915.86</u>
	<b>5948.62</b>	<b>4526.61</b>
<b>SCHEDULE - 13 : FINANCIAL EXPENSES</b>		
Interest on Term Loans (Net of re-imburement under TUFS Rs. 498.42 Lacs Previous Year Rs. 127.92 Lacs)	787.08	301.71
Interest on Working Capital (Net of receipt of Rs. 29.89 lacs Previous Year Rs. 1.74 Lacs)	870.05	376.90
Bank Charges & Commission	121.03	117.89
	<u>1778.16</u>	<u>796.50</u>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Income	13.41	5.34
Interest Received (TDS Rs. 10.81 lacs Previous Year Rs. 2.66 lacs)	69.96	49.02
Sale of Scrap	40.96	18.20
Liability/Balances no longer required written back (net)	210.72	0.23
Exchange Rate Difference (Net)	432.44	101.11
Profit on Sale of Fixed Assets	—	269.63
	<u>767.49</u>	<u>443.53</u>

## SCHEDULE - 15

### ACCOUNTING POLICIES AND NOTES FORMING PART OF THE 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 income 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 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) Depreciation on additions/disposals is provided on pro-rata with reference to the month of addition/disposal.

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

(iv) 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.

(v) 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 transactions.

(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.

##### 12. Employees Benefits

(i) **Defined Contribution Plan** : Employee benefits in the form of Provident Fund (with Government Authorities) are considered as defined contribution plan and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

Contribution to Superannuation Fund is accounted on actual liability basis.

(ii) **Defined Benefit Plan** : Retirement benefits in the form of Gratuity, Long Term compensated leaves and Provident Fund (multi-employer plan) are considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.



(iii) Other short term absences are provided based on past experience of leave availed. Actuarial gain/losses, if any, are immediately recognised in the Profit and Loss Account.

**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 it 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. During the year the Company has been allotted 100000 Equity Shares and 180000 Preference Shares in the wholly owned subsidiary company namely Winsome Yarns (Cyprus) Ltd. (WYCL). The WYCL has incurred loss during the year ended 31st March 2008, in view of the long term in nature, no provision for diminution in value of investments is considered necessary by the management.

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

	Current Year	(Rs. in lacs) Previous Year
Pre-operative expenditure as follows :		
Opening Balance	236.75	—
Stores & Spares	1074.67	204.62
Repairs & Maintenance	—	13.11
Power & Fuel	122.46	60.31
Salary, Wages & Allowances	182.99	60.48
Upfront Fees	74.36	101.81
	<b>1691.23</b>	<b>440.33</b>
Less: Capitalised during the year	<b>939.27</b>	<b>203.58</b>
Closing Balance	<b>751.96</b>	<b>236.75</b>

Above is excluding interest Rs. 396.90 lacs (Previous Year Rs. 121.03 lacs) net of interest subsidy Rs. 280.09 lacs (Previous Year 94.92 lacs)

3. Research and development expenditure amounting to Rs.20.53 lacs (Previous year Rs.14.89 lacs) have been debited to Profit and Loss account under the head Salaries, Wages & other Allowances.

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 impairment/reversal is considered to be necessary in view of its expected realisable value.

5. In view of Company (Accounting Standard) Rules, issued by the Ministry of Corporate Affairs for treatment of (Exchange Fluctuation) gain/loss on account of exchange fluctuation on loan/ liability for capital assets has been charged to profit & Loss account which was hitherto charged to cost of the assets. Had this policy not been followed Profit before Tax would have been lower by Rs. 283.36 lacs.

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. Managerial Remuneration**

**A. Remuneration to Executive Directors**

	2007-08	(Rs. in lacs) 2006-07
(i) Salary	26.88	26.91
(ii) Contribution to Provident Fund & Family Pension Funds	2.30	1.73
(iii) Perquisites & Other Benefits	0.82	1.15
(iv) Commission	4.75	8.75
<b>TOTAL</b>	<b>34.75</b>	<b>38.54</b>

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

Profit before taxation	453.49	1111.55
Add/(Less) : Loss/(Profit) on sale of assets	8.26	(269.63)
Directors Sitting Fees	2.00	1.90
Commission	4.75	8.75
Managing Director's remuneration	30.00	29.79
<b>Net Profit for the year</b>	<b>498.50</b>	<b>882.36</b>
Managing Director's Commission @ 1% (Restricted to)	4.75	8.75

8. 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.
9. Prior period adjustments (net) include Freight & handling charges Rs. 1.12 lacs (P.Y. Rs. 10.49 lacs) Interest expense Rs. Nil (P.Y. Rs. Nil), Commission on Sales Rs. Nil (P.Y. Rs. 6.58 lacs), Electricity charges Rs. 5.83 lacs (P.Y. Rs. Nil), Discount and Brokerage Rs. Nil (P.Y. Rs. 41.18 lacs) and others 0.42 lacs (P.Y. Rs. Nil).
10. In the opinion of the Board, the Current Assets, Loans and Advances appearing in the Company's Balance Sheet as at year end would have a value on realisation in the normal course of business at least equal to the respective amounts at which they are stated in the Balance Sheet.
11. Since it is not possible to ascertain with reasonable certainty/ accuracy the amount of 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.
12. The company has taken legal and other persuasive actions for recovery of certain debtors aggregating to Rs. 250.41 Lacs (Rs. 149.76 Lacs), in the opinion of the management, these outstanding are good and recoverable.
13. Balance of certain debtors, loans and advances, creditors, Stock with job worker and other liabilities are in the process of confirmation / reconciliation.
14. Employees Benefits:
  - a) **Defined Contribution Plan** : Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs. 47.30 lacs has been recognized as expense for the year.
  - b) **Defined Benefit Plan** : The employee' gratuity fund is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

**I. Amount to be recognised in the balance sheet.**

**(Rs. in Lacs)**

Particulars	Gratuity	Leave Encashment (Unfunded)
Present Value of Obligation as at 31st March 2008	44.11	15.86
Fair value of plan assets as at 31st March 2008	---	---
Funded Status [Surplus/(Deficit)]	(44.11)	(15.86)
Net Assets/(Liability) Recognized in Balance Sheet	(44.11)	(15.86)
<b>II. Expenses recognized during the period</b>		
Current Service Cost	12.88	13.53
Interest Cost	2.78	0.81
Expected Return on Plan Assets	---	---
Actuarial (gain)/loss	0.74	(4.36)
Net Expenses Recognized	16.41	9.98
<b>III. Reconciliation of opening and closing balance of Defined Benefit Obligation</b>		
Present Value of Obligation at the beginning of the period	36.06	10.07
Current Service Cost	12.88	13.53
Interest Cost	2.78	0.81
Actuarial (gain)/loss on obligations	0.74	(4.36)
Benefit Paid	8.35	4.19
Present Value of Obligation as at the end of the period	44.11	15.86
<b>IV. Reconciliation of opening and closing balance of fair value of plan asset</b>		
Fair value of plan assets at the beginning of the period	---	---
Expected Return on Plan Assets	---	---
Contributions	---	---
Actuarial gain/(loss) on obligations	---	---
Benefit Paid	---	---
Fair value of plan assets at the end of the period	---	---
<b>V. Transitional Provision</b>		
Present Value of obligations as on 1st April 2007 as per AS 15 (R)	36.05	10.07
Fair value of plan assets as on 1st April 2007	---	---
Transitional liability	36.05	10.07
Liability already recognised	30.19	8.05
Increase in liability	5.86	2.03
Increase Adjusted against Opening General Reserve	5.86	2.03
Unadjusted increase to be recognised as expense over the next four years on a straight line basis.	---	---
<b>VI. Investment Detail</b>		
Not applicable		
<b>VII. Actuarial/Demographic assumptions</b>		
Indian Assure Lives Mortality Table (LIC)	1994-96	1994-96
Discount rate (Per annum)	8.00%	8.00%
Expected Return on Plan Assets (Per annum)	8.00%	8.00%
Estimated rate of increase in compensation level	5.00%	5.00%
Retirement Age		58 Years
Withdrawal Rate (All ages)		10%
Disability		No explicit allowance
Leave Accumulation Ratio		0.54

## WINSOME YARNS LIMITED

- (i) The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.
- (ii) The principal assumptions are the discount rate & salary growth rate. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.
15. During the year the company has made provision of retirement benefits in accordance with AS-15 (Employee Benefits - Revised 2005). Impact of transitional provision of Rs. 7.89 lacs has been adjusted from opening general reserve.
16. The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amount unpaid as at the year end together with interest paid/payable under this Act have not been given.

Particulars	As at 31st March, 2008	As at 31st March, 2007
i) Bills discounted with banks	1420.89	1853.12
ii) Outstanding Letter of Credit	200.44	856.87
iii) Sales Tax liability in respect of matters in appeal	8.05	8.05
iv) Excise duty show cause notices/matters in appeal	975.61	894.52
v) Income Tax Demand	33.94	—
vi) Customs duty saved of Rs. 2453.06 (Previous Year Rs. 2050.88 Lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 19624.51 lacs (Previous Year Rs. 16407.05 Lacs) are pending.		

Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement/finalisation of above.

- B) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 6236.84 lacs (net of advances Rs. 1199.98 lacs), (Previous year Rs. 48.15 Lacs.)
18. 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 loans have been given to employees/others for the purpose of investment in securities of the company.

### 19. 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)

Particulars	India	Outside India	Total
i) External Revenue-Sales	5308.47 (4010.37)	12384.03* (8666.39)	17692.50 (12676.76)
ii) Carrying amount of segment assets by location of assets	40590.35 (31088.19)	5009.05 (2055.19)	45599.40 (33143.38)
iii) Capital Expenditure	9809.67 (10073.45)	—	9809.67 (10073.45)

\* Includes Duty Draw back of Rs. 760.32 Lacs (Previous Year 97.59 Lacs).

20. During the year, deferred tax in respect of timing differences has been re-assessed/re-computed and liability (net) amounting to Rs. 238.04 lacs for the year has been reversed/credited to Profit & Loss Account.

<b>Deferred Tax Liability</b>	<b>2007-08</b>	<b>2006-07</b>
Tax impact on difference between book value of depreciable assets and written down value for tax purposes.	<b>2902.45</b>	1725.45
<b>Deferred Tax Assets</b>		
Tax Impact of unabsorbed depreciation and business losses	<b>1049.69</b>	115.17
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	<b>22.00</b>	17.56
<b>Deferred Tax Liability (Net)</b>	<b>1830.76</b>	1592.72

### 21. Earning per share

Basis for calculation of Basic, Diluted and Cash Earning Per Share is as under :

Net Profit attributable to Equity Shareholders (Rs. in lacs)	<b>2007-08</b>	<b>2006-07</b>
Weighted average number of equity shares	<b>204.63</b>	1085.06
Nominal Value per equity share (Rs.)	<b>25665979</b>	25665979
Basic and Diluted EPS (Rs.)	<b>10</b>	10
Cash Earnings per Share (Rs.)	<b>0.80</b>	4.23
	<b>5.89</b>	7.14

### 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 (100% Subsidiary)  
 S.C. Winsome Romania S.R.L. (Subsidiary of (i) above)  
 I.M.M. Winsome Italia S.P.A. (Subsidiary of (ii) above)  
 S.C. Textile S.R.L. (Subsidiary of (iii) above)

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

- Shri Satish Bagrodia
- Shri Manish Bagrodia
- Shri Ashish Bagrodia

Chairman  
Managing Director  
Director

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

- Starpoint Financial Services (Pvt.) Ltd.
- Shell Business Pvt. Ltd.
- Roselab Commodities Pvt. Ltd.
- I.D.S. Infotech Limited

**Aggregated Related Party disclosures for the year ended 2007-2008**

(Rs. in Lacs)

Particulars	Associate Company	Subsidiary Company	Key Management personnel and their relatives	Organisations where Key Management Personnel & their relative have significant influence	Total
Sale of material & goods and services	595.62 (189.63)	224.59 (—)	— (—)	— (—)	820.21 (189.63)
Purchase of material goods and services	328.92 (251.51)	— (—)	— (—)	22.08 (16.80)	351.00 (267.90)
Expenses reimbursed to others	— (33.69)	— (—)	— (—)	28.29 (—)	28.29 (33.69)
Loan taken	— (—)	— (—)	— (—)	175.00 (—)	175.00 (—)
Loan repaid	— (—)	— (—)	— (—)	175.00 (—)	175.00 (—)
Interest Paid	— (—)	— (—)	— (—)	6.78 (—)	6.78 (—)
Expenses paid on behalf of others	— (8.36)	— (—)	— (—)	— (—)	— (8.36)
Remuneration	— (—)	— (—)	34.75 (38.54)	— (—)	34.75 (38.54)
Director Sitting fee	— (—)	— (—)	0.90 (0.60)	— (—)	0.90 (0.60)
Balance outstanding as at 31.03.2008	211.87 (Dr) (66.34) (Dr)	139.97 (Dr) (1517.25) (Dr)	0.10 (Cr) (8.75) (Cr)	25.01 (Cr) (—)	326.73 (Dr) (1574.84) (Dr)

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

Note : Figures in brackets represents figures for the previous years.

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

**(a) Licensed & Intalled Capacity**

	2007-08	2006-07
Licenced Capacity :		
Yarn — Spindles	133440	133440
— Rotors	1536	1536
Knitwears (Nos.)	1944000	1944000
Installed Capacity :		
Yarn — Spindles	79824	49824
Knitwears (Nos.)	506880	192000

**(b) (i) Production, Turnover & Stocks : (in - MT)**

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	1137.40*** (670.985)	1581.60 (852.68)	11960.91*** (9524.628)	428.06 (—)	819.45 (—)	11980.87*** (9231.906)	15960.60* (11706.97)	1545.50 (963.71)	2152.66 (1383.39)
Knitwears (Pcs.)	8101 (11794)	32.80 (22.28)	226113 (90566)	— (—)	— (—)	234214 (94259)	749.51** (362.65)	NIL (11794)	NIL (22.28)
Waste/Scrap	— (—)	25.51 (14.69)	— (—)	— (—)	— (—)	— (—)	942.45 (597.66)	— (—)	73.77 (6.72)

\* Includes drawback amounting Rs. 738.54 Lacs.

\*\* Includes drawback amounting Rs. 21.78 Lacs.

\*\*\* Opening Stock Qty. includes 173.690 MT Trial Run Stock, Production Qty. Excludes 339.551 MT Trial Run Production & Sales Qty Exclude 165.860 MT Trial Run Sales.

Note : Figures in brackets represents figures for the previous year.

# WINSOME YARNS LIMITED

(ii) Raw Material Consumed	2007-08		2006-07	
	Qty. (MT)	Value	Qty. (MT)	Value
Viscose	235.52	200.27	227.78	205.21
Cotton	15750.50	8780.21	13059.95	6142.52
Yarn	73.54	191.50	34.180	145.41
<b>TOTAL</b>		<b>9171.98</b>		<b>6493.14</b>

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

	2007-08		Raw Material		2007-08		Stores & Spares	
	Value	%	2006-07 Value	%	Value	%	2006-07 Value	%
Imported	485.20	5.29	152.78	2.35	426.27	46.88	24.17	2.81
Indigenous	8686.78	94.71	6340.36	97.65	482.96	53.12	836.93	97.19
<b>Total</b>	<b>9171.98</b>	<b>100.00</b>	<b>6493.14</b>	<b>100.00</b>	<b>909.23</b>	<b>100.00</b>	<b>861.10</b>	<b>100.00</b>

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

	31st March, 2008 (Rs. in lacs)	31st March, 2007 (Rs. in lacs)
<b>c) Imports at CIF Value :</b>		
Plant & Machinery	380.36	7195.73
Spare Parts & components	137.39	62.94
Raw Material	468.47	549.38
<b>d) Earning in Foreign Exchange :</b>		
Export of goods on FOB basis (Excluding Export through Export Houses)	11623.70	8073.40
Interest realisation	NIL	1.74
<b>e) Expenditure in Foreign currency : (Cash basis)</b>		
Foreign Travelling	91.28	49.68
Commission on sales	80.75	48.12
Consultancy Fees	36.72	16.45
Others	NIL	7.34

24. Consumption value of raw materials and stores & spares is derived as net of opening stock plus purchases less closing stock.

**25. Remittance in Foreign Currency on Dividend Account**

Number of Non Resident Shareholders	31	61
Number of shares held by Non Resident Shareholders	14500	27400
Net Amount of Dividend remitted (Amount in Rs.)	8700	13700
Year to which Dividend relates	2006-07	2005-06

26. The Foreign Currency Exposure that are not hedged by a derivative instrument or otherwise are as follows (as certified by the management) :

Particulars	Document Currency	Amount in Document Currency	Amount in Rupees (in lacs)
Sundry Debtors	USD	8045889.59	3231.75
	EURO	3126058.14	1967.64
	CHF	555535.37	193.83
	EURO	1,789,456.31	1035.94
Sundry Creditors	JPY	26,123,448.00	87.16
	USD	51,759.87	22.79
Investment in Preference Shares	EURO	1800000.00	1071.00
Foreign Commission payable	USD	92336.36	37.04
	EURO	760.12	0.48
Loans - PCFC	USD	4753004.49	1906.91

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

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

29. Balance sheet abstract and company's general business profile (As per Annexure I)

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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Sinla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

Balance Sheet abstract and Company's General Business profile information pursuant to Part (IV) of the Companies Act, 1956.

<b>I. Registration Details</b>		
Registration No. (CIN)	L17115CH1990PLC010566	State Code
Balance Sheet Date	31-03-2008	53
<b>II. Capital Raised during the year (Amount Rs. in thousands)</b>		
Public Issue	Nil	Rights Issue
		Nil
Bonus Issue	Nil	Private Placement
		Nil
<b>III. Position of Mobilization and Deployment of Funds (Amount Rs. in thousands)</b>		
Total Liabilities	3876215	Total Assets
		3876215
<b>Sources of Funds</b>		
Paid-up Capital	256660	Reserve & Surplus
		534656
Secured Loans	2709449	Unsecured Loans
		175000
Forfeited share account	1161	Deferred Tax Liability
		183076
<b>Application of Funds</b>		
Net Fixed Assets	2768816	Investments
		151725
Net Current Assets	955674	Misc. Expenditure
		—
Accumulated Losses	—	
<b>IV. Performance of Company (Amount Rs. in thousands)</b>		
Turnover including other income	1947934	Total Expenditure
		1902585
Profit / (Loss) Before Tax	45349	Profit / (Loss) After Tax
		20463
Earning per share (Rs.)	0.80	Dividend Rate (%)
		1
<b>V. Generic Names of three Principal Products of Company (as per monetary terms)</b>		
<b>Item Code No.</b>	<b>Product Description</b>	
520500	COTTON YARN CONTAINING 85% OR MORE OF COTTON	
520600	COTTON YARN CONTAINING LESS THAN 85% COTTON	
6101	APPAREL, KNITTED OR CROCHETED	

K.V. Singhal  
Company Secretary

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

Directors : Shri Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

**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	S.C. Winsome Romania S.r.l.
2.	Financial year of the Subsidiary Company ended on	31st March, 2008	31st December, 2007
3.	Shares of the Subsidiary Company held on the above date and extent of holding		
	a) Equity shares	101000	90
	b) Extent of Holding	100%	90%
4.	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	NIL	NIL
	a) For the financial year of the Subsidiary (in Lacs)	(Rs. 8.84 Lacs)	Rs. 96.83 Lacs
	b) For the previous financial years of the subsidiary/since it became Holding Company's subsidiary (in Lacs)	(Rs. 5.67 Lacs)	Not Applicable
	(ii) Death within the holding company's accounts	NIL	NIL
	a) For the financial year of the Subsidiary (in Lacs)	Not Applicable	Not Applicable
	b) For the previous financial years of the subsidiary/since it became the Holding company's subsidiary (in Lacs)	Not Applicable	Not Applicable
5.	Changes in the Holding Company's interest in the subsidiary and holding company's financial year	Not Applicable	Not Applicable
6.	Material changes, if any, between the end of the financial year of the subsidiary company and that of the Holding Company	Not Applicable	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.

1. We have examined the attached consolidated Balance Sheet of Winsome Yarns Limited and its subsidiary as at 31st March 2008, and the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for the year then ended.
2. 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 tests basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the foreign subsidiaries namely Winsome Yarns (Cyprus) Limited, and S.C. Winsome Romania S.R.L., whose financial statement reflects total assets of Rs. 9760.54 lacs as at 31st March 2008 and total revenues of Rs. 7860.25 lacs for the year then ended. These separate Financial Statement have been audited by other Auditors, as per applicable GAAP in their respective country, whose report has been furnished to us by the management and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. *Attention is invited to:*
  - (a) *Note no. 5 of Schedule 15 regarding provision for depreciation has been made on certain Plant and Machinery as per the rates applicable to the continuous process plant as stated in the said note, which is a technical matter (Impact Unascertained).*
  - (b) *Note No. 6 of Schedule 15 regarding non provision for shortfall in recovery (amount unascertained) against overdue debts aggregating Rs 250.41 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*
  - (c) *As stated in Note No. 3 of Schedule 15, no provision has been made in the books of accounts of step down subsidiary namely S.C. Winsome Romania S.R.L. for certain expenses with interest amounting to Rs. 56.30 lacs (equivalent to RON 361,020) and foreign exchange fluctuation loss on account of reinstatement of liabilities (creditors) amounting to Rs. 125.82 lacs (equivalent to RON 720,000)*

Subject to the above and read with Note No. 2 and other Notes to the Consolidated Financial Statements, 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 given to us and on the consideration of the separate audit report on individual audited financial statements of the Company, its subsidiary and unaudited (as taken and certified by the management) Consolidated Financial Statements of 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, 2008;
- 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 then 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 : New Delhi  
Date : 30.06.2008

N.K. Lodha  
Partner  
Membership No.: 85155

**CONSOLIDATED BALANCE SHEET**  
AS AT 31ST MARCH, 2008

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31st March 2008 (Rs. in lacs)</b>	<b>31st March 2007 (Rs. in lacs)</b>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	5689.75	5307.05
<b>Loan Funds</b>			
Secured Loans	3	27094.49	11469.91
Unsecured Loans	4	1750.00	7343.23
Deferred Tax Liability (Net)		1830.76	1592.72
Minority Interest		11.47	—
		<b>38954.68</b>	<b>28291.12</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	29098.62	15205.64
Less : Depreciation		7259.41	5980.19
Net Block		21839.21	9225.45
Capital work-in-progress		6150.39	9981.99
		<b>27989.60</b>	<b>19207.44</b>
<b>Investments</b>	6	1451.43	—
<b>Current Assets, Loans &amp; Advances</b>			
Inventories		8475.13	5823.99
Sundry Debtors		8279.01	1058.59
Cash and Bank Balances		1685.82	1299.61
Loans & Advances		5916.36	5716.64
		<b>24356.32</b>	<b>13898.83</b>
<b>Less : Current Liabilities &amp; Provisions</b>	8	<b>14842.67</b>	<b>4815.15</b>
Net Current Assets		<b>9513.65</b>	<b>9083.68</b>
		<b>38954.68</b>	<b>28291.12</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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

**CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2008**

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>2007-08 (Rs. in lacs)</b>	<b>2006-07 (Rs. in lacs)</b>
<b>INCOME FROM OPERATIONS</b>			
Sales	9	25273.13	12676.76
Less Excise Duty		96.16	129.83
Net Sales		25176.97	12546.93
Increase/(Decrease) in Stocks	10	1943.64	686.08
Other Income	14	672.26	443.53
		<b>27792.87</b>	<b>13676.54</b>
<b>COST OF OPERATIONS</b>			
Raw Materials Consumed	11	12991.20	6493.14
Cotton Yarn Purchase		819.45	—
Manufacturing & other Expenses	12	10093.41	4532.28
Interest & Financial Charges	13	1797.43	796.50
		<b>25701.49</b>	<b>11821.92</b>
<b>PROFIT BEFORE DEPRECIATION &amp; EXCEPTIONAL ITEMS</b>		<b>2091.38</b>	<b>1854.62</b>
Less: Depreciation		1331.54	748.74
<b>Net Profit before Tax</b>		<b>759.84</b>	<b>1105.88</b>
Less : Provision for Taxation			
— Current Tax		86.24	58.81
— Credit against MAT		(50.67)	(48.46)
— Fringe Benefit Tax		9.87	6.10
— Fringe Benefit Tax for earlier years		0.95	—
— Deferred Tax Liability/(Asset)		238.04	10.04
<b>Net Profit after Tax</b>		<b>475.41</b>	<b>1079.39</b>
Less : Minority Interest		0.50	—
		<b>474.91</b>	<b>1079.39</b>
Add : Balance brought forward from last year		5121.45	4217.62
<b>Balance available for appropriation</b>		<b>5596.36</b>	<b>5297.01</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		25.67	153.97
Corporate Dividend Tax*		8.94	21.59
Balance carried to Balance Sheet		5561.75	5121.45
		<b>5596.36</b>	<b>5297.01</b>
Earning Per Share-Basic and Diluted (Rs)		1.85	4.21
Cash Earning Per Share - (Rs)		7.04	7.12
Accounting Policies & Notes on Accounts			
* Includes 4.58 Lacs short provisioning for previous year			

**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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	2007-2008		2006-2007	
	(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>759.84</b>		<b>1105.88</b>
<b>Adjustment for :</b>				
Depreciation	1328.71		744.85	
Amortisation of Leasehold Land	2.83		3.89	
Profit/(Loss) on sale of fixed assets	8.26		(269.63)	
Interest Paid	1676.88		678.61	
Transitional liability of gratuity & leave encashment adjusted in General Reserve	(7.89)		—	
Interest income	(69.96)		(49.02)	
		<b>2938.83</b>		<b>1108.70</b>
		<b>3698.67</b>		<b>2214.58</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
<b>Adjustment for :</b>				
Trade & other receivable	(7369.50)		(4053.63)	
Inventories	(2651.14)		(2023.66)	
Trade & other Payables	10201.15		3374.03	
		<b>180.51</b>		<b>(2703.26)</b>
<b>CASH GENERATED FROM OPERATIONS</b>		<b>3879.18</b>		<b>(488.68)</b>
Direct Taxes Paid		<b>(97.06)</b>		<b>(64.91)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>3782.12</b>		<b>(553.59)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(10135.01)		(10117.74)	
Sale of fixed assets	13.07		617.24	
Minority Interest	10.97		—	
Purchase of Investments	(1451.43)		—	
Interest Received	69.96		49.02	
		<b>(11492.44)</b>		<b>(9451.48)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(11492.44)</b>		<b>(9451.48)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Interest Paid	(1704.96)		(614.65)	
Dividend including Dividend Tax	(180.14)		(146.33)	
Proceeds from borrowings	12262.74		12369.92	
Repayment of borrowings	(2231.40)		(696.09)	
		<b>8146.24</b>		<b>10912.85</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>8146.24</b>		<b>10912.85</b>
<b>D. CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION</b>		<b>(49.71)</b>		<b>(33.84)</b>
Net Increase/decrease in cash and cash equivalents		<b>386.21</b>		<b>873.94</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2007 (opening balance)		<b>1299.61</b>		<b>425.67</b>
<b>Cash &amp; Cash equivalent being cash &amp; bank balances as at 31.03.2008 (closing balance)</b>		<b>1685.82</b>		<b>1299.61</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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

	AS AT 31.03.2008 (Rs. in lacs)	AS AT 31.03.2007 (Rs. in lacs)
--	--------------------------------------	--------------------------------------

**SCHEDULE - 1 : SHARE CAPITAL**

<b>AUTHORISED</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>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>

**SCHEDULE - 2 : RESERVES & SURPLUS**

	Opening	Addition	Adjustment	Closing
<b>Capital Reserve</b>				
State Investment Subsidy	25.00	—	—	25.00
Capital Reserve on Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
<b>Sub Total</b>	<b>176.47</b>	<b>—</b>	<b>—</b>	<b>176.47</b>
<b>General Reserve</b>	<b>42.97</b>	<b>—</b>	<b>7.89</b>	<b>35.08</b>
<b>Profit &amp; Loss Account</b>	<b>5121.45</b>	<b>475.41</b>	<b>35.11</b>	<b>5561.75</b>
Add (Less) : Foreign Currency Translation Reserve (Net)	<b>(33.84)</b>	<b>—</b>	<b>49.71</b>	<b>(83.55)</b>
<b>Sub Total</b>	<b>5130.58</b>	<b>475.41</b>	<b>92.71</b>	<b>5513.28</b>
<b>Total</b>	<b>5307.05</b>	<b>475.41</b>	<b>92.71</b>	<b>5689.75</b>
	<b>(4437.06)</b>	<b>(1079.39)</b>	<b>(209.40)</b>	<b>(5307.05)</b>

**SCHEDULE - 3 : SECURED LOANS****FROM BANKS**

Term Loans	21367.20	7999.44
Interest accrued and Due	221.08	—
Packing Credit	5501.02	3470.47
Vehicle Loan	5.19	—
	<b>27094.49</b>	<b>11469.91</b>

**NOTES:**

- Term Loan of Rs. 19119.50 Lacs (Pr. Yr. Rs. 5293.49 Lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Patiala 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 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. 2247.70 Lacs (Previous Year - Rs. 2671.60 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.
- Vehicle Finance is secured by hypothecation of specific assets purchases under such arrangements. Amount repayable within one year Rs 1.79 lacs (PY Nil)

**SCHEDULE - 4 : UNSECURED LOANS**

From Bank*	1750.00	1500.00
Buyer's Import Credit	—	5843.23
	<b>1750.00</b>	<b>7343.23</b>

\* includes Rs. 1000 lacs secured by Hypothication of immovable property owned by group company

Nature of Assets		GROSS BLOCK				DEPRECIATION			NET BLOCK		
		As at 01.04.2007	Additions	Sales/ adjustments	As at 31.03.2008	Upto 31.03.2007	For the year	Sale/ Adjustments	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
<b>Tangible</b>											
Freehold Land	334.94	—	—	334.94	—	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	280.27	3.89	2.83	—	6.72	—	273.55	276.38
Buildings**	1746.50	2319.78	—	4066.28	511.93	93.36	—	605.29	—	3460.99	1234.57
Plant & Machinery	12452.80	11502.38	62.65	23892.53	5256.43	1188.07	44.99	6399.51	—	17493.02	7196.37
Furniture & Fixtures**	269.41	74.10	3.71	339.80	138.73	31.09	2.99	166.83	—	172.97	130.68
Vehicles	84.35	6.77	7.27	83.85	42.72	7.17	4.32	45.57	—	38.28	41.63
<b>Intangible</b>											
Specialised Software	37.37	63.58	—	100.95	26.47	9.02	—	35.49	—	65.46	10.89
Total	15205.64	13966.61	73.63	29098.62	5980.19	1331.54	52.30	7259.41	—	21839.21	9225.45
Previous Year	15132.18	423.96	350.50	15205.64	5234.34	748.74	2.89	5980.19	—	9225.45	9897.84

Note: \*\*Building and Furniture & Fixtures includes 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.20.59 Lacs and Rs. 24.74 Lacs, respectively, (Previous year Rs. 24.71 Lacs and Rs. 32.30 Lacs).

	AS AT 31.03.2008 (Rs. in lacs)	AS AT 31.03.2007 (Rs. in lacs)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>Current Investment (Trade) - Unquoted</b>		
Wholly Owned subsidiary company @		
2515 Equity Shares of IMM Winsome Italia SPA of Euro 1000 each	1451.23	—
@ Wholly Owned Subsidiary of S.C. Winsome Romania SRL	<u>1451.23</u>	<u>—</u>
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
<b>(As taken, valued and certified by the management)</b>		
Raw Materials	3824.55	3330.86
Stock in Process	1799.35	569.76
Stores & Spares	380.78	500.46
Finished Goods (including goods in transit		
Rs. 416.53 lacs (PY Rs. 212.16 lacs)	2416.70	1416.19
Waste (As net realisable value)	<u>73.77</u>	<u>6.72</u>
	<u>8475.13</u>	<u>5823.99</u>
<b>Sundry Debtors (Unsecured, considered Good)</b>		
Debts over six months	728.13	343.09
Other Debts	<u>7550.88</u>	<u>715.50</u>
	<u>8279.01</u>	<u>1058.59</u>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.45	0.01
<b>Bank Balances with scheduled Banks</b>		
On Current Accounts	381.10	245.87
On Margin Account	245.00	—
On Unpaid Dividend Account	25.85	20.42
On Fixed Deposit Account (Lodged with Banks as Margin)	<u>1033.42</u>	<u>1033.31</u>
	<u>1685.82</u>	<u>1299.61</u>
<b>Loans &amp; Advances (Unsecured, considered good)</b>		
Advances recoverable in cash or in kind or for value to be received	3604.70	4562.73
Advance Income Tax including TDS	245.12	143.56
Refunds/Claims/Subsidy Receivable	1204.71	381.80
MAT Credit Entitlement	99.13	48.46
Cenvat/VAT/Sales Tax Reimbursable	652.47	560.45
Security Deposits	<u>110.23</u>	<u>19.64</u>
	<u>5916.36</u>	<u>5716.64</u>
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
<b>Sundry Creditors for Trade</b>		
- Due to Micro & Small Enterprises*	—	—
- Others	13565.85	3909.37
Book Overdraft (Temporarily overdrawn)	416.51	313.84
Interest Accrued but not due on Loans	58.05	88.53
Other Liabilities	578.95	132.43
Unpaid Dividend**	<u>25.85</u>	<u>20.42</u>
	<u>14643.21</u>	<u>4464.59</u>
<b>PROVISIONS</b>		
For Retirement Benefits	59.97	30.19
For Proposed Dividend	25.67	153.97
For Corporate Tax	109.48	144.81
For Tax on Dividend	<u>4.34</u>	<u>21.59</u>
	<u>199.46</u>	<u>350.56</u>
	<u>14842.67</u>	<u>4815.15</u>

\*To the extent information available Refer Note No 8 of Schedule 15

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

	2007-2008 (Rs. in lacs)	2006-2007 (Rs. in lacs)
<b>SCHEDULE - 9 : SALES</b>		
Yarns*	15960.60	11706.97
Knitwear	8327.44	362.65
Waste Sales	942.85	597.66
Job Charges (TDS Rs. 0.22 Lacs, Previous Year Rs. Nil)	42.24	9.48
*Includes Duty Drawback Rs. 760.32 lacs (PY Rs. 97.59 lacs)	<u>25273.13</u>	<u>12676.76</u>
<b>SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
Finished Goods	2416.70	1416.19
Stock in Process	1799.35	569.76
Waste	73.77	6.72
	<u>4289.82</u>	<u>1992.67</u>
<b>Less : Opening Stock</b>		
Finished Goods	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 : Stock Transfer from Trial run</b>		
Finished Goods	198.21	—
Stock in Process	136.51	—
Waste	18.79	—
	<u>353.51</u>	<u>—</u>
	<u>1943.64</u>	<u>686.08</u>
<b>SCHEDULE - 11 : RAW MATERIALS CONSUMED</b>		
Opening Stock	3330.86	2332.17
Purchases	13484.89	7491.83
	<u>16815.75</u>	<u>9824.00</u>
Closing Stocks	3824.55	3330.86
Raw Materials Consumed	<u>12991.20</u>	<u>6493.14</u>
<b>SCHEDULE - 12 : MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>PAYMENT &amp; PROVISIONS OF EMPLOYEES</b>		
Salaries, Wages & Other Allowances	1444.88	444.81
Contribution to Provident & Other Funds	255.28	46.56
Employees Welfare	13.17	9.21
	<u>1713.33</u>	<u>500.58</u>
<b>MANUFACTURING EXPENSES</b>		
Stores & Spares consumed	1468.78	861.10
Power & Fuel	2225.05	1425.20
Repairs to Buildings	14.60	5.98
Repairs to Plant & Machinery	22.46	17.63
Processing Charges & Dyeing Charges	2229.03	250.96
Material Handling Charges	123.11	57.85
	<u>6083.03</u>	<u>2618.72</u>



PARTICULARS	2007-2008 (Rs. in lacs)	2006-2007 (Rs. in lacs)
<b>SCHEDULE - 12 : EXPENSES (continued)</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	323.65	34.58
Printing & Stationery	6.69	1.79
Rates & Taxes	10.40	0.42
Director Sitting Fee	2.41	1.90
Insurance	84.46	70.22
Repair & Maintenance	8.25	6.73
Travelling & Conveyance	209.87	138.97
Miscellaneous Expenses	263.84	73.93
Wealth Tax	0.20	—
Postage, Telegrams and Telephones	93.84	52.06
Loss on sale of fixed assets	8.26	—
Legal & Professional Charges	194.26	42.30
Charity & Donation	—	10.14
Prior Period Expenses (Net)	7.37	60.31
<b>AUDITORS' REMUNERATION</b>		
Audit Fees	3.60	2.79
Tax Audit Fees	0.15	0.15
Other Services	1.08	0.06
Re-imbusement of expenses	0.15	0.77
	<u>4.98</u>	<u>3.77</u>
	1218.48	497.12
<b>SELLING EXPENSES</b>		
Commission on sales	194.49	251.87
Freight & Handling Charges	844.77	609.37
Advertisement & Other Selling Expenses	39.31	54.62
	<u>1078.57</u>	<u>915.86</u>
	<u>10093.41</u>	<u>4532.28</u>
<b>SCHEDULE - 13 : FINANCIAL EXPENSES</b>		
Interest on Term Loans (Net of re-imbusement under TUFS Rs. 498.42 Lacs Previous Year Rs. 127.92 Lacs)	787.08	301.71
Interest on Working Capital (Net of receipt of Rs. 29.89 lacs Previous Year Rs. 1.74 Lacs)	889.32	376.90
Bank Charges & Commission	121.03	117.89
	<u>1797.43</u>	<u>796.50</u>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Income	13.63	5.34
Interest Received (TDS Rs. 10.81 lacs Previous Year Rs. 2.66 lacs)	70.62	49.02
Sale of Scrap	40.96	18.20
Liability/Balances written back (net)	210.72	0.23
Exchange Rate Difference (Net)	336.33	101.11
Profit on Sale of Fixed Assets	—	269.63
	<u>672.26</u>	<u>443.53</u>

**SCHEDULE 15**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. PRINCIPLES OF CONSOLIDATION**

- i) The accounts have been prepared to comply with the requirements of Accounting Standard 21 to include all material items.
- ii) A) Consolidated financial statements (CFS) comprised the financial statements of Winsome Yarns Limited and its following subsidiary as on 31st March 2008:

S.No.	Name of the Subsidiary	% of Shareholding	Nature of Interest	Country of Incorporation
1.	Winsome Yarns (Cyprus) Limited	100	Direct	Cyprus
2.	S. C. Winsome Romania S. R. L. *	90	Indirect	Romania
3.	I.M.M Winsome Italia S.P.A. \$	100	Indirect	Italy
4.	S.C. Textil S.R.L. #	100	Indirect	Romania

\* become subsidiary of 1 above w.e.f 5th April 2007

\$ become subsidiary of 2 above w.e.f 5th April 2007

# become subsidiary of 3 above w.e.f 5th April 2007

B) As on 31st March 2008, S. C. Winsome Romania S.R.L is holding 100% shares (investment) of IMM Winsome Italia S.P.A, Italy and the later company holds 100% shares (investment) of S. C. Textil S.R.L, Romania whose financial statements have not been considered for the purpose of consolidation for the reasons as stated in note no. 2 herein below.

- iii) 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 and balances are eliminated in consolidation.
- iv) The difference between the costs to the Holding Company of its investment in the subsidiary companies over the holding company's portion of equity of the subsidiary is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- v) The Depreciation policy adopted by the step down subsidiary M/s, S C Winsome Romania S.R.L is as follows:

Depreciation is cost-based calculated with the straight-line depreciation method for the estimated useful service life of assets, as follows:

Asset	Linear depreciation method
Plant & technological equipment	8-14 years
Computer and electronic equipment	2-3 years
Other machines, units and furniture	3 years
Motor Vehicles	4-5 years
Fixed assets in the form of small inventory	3 years
Intangible assets	3 years

- vi) Foreign Subsidiaries Operations of foreign subsidiaries has been considered by management non-integral; thus items of the assets and liabilities, both monetary and non-monetary, have been translated at the exchange rates prevailing at the end of the year and items of income and expenses have been translated at the average rate prevailing during the year. Resulting exchange differences arising on translation of said items have been transferred to Foreign Currency Translation Reserve Account.
2. Two step down subsidiaries namely IMM Winsome Italia S.P.A, Italy and S. C. Textil S.R.L, Romania were acquired & formed during the year respectively, the Company intends to divest the shareholding in the near future and accordingly investments in these companies have been considered temporary in nature, hence there financial figures have not been considered in these consolidated accounts (read with note no. 1(ii)(B) above).

## WINSOME YARNS LIMITED

3. No provision has been made in the books of accounts of step down subsidiary namely S.C Winsome Romania S.R.L for certain expenses with interest amounting to Rs. 56.30 lacs (equivalent to RON 361,020) and foreign exchange fluctuation loss on account of reinstatement of liabilities (creditors) amounting to Rs. 125.82 lacs (equivalent to RON 720,000)
4. In view of Company (Accounting Standard) Rules, issued by the Ministry of Corporate Affairs for treatment of (Exchange Fluctuation) gain/loss on account of exchange fluctuation on loan/ liability for capital assets has been charged to profit & Loss account which was hitherto charged to cost of the assets. Had this policy not been followed Profit before Tax would have been lower by Rs. 283.36 lacs.
5. 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.
6. The company has taken legal and other persuasive actions for recovery of certain debtors aggregating to Rs. 250.41 Lacs (Rs. 149.76 Lacs), in the opinion of the management, these outstanding are good and recoverable.
7. Balance of certain debtors, loans and advances, creditors, Stock with job worker and other liabilities are in the process of confirmation / reconciliation.
8. The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amount unpaid as at the year end together with interest paid / payable under this Act have not been given.
9. **A) Contingent Liabilities, not provided for in respect of:** (Rs. in Lacs)

No.	Particulars	2008	2007
(i)	Bills discounted with banks	1420.89	1853.12
(ii)	Outstanding Letter of Credit	200.44	856.87
(iii)	Sales Tax liability in respect of matters in appeal	8.05	8.05
(iv)	Excise duty show cause notices / matters in appeal	975.61	894.52
(v)	Income Tax Demand	33.94	--
(vi)	Customs duty saved of Rs.2453.06 (Previous Year Rs. 2050.88 Lacs) for import of capital good made against EPCG license against which export obligations amounting Rs.19624.51 lacs (Previous Year Rs. 16407.05 Lacs) are pending.		

Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.

- B)** Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 6236.84 lacs (net of advances Rs. 1199.98 lacs), (Previous year Rs. 48.15 Lacs).

### 10. Segment Reporting

- (i) The Company is only in one line of business namely Textile (Yarn and Knitting)
- (ii) The segment revenue in geographical segments considered for disclosure is as follows:
  - (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)
No.	Particulars	India	Outside India	Total
i)	External Revenue-Sales	5308.47 (4010.37)	19964.66* (8666.39)	25273.13 (12676.76)
ii)	Carrying amount of segment assets by location of assets	40590.36 (31088.19)	13206.99 (2055.19)	53797.35 (33143.38)
iii)	Capital Expenditure	9809.68 (10073.45)	325.33 --	10135.01 (10073.45)

\* Includes Duty Draw back of Rs.760.32 Lacs (P.Y. 97.59 Lacs)

## WINSOME YARNS LIMITED

11. During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and Liability (net) amounting to Rs. 238.04 lacs for the year has been reversed/ credited to Profit & Loss Account.

Particulars	2007-08	2006-07
<b>Deferred Tax Liability</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	2902.45	1725.45
<b>Deferred Tax Assets</b>		
Tax impact of unabsorbed depreciation and business losses	1049.69	115.17
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	22.00	17.56
<b>Deferred Tax Liability (Net)</b>	<b>1830.76</b>	<b>1592.72</b>

### 12. Earning per share

Basis for calculation of Basic, Diluted & Cash Earning Per Share is as under :

Particulars	2007-08	2006-07
Net Profit attributable to Equity Shareholders (Rs. in lacs)	474.91	1079.39
Weighted average number of equity shares	25665979	25665979
Nominal Value per equity share(Rs.)	10	10
Basic and Diluted EPS (Rs.)	1.85	4.21
Cash Earnings per Share (Rs.)	7.04	7.12

### 13. Related party disclosures

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

(i) **(a) Associate Company**

Winsome Textile Industries Limited

**(b) Subsidiary Company**

(i) I.M.M. Winsome Italia S.P.A

(ii) S.C. Textile S.R.L. (Subsidiary of (i) above)

(ii) **Key management personnel and their relatives.**

Mr. Satish Bagrodia	Chairman
Mr. Manish Bagrodia	Managing Director
Mr. Ashish Bagrodia	Director
Mr. Andreas Alexiou	Director
Mr. Androulla Kakoyianni	Director
Mr. Stelios Sivitanides	Director
Mr. Giovanni A. Innocenti	Director (upto 31st May 2008)
Mrs. Dorina Bombonica Codat	Director
Mr. Florin Gramada	Director

(iii) **Organisations where Key Management Personnel & their relative have Significant influence**

Star Point Financial Services (Pvt.) Ltd.

Shell Business Pvt. Ltd.

Roselab Commodities Pvt. Ltd.

I.D.S. Infotech Limited

## WINSOME YARNS LIMITED

### Aggregated Related Party disclosures for the year ended 2007-2008.

(Rs. in Lacs)

Particulars	Associate Company	Subsidiary Company	Key Management personnel and their relatives	Organisations where Key Management Personnel & their relative have significant Influence	Total
Sale of material & goods and services	595.62 (189.63)	182.29 (—)	— (—)	— (—)	777.91 (189.63)
Purchase of material goods and services	328.92 (251.51)	— (—)	— (—)	22.08 (16.80)	351.00 (267.90)
Expenses reimbursed to others	— (33.69)	— (—)	— (—)	28.29 (—)	28.29 (33.69)
Loan taken	— (—)	— (—)	— (—)	175.00 (—)	175.00 (—)
Loan repaid	— (—)	— (—)	— (—)	175.00 (—)	175.00 (—)
Interest Paid	— (—)	— (—)	— (—)	6.78 (—)	6.78 (—)
Expenses paid on behalf of others	— (8.36)	— (—)	— (—)	— (—)	— (8.36)
Remuneration	— (—)	— (—)	136.11 (38.54)	— (—)	136.11 (38.54)
Director Sitting fee	— (—)	— (—)	1.31 (0.60)	— (—)	1.31 (0.60)
Balance outstanding as at 31.03.2007	211.87 (Dr) (66.34) (Dr)	94.62 (Dr) (1517.25) (Dr)	0.10 (Cr) (8.75) (Cr)	25.01 (Cr) (—)	281.38 (Dr) (1574.84) (Dr)

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

Note: Figures in brackets represents figures for the previous years.

14. Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
15. As this is first year of consolidation of financial statements of step down subsidiary namely S.C. Winsome Romania S.R.L. hence figures of the current year strictly not comparable with figures of the previous year. Figures for the previous year have been re-grouped/recast wherever considered necessary.
16. 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 Chandra Mohan  
Shri Brij Khanna  
Shri S.K. Singla  
Shri Ashish Bagrodia

PLACE : Chandigarh  
DATED : 30.06.2008

# WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,  
CHANDIGARH-160 022

Please complete the Attendance Slip and hand it over at the time of Annual General Meeting.  
Please also bring your copy of the Annual Report.

## ATTENDANCE SLIP

I hereby record by presence at the **18th ANNUAL GENERAL MEETING** of the Company being held on Tuesday, the 23rd September, 2008 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh.

REGD. FOLIO NO.	DP id*
	Client id*
NAME OF SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER OR PROXY	

**NOTE : NO GIFTS OR COUPONS WOULD BE GIVEN TO THE SHAREHOLDERS FOR ATTENDING THE ANNUAL GENERAL MEETING.**

Tear Here

# WINSOME YARNS LIMITED

Regd. Office : SCO 191-192, Sector 34-A,  
CHANDIGARH-160 022

## PROXY FORM

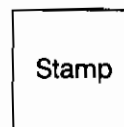
REGD. FOLIO NO.	DP id*	
	Client id*	

I/We .....of.....being a Member/Members of WINSOME YARNS LIMITED hereby appoint..... of.....or failing him/her..... of.....as my/our Proxy to attend and vote for me/us on my/our behalf at the 18th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, the 23rd September, 2008 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh and at any adjournment thereof.

AS WITNESS my/our hand this .....day of.....2008.

Signed by the said .....

\*Applicable for investors holding shares in electronic form.



**NOTE :** The Proxy form duly signed across the revenue stamp of Rupee One must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

**NOTE :** The shareholders are requested to send their queries, if any, on Annual Accounts atleast 3 days before the date of Annual General Meeting so that the same can be replied.

# BOOK POST

If undelivered, please return to :  
**Winsome Yarns Limited**  
Regd. Office : S.C.O. 191-192.  
Sec. 34-A, Chandigarh-160 022  
(INDIA)

*Japnika - 98155 59966*