



**BOARD OF DIRECTORS**

Shri Satish Bagrodia	<i>Chairman</i>
Shri Chandra Mohan	<i>Director</i>
Shri Brij Khanna	<i>Director</i>
Shri Ashish Bagrodia	<i>Director</i>
Shri G.K. Sawhney	<i>Director (PNB Nominee)</i>
Shri S.K. Singla	<i>Director (PSIDC Nominee)</i>
Shri Manish Bagrodia	<i>Managing Director</i>

**GM (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**

Linkintime India Pvt. Ltd.  
A-40, 2nd Floor, Near Batra Banquet Hall,  
Naraina Industrial Area, Phase-II,  
New Delhi-110 028

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**NOTICE**

NOTICE is hereby given that the 20th Annual General Meeting of the Members of Winsome Yarns Limited, will be held on Thursday, the 30th September, 2010 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 2010, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Satish Bagrodia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Brij Mohan Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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, (Firm Registration No. 301051E) 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."

By order of the Board

Dated : 27.05.2010  
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 Books of the Company will remain closed from 28.09.2010 to 30.09.2010 (both days inclusive).
4. 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.
5. Item No. 2 Shri Satish Bagrodia aged about 71 years, B.Sc. Engg. (Mech.) & FIE has around 45 years experience of setting up and implementing Industrial Projects. Presently, he is the Chairman of your Company and Winsome Textile Industries Limited and director of IDS Infotech Limited and Winsome Capital Services Limited. He is also the member of PHD Chamber of Commerce and Industry. He is holding 429000 shares of the company
6. Item No. 3- Shri Brij Mohan Khanna aged about 79 years, B.A., L.L.B. is the leading Income Tax practitioner, having experience about 53 years. He is holding 10000 shares of the company.

Presently, he is Director of Winsome Yarns Limited, Engineering Innovations Limited and Stanley Engineering (P) Limited. He is also Chairman of Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee in Winsome Yarns Limited.

- 7 Members / proxies should fill the attendance slip for attending the Meeting.
- 8 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.
- 9 Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Meeting.
- 10 M/s Link Intime India Pvt. Limited, A-40, 2nd 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.
- 11 According to section 205(A)(5) of the Companies Act, 1956, unclaimed dividend for the year 2002-03 is due to be transferred to Investor Education and Protection Fund, in the month of October/ November, 2010. The shareholders who have not claimed their dividend for the year 2002-03 are requested to claim the same from the company immediately.

By order of the Board

Dated : 27.05.2010  
Place : Chandigarh

SATISH BAGRODIA  
Chairman

Your Directors have pleasure in presenting the 20th Annual Report together with the audited statement of Accounts of the Company for the financial year ended 31st March, 2010.

Financial Highlights	Year ended 31.3.2010 (Rs.in lacs)	Year ended 31.3.2009 (Rs. in lacs)
Sales	<b>22225.71</b>	14767.71
Profit before Interest , Depreciation & Tax	<b>3394.73</b>	159.96
Less: Interest	<b>3173.93</b>	2600.24
Profit/(Loss) before Depreciation	<b>220.80</b>	(2440.28)
Less: Depreciation	<b>2014.09</b>	1910.02
Profit/(Loss)before Taxes	<b>(1793.29)</b>	(4350.30)
Less:		
— Current Tax	-	-
— Credit against MAT	-	-
— Fringe Benefit Tax	<b>0.15</b>	10.47
— Deferred Tax Liability / (Asset)	<b>(586.02)</b>	(1577.88)
Net Profit / (Loss) after Taxes	<b>(1207.42)</b>	(2782.89)
Add : Surplus brought forward from previous year	<b>2514.25</b>	5297.14
Balance carried to Balance Sheet	<b>1306.83</b>	2514.25

### Operations & Performance

In the backdrop of the financial crisis witnessed in the previous financial year and the subsequent fallout, FY 2010 was an extremely challenging year for your Company. However, the resilience and inherent strengths of your company's brands, quality manufacturing and deep network relationships enabled your company to weather the downturn and achieve better performance as compared to previous year. Your company continues to be the market leader in its core business. A number of rationalization and restructuring initiatives were taken during the year under review to further consolidate its strengths and position itself to take advantage of the upturn. During the year under review, your Company has achieved a turnover of Rs. 22225.71 lacs against the previous year's turnover of Rs. 14767.11 lacs i.e registering an increase of 50% (approx.). However the Company incurred a net loss (after tax) of Rs. 1207.42 lacs (previous year net loss after tax Rs. 2782.89 lacs). With the increased turnover the Company managed to reduce its net losses by 56% (approx.). The performance during the year had been severely affected due to increase in raw material prices, shortage of manpower and electricity. Further, the general inflationary conditions of the country have also affected the performance of the company.

However, during the current year the yarn markets have been bullish and along with the improved production, your company has started to perform better as compared to the last year. With this trend it is expected that the current year performance will be substantially better.

### Expansions

The Company had undertaken following expansion projects:

- (a) Addition of 60,000 spindles in two phases at it existing Derabassi Plant.
- (b) Installation of another 180 knitting machines in three phases at Mohali; and
- (c) Implementation of 3.9 MW Micro Hydel Power Project at 5(five) locations near Ludhiana, Punjab.

The Board is pleased to inform the members that installation of 30,000 spindles and 180 knitting machines have successfully completed. The implementation of five mini hydel power projects to produce 3.9 MW of electricity is underway. The first project has already commissioned on 12th June, 2010. The second is expected to be commissioned in September, 2010. The rest three projects are at advanced stage of implementation.

### Subsidiary Companies & Overseas Operations

According to the provisions of Section 212 of Companies Act, 1956, the holding company is required to attach the balance sheet etc. of its subsidiary companies along with its balance sheet. Due to Global recession of which European Countries are the worst affected, the second, third and fourth step down subsidiaries of the Company namely; S.C. Winsome Romania, S.r.l., IMM Winsome Italia S.r.l. and S.C. Textil, S.r.l. went in to liquidation and their balance sheet etc. is not available. The exemption from attaching the balance sheet etc. of these three

subsidiary companies was sought, pursuant to Section 212(8) of Companies Act, 1956, which has since been granted by Ministry of Corporate Affairs, Govt. of India vide its letter no. 47/644/2010-CL-III dated 11.08.2010. The present status of these three subsidiary companies is given as under:-

S.No.	Name of Subsidiary	Start of liquidation process	Present status
1.	IMM Winsome Italia S.r.l.	30.09.2008	Liquidation process is going on.
2.	S.C. Winsome Romania S.r.l.	26.11.2008	Liquidation process is going on.
3.	S.C. Textil S.r.l.	09.02.2010	Liquidation process is going on.

However, as soon as the accounts of subsidiary companies, for which exemption has been granted by Govt. of India, received by the Company, the same shall be circulated to the shareholders of Winsome Yarns Limited.

**Sub-division of equity shares of the company**

During the year the face value of equity shares of the company has been sub-divided from Rs. 10/- each to Re. 1/- each w.e.f. 23.01.2010.

**Preferential Allotment of Convertible Warrants:**

During the year, as approved by shareholders in their meeting held on 5<sup>th</sup> February, 2010, the Board of Directors have allotted 25,10,00,000 convertible warrants to promoter and strategic investors at the rate of Re. 1.60 per warrant convertible into one equity share of Re. 1/- each.

**IS/ISO 9002/ 14001**

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

**Dividend**

Your Directors are unable to recommend any dividend on Equity Shares for the year under review.

**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.

During the year on 30th July, 2009, Shri G.K. Sawhney had been appointed by Punjab National Bank as Nominee Director of the Company, who was entitled to nominate one Director on the Board of the Company pursuant to LOA dated 28.03.2010 in respect of restructuring of Company's debts under CDR mechanism.

**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' Responsibility Statement, it is hereby confirmed :

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2010, 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, 2010 on a going concern basis.

## **Audit**

M/s. Lodha & Co., Chartered Accountants, who are Statutory Auditors of the Company and hold office up to the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2010-11. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from M/s. Lodha & Co. that their appointment if made would be in conformity with the limits specified in the Section.

As per the requirement of Central Government and pursuant to Section 233B of the Companies Act, 1956 your Company carries out an audit of cost records every year.

## **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.

## **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.

## **Auditors' Report**

Auditor's observations regarding non provision for shortfall in recovery (amount unascertained) against overdue debt and non provision for diminution in the value of investment in a subsidiary company and remuneration paid to the managing director have been explained in detail in Note No. 16, 10B and 8 of Schedule 15(B) on Accounting Policies and Notes on Accounts, respectively.

## **Corporate Governance**

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

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

## **Acknowledgement**

Your Directors 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 cooperation and assistance received from financial institutions, banks and customers, during the year under review.

By order of the Board

Place : Chandigarh  
Dated : 24.08.2010

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 PERIOD ENDED 31ST MARCH, 2010

#### 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 Worker Colony	36900.00	166419.00
2	To reduce the Power Consumption of Residential Block	3397.00	15320.47
3	To reduce Power Consumption in Roller motor of uniflok u1 & u2 project	5227.00	23573.77
4	To reduce Power Consumption in waste opener in u2 project	14723.00	66400.73
5	To reduce Power Consumption in exhaust fan-6 of erm no-6 in u2 & u3, project	12458.00	56185.58
6	To reduce Power Consumption in dust fan in u2 & u3 , project	80041.50	360987.17
7	To reduce the radial fan motor pully of comber in unit3 p1 & p2	94481.64	426112.20
8	To reduce the blade angle 15 degree of SAF & RAF of prep in unit3 ph1 & ph2	285837.09	1289125.28
9	To reduced the motor pully 10 MM (170 to 160 MM) of OHB of ring frame 18 no in unit-2	44431.20	200384.71
10	Modified in waste system and stop the waste fan motor of OHB A/C unit-2 ( only03 M/C 238)	20124.72	90762.49
<b>Total Saving</b>		<b>597621.15</b>	<b>2695271.40</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. 26.95 lacs but overall energy cost has not reduced due to increase in diesel & furnace oil cost and increase in unit power cost of PSEB.

##### d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the rules in respect of industries specified in the schedule thereto:

##### A) Power and Fuel consumption

##### 1. Electricity

a) Purchased Unit (KW)

Total amount (Rs in lacs)

Rate/Unit (Rs)

b) Own Generation through

Diesel Generator Unit(KW)

Units/Ltr.of Diesel Oil

Cost/Unit(Rs/KW)

##### 2. Coal(Specify quality and where used)

##### 3. LSHS & Furnace Oil Qty.(MT)

Total amount (Rs.in lacs)

Average rate(Rs.per M.T.)

##### 4. Gas (Qty. in MT)

Total amount (Rs.in lacs)

Average rate( Rs.per Kg)

##### B) Consumption per Unit of Production

Electricity (KW)

LSHS & Furnace Oil (Lts)

Gas (Kgs)

##### Current Year

##### Previous Year

52684332

37993734

2375.76

1603.94

4.51

4.22

6212411

277658

3.94

3.74

7.81

7.55

NIL

NIL

907.95

74.02

485.15

18.14

53434

24506

NIL

NIL

NIL

NIL

NIL

NIL

4.44

4.25

NIL

NIL

NIL

NIL

#### II. TECHNOLOGY ABSORPTION

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

##### 1) Research & Development (R&D)

a) Specific area in which R&D carried by the Company :

Latest new technology has been adopted.

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

Producing International quality products.

c) Future plan of Action :

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

d) Expenditure on R&D (Rs. in lacs)

Capital

Recurring

Total R&D expenditure as a percentage of total turnover =

NIL

Rs. 25.42 Lacs

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. 8627.88 lacs in 2008-09 to Rs. 12123.52 lacs in 2009-10. New export markets have been developed and exports are likely to increase further.
- b) Total foreign exchange used and earned.

	<b>Current Year</b>	(Rs. in lacs) Previous Year
Earning	<b>12123.52</b>	8627.88
Outgo	<b>1064.11</b>	7306.74

For and on behalf of the Board

Place : Chandigarh  
Dated : 24.08.2010

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, 2010**

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
A. Persons employed throughout the year, who were in receipt of remuneration not less than 2400000/-								
1	Shri Manish Bagrodia	Managing Director	M.Com., Advance Diploma in Computer Applications	23	19-07-1990	25.08	42	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 : Auditor's observations regarding appointment and remuneration paid to the managing director amounting to Rs. 17.79 lacs, non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) and non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs. 1903.39 lacs have been explained in detail in Note No. 8, 10B and 16 of Schedule 15(B) on Accounting Policies and Notes on accounts. However, the explanations of the directors are further given as under:

1. Ministry of Corporate Affairs, Govt. of India vide its letter no. A81741050/2010-CL.VII dated 16.08.2010 has granted its approval under section 269 of the Companies Act, 1956 for re-appointment of Shri Manish Bagrodia as Managing Director of the Company for a period of five years with effect from 01.07.2009 to 30.06.2014. Further under provision of section 637A and section 637AA of the Companies Act, the Central Government in terms of Section 198(4) of the Companies Act approves that the remuneration payable to the aforesaid managerial personnel from the date of his appointment shall not exceed the following:
  - (a) Total Remuneration of Rs. 30,77,936/- for a period of 3 years w.e.f. 01.07.2009 to 30.06.2012.
2. Diminution in the value of investment made amounting to Rs. 1516.71 lacs in subsidiary has not been considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary company.
3. The company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs. 1903.39 lacs (P.Y. Rs. 2028.29 lacs). In the opinion of the management these are good and fully realizable hence no provision there against is considered necessary. However for necessary approval for the extension of time, application have been filed with the appropriate authority.

## 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 seven directors, out of which three are Promoter Directors (one Non Executive Chairman, one Executive Managing Director and one Non-Executive Director) and four are Non-Executive independent directors, out of which one is representing PSIDC (as Joint Sector representative) and one is representing Punjab National Bank(CDR Lead Banker). 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 2009-10, seven board meetings were held. The meetings were held on 15th May, 2009, 15th June, 2009, 30th July, 2009, 29th October, 2009, 9th January, 2010, 30th January, 2010 and 19th February, 2010 and the maximum time gap between any two meetings was not more than four months.

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

No. of Directorship and Committee Membership/ Chairmanship.

Name of the Director	Category	Attendance Particulars		No. of Directorship	No. of Membership/ Chairmanship in Committees		
		Board Meeting	Last AGM	Other Directorship	Membership	Chairmanship	Total
Shri Satish Bagrodia	Chairman(NE)	7	Yes	3	—	—	—
Shri Chandra Mohan	INED	6	No	10	8	—	8
Shri Brij Khanna	INED	7	Yes	2	—	3	3
Shri S.K. Singla	INED(PSIDC)	6	No	14	2	—	2
Shri G.K. Sawhney	INED (PNB)	5	No	—	—	—	—
Shri Ashish Bagrodia	NED	6	Yes	7	2	—	2
Shri Manish Bagrodia	MD	7	Yes	8	1	—	1

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director

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 Companies

According to the provisions of Section 212 of Companies Act, 1956, the holding company is required to attach the balance sheet etc. of its subsidiary companies along with its balance sheet. Due to Global recession of which European Countries are the worst affected, the second, third and fourth step down subsidiaries of the Company namely; S.C. Winsome Romania, S.r.l., IMM Winsome Italia S.r.l. and S.C. Textil, S.r.l. went in to liquidation and their balance sheet etc. is not available. The exemption from attaching the balance sheet etc. of these three subsidiary companies was sought, pursuant to Section 212(8) of Companies Act, 1956, which has since been granted by Ministry of Corporate Affairs, Govt. of India vide its letter no. 47/644/2010-CL-III dated 11.08.2010. The present status of these three subsidiary companies is given as under:-

S.No.	Name of Subsidiary	Start of liquidation process	Present status
1.	IMM Winsome Italia S.r.l.	30.09.2008	Liquidation process is going on.
2.	S.C. Winsome Romania S.r.l.	26.11.2008	Liquidation process is going on.
3.	S.C. Textil S.r.l.	09.02.2010	Liquidation process is going on.

However, as soon as the accounts of subsidiary companies, for which exemption has been granted by Govt. of India, received by the Company, the same shall be circulated to the shareholders of Winsome Yarns Limited.

**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 and cash flow statement for the year ended on 31st March, 2010, 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, the Audit Committee meetings were held on 15th May, 2009, 15th June, 2009, 30th July, 2009, 29th October, 2009 and 30th January, 2010.

Sr.No.	Name of members	Category	No. of meetings attended during the year 2009-2010
1	Shri Brij Khanna, Chairman	Independent/Non-Executive	5
2	Shri Chandra Mohan	Independent/Non-Executive	4
5.	Shri Ashish Bagrodia	Non-Executive	3

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

**7. Remuneration Committee**

The Remuneration Committee has been constituted by the Board of Directors in their meeting held on 30.03.2009 and during financial year, the Remuneration Committee meetings were held on 15th May, 2009 and 15th June, 2009. The composition, names of the members, chairperson are as below:

Sr.No.	Name of members	Category
1	Shri Brij Khanna, Chairman	Independent/Non-Executive
2	Shri Chandra Mohan, Member	Independent/Non-Executive
5.	Shri S.K. Singla, Member	Independent/Non-Executive

**Remuneration of Directors**

The details of remuneration paid to the Directors during the year 2009-10 are given below:

Name of Directors	Non-Executive	
	Sitting Fees	Total
Shri Satish Bagrodia	35000	35000
Shri Chandra Mohan	30000	65000
Shri Brij Khanna	35000	100000
Shri S.K. Sawhney (PNB Nominee)	25000	125000
Shri S K Singla (PSIDC Nominee)	30000 *	155000
Shri Ashish Bagrodia	30000	185000

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

**Executive**

The Managing Director has been appointed for five years w.e.f. 01.07.2009 and has drawn remuneration as per terms of appointment.

Name of Director	(Rs. in lacs)		
	Salary	Perquisites *	Total
Shri Manish Bagrodia	22.78	2.30	25.08

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

Ministry of Corporate Affairs, Govt. of India, vide its letter no. A81741050/2010-CL VII dated 16.8.2010 has granted its approval u/s 269 of the Companies Act, 1956 for re-appointment of Shri Manish Bagrodia as Managing Director of the Company for a period of five years w.e.f. 01-07-2009, as approved by the shareholders of the Company.

**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 2009-10, four Shareholders/ Investors Grievance Committee meetings were held on 15th June, 2009, 30th July, 2009, 29th October, 2009 and 30th January, 2010. All complaints/ grievances, received during the year have been resolved in time.

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

<b>Sr.No.</b>	<b>Name of members</b>	<b>Category</b>	<b>No. of meetings attended during the year 2009-2010</b>
1.	Shri Brij Khanna, Chairman	Independent/Non-Executive	4
2.	Shri Manish Bagrodia, Member	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 10 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, GM (Legal) & Company Secretary are the Compliance Officer of the company for SEBI/ Stock Exchange/ROC related issues etc.

**9. General Body Meetings**

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

<b>Year</b>	<b>Venue</b>	<b>Date</b>	<b>Time</b>
2006-2007	Confederation of Indian Industry (CII), Sector 31-A, Chandigarh	28 Sep. 2007	10.00 A.M.
2007-2008	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	23 Sep. 2008	3.30 P.M.
2008-2009	PHD Chamber of Commerce and Industry, Regional Office, PHD House, Sector 31-A, Chandigarh	28 Aug. 2009	3.30 P.M.

(ii) Extra-Ordinary General Meeting of the Company were held during the year as under:

<b>Venue</b>	<b>Date</b>	<b>Time</b>
Village Kurawala, Tehsil Derabassi, Distt. Mohali (Punjab)	18.06.2009	11.00 A.M.
Village Kurawala, Tehsil Derabassi, Distt. Mohali (Punjab)	05.02.2010	11.00 A.M.

All the resolutions, including two special resolutions on 23.09.2008, one special resolution on 18.06.2009 (EGM), five special resolutions on 28.08.2009 and one special resolution on 05.02.2010 (EGM) as set out in the respective notices were passed by the shareholders. During the financial year, the Company has used Postal Ballots and obtained the approval of shareholders for one special resolution as set out in the Postal Ballot and the result of the same was declared in the EGM of shareholders held on 18.06.2009. 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. 26 of Schedule 15B 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 Financial Express and Business Standard (in English) and Jansatta (in Hindi). The same are also being posted on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com) under the Scrip Code '514348' and 'WINSOMYARN' respectively.

The management Discussion and Analysis report forms a part of this Annual Report.

**12. General Shareholder information**

Annual General Meeting on Thursday, the 30th September, 2010 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh.

Financial Calendar	: 1st April to 31st March
Date of Book Closure (both days inclusive)	: 28.09.2010 and 30.09.2010 (both days inclusive)
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 784B01027

## WINSOME YARNS LIMITED

Annual listing fees for the year 2010-11 have been paid to BSE & NSE.

Market price data – high and low during each month on BSE in the financial year 2009-10. Scrip code on BSE is 514348 (www.bseindia.com) and NSE is WINSOMYARN (www.nseindia.com).

Months	Open Price	High Price	Low Price	Closed Price	No. of Shares
April, 2009	8.45	13.90	8.17	13.50	247291
May, 2009	13.85	14.00	11.25	12.90	493095
June, 2009	13.50	15.27	11.41	14.10	375602
July, 2009	14.00	14.70	11.05	12.50	365488
August, 2009	11.62	17.32	11.62	17.32	615371
September, 2009	17.50	20.75	16.20	19.00	900323
October, 2009	18.60	19.35	15.00	15.50	519057
November, 2009	14.90	16.70	13.85	14.40	588920
December, 2009	14.75	15.88	12.89	15.62	952960
January, 2010*	15.25	20.35	1.90	1.90	2793855
February, 2010	1.82	1.97	1.57	1.68	8773505
March, 2010	1.69	1.78	1.15	1.20	3449257

\*The face value of equity shares of the company sub-divided on 23.01.2010 from Rs. 10/- to Re. 1/- each.

Registrar and Share Transfer Agent	:	Linkintime India Pvt. 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@linkintime.co.in, sunil_mishra@linkintime.co.in
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@winsomegroup.com • cshare@winsomegroup.com

Distribution of shareholding as on 31st March, 2010.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 5000	11986	88.810	20359773	7.933
5001 - 10000	778	5.765	6680031	2.603
10001 - 20000	356	2.638	5579313	2.174
20001 - 30000	107	0.793	2771174	1.080
30001 - 40000	48	0.356	1725154	0.672
40001 - 50000	60	0.445	2866908	1.117
50001 - 100000	80	0.593	5939215	2.314
100001 and above	81	0.600	210738222	82.107
<b>Total</b>	<b>13496</b>	<b>100.000</b>	<b>256659790</b>	<b>100.000</b>

Shareholding Pattern as on 31st March, 2010.

Category	No. of shares	Percentage
Promoters/Persons acting in concert	173646090	67.66
Financial Institutions/Banks/Mutual Funds	125000	0.05
NRIs	1036489	0.40
Bodies Corporates	32135754	12.52
Indian Public	49716457	19.37
<b>Total</b>	<b>256659790</b>	<b>100.00</b>

Details of shareholding of Directors in the company as on 31.03.2010.

<b>Name of Director</b>	<b>No. of shares held</b>
Shri Satish Bagrodia	429000
Shri Brij Khanna	10000
Shri Chandra Mohan	—
Shri G.K. Sawhney	—
Shri S K Singla	—
Shri Manish Bagrodia	520400
Shri Ashish Bagrodia	414000

Dematerialisation of shares and liquidity	:	89.07% of the shares issued by the company have been dematerialised upto 31st March, 2010.
Outstanding GDRS/ ADRS/ Warrants or any convertible instruments, conversion date and likely impact on equity.	:	During the year, as approved by shareholders in their meeting held on 5th February, 2010, the Board of Directors have allotted 25,10,00,000 Convertible Warrants to promoter and strategic investors at the rate of Re. 1.60 per warrant convertible into one equity share of Re. 1/- each.
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@winsomergroup.com cshare@winsomergroup.com

By order of the Board

Place : Chandigarh  
Dated : 24.08.2010

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, 2010, 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 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  
FRN : 301051 E

Place : Chandigarh  
Date : 24.08.2010

N.K. Lodha  
Partner  
M.No. 85155

**MANAGEMENT ANALYSIS AND DISCUSSION****Textile Industry Scenario & Outlook**

"The high prices of cotton have pushed the cost of fabric and its end product. We are facing a situation where we are forced to reject the repeat orders as we can't justify the foreign buyers," regrets the Apparel Export Promotion Council (APEC). As it is, over the last six months the price of good quality cotton has zoomed up by over 50 per cent. Against this backdrop, the APEC has urged the Central Government to curtail cotton increasing the export duty on cotton. This way, the export of finished products would provide the Council a greater price realization and help capture a greater share of the international market. And as pointed out by a leading textile industrialist based in the dynamic Tirupur, "Domestic firms are suffering due to higher cotton prices. In particular, the spinning sector will be at the receiving end. If cotton rates do not cool off, it will definitely affect the profit margins by 5 per cent to 10 per cent."

This apart, the debt and the increasing interest rates of many of the big textile enterprises is casting a shadow on their performance. Servicing of debts has brought down the many textile firms by a significant extent. "Balance sheet pressure will continue to be a bottleneck for most textile firms and unless significant equity is infused, leverage will be a major warns an analyst (consumer and retail) at the Indian research arm of Noble Group ,a British Investment Bank.

However, not withstanding an improvement in orders from overseas buyers, textile outfits and garment manufacturers would need at least two more quarters these troubled times. Most textile players are now banking on the return of the demand and rise in orders after a year-long lull.

Meanwhile, Union Textile Minister Dayanidhi Maran has driven home the point that there is an urgent need to attract and sustain foreign direct investment (FDI) in the textile sector if India is to achieve the goals of employment generation and technology up-gradation, besides attaining a four per cent share in the global trade in textiles and clothing. "The Indian textile and currently valued at US \$40-billion. Most of the global apparel retailers including JC Penny and Dockers and Target have their sourcing networks in India," he observes.

On his part, he has made a note that the Indian textile and apparel export, which \$22-billion, is expected to register a four-fold increase to touch US \$90-100 billion over the next 25 years. At least 60 per cent of the textile exports are to the US and European markets. There is an urgent need to broaden the product mix and explore new markets, while maintaining and increasing the share of Indian textiles and clothing in core markets through product innovation and diversification.

Meanwhile, analysts of the textile industry are optimistic of an increasing volume investment flowing into the textile sector through the direct route. Some of the areas where the FDI is expected to rise include apparel sourcing, fabric production and textile machinery manufacturing.

As things stand now, exports make for around 40 per cent of the value of the Indian textile industry. However, with India losing ground to the smaller countries in lucrative markets of the US and Europe, over a million jobs have been lost in the sector, mostly in the labour-intensive garment and apparel units. Indeed, as pointed out by the APEC, the Indian garment products are over 20 per cent costlier than those supplied by competing nations such as China, Vietnam and Cambodia.

Given the fact that around five million people are employed in the garment industry, the need to boost the prospects of the sector with a particular focus on safeguarding their livelihood opportunities has become all the more pronounced. There is a demand that the government introduce a special package of effective measures to bolster the sagging spirits of this industry. It could be in the form of making available interest-free loans for investment in machineries as well as zero duty on import of capital goods.

There is no denying the fact that the Indian textile industry occupies a place of prominence in the country's economy. The trump card of this industry is a strong raw materials base, which is supported by a skilled labour force. But the high cost of power supply as well as load shedding resorted to by the electricity boards in many States, has hit the textile industry deep and hard.

**Garment exporters reeling under price pressures, says AEP**

New Delhi, Mar 30 -- The Apparel Export Promotion Council (AEP) said that working of Indian businesses has been severely dented by a 40 per cent hike in prices of cotton yarn, tumbling values of dollar and euro against the Indian rupee and a sharp increase in minimum wages for workers in the national capital.

Textile mills have been frequently revising yarn prices upwards in the past four months while citing rise in prices of cotton, power and labour. "But the abnormal increase is without any co-relation to the rise in yarn input costs," said AEP's chairman Premal Udani.

The planned increases in customs and excise duties on petroleum products will seriously affect the textile and clothing industry as power shortages will further increase production costs, he said.

At the same time, the two major trade-related currencies -- the dollar and the euro -- have been on a steady downward spiral in the past three months resulting in poor realisations for Indian exporters.

With the rupee appreciating 4.13 per cent against the dollar and 10.15 per cent against the euro since January 1, the profitability of small and medium-sized export companies who work on seven to eight per cent operating margins has taken a huge hit, said Mr. Udani.

"Many exporters are not able to confirm new orders and bookings have come down sharply as retailers in the West who are just emerging out of the worst recession in decades are in no mood to give better rates," said Mr. Udani.

**Risk Management**

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates, commodity prices, business risk, compliance risks and people risks.

**Foreign Exchange Risk**

The Company's policy is to actively manage its long term foreign exchange risk within the framework laid down by the Company's forex policy.

**Interest rate risk**

Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigating strategy to minimise the interest costs.

**Commodity Price Risk**

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and service, the existence of a

powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods.

**Risk Element in Individual Businesses**

Apart from the risks on account of interest rate, foreign exchange and regulatory changes, business of the Company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

**Compliance Risks**

The Company is exposed to risks attached to various statutes and regulations including the Competition Act. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

**People Risks**

Retaining the existing talent pool and attracting new manpower are major risks. The Company has initiated various measures such as rollout of strategic talent management system; training and integration of learning activities.

**SWOT ANALYSIS****1. STRENGTH**

**I. Raw material base:** India has high self sufficiency for raw material particularly natural fibers. India's cotton crop is the third largest in the world. Indian textile Industry produces and handles all types of fibers.

**II. Labour:** Low cost labour and strong entrepreneurial skills have always been the backbone of the Indian Apparel and textile Industry.

**III. Flexibility:** The small size of manufacturing which is predominant in the apparel industry allows for greater flexibility to service smaller and specialized orders.

**IV. Rich Heritage:** The cultural diversity and rich heritage of the country offers good inspiration base for designers.

**V. Domestic market:** Natural demand drivers including rising income levels, increasing urbanization and growth of the purchasing population drive domestic demand.

**2. WEAKNESS**

**I. More dependence on cotton:** Due to over specialization in cotton, the bulk of the international market is missed out, synthetic products in India are expensive and fabric required for items like swimsuit, sky-wear and industrial apparel is relatively unavailable.

**II. Weaving Sector:** India has relatively less number of shuttle-less loom.

**III. Fabric Processing:** Processing is the weakest link in the Indian textile value chain, adversely affecting its ability to compete in exports.

**IV. Poor Infrastructure:** High power costs and long export lead times are eroding India's export competitiveness across the textile chain.

**V. Low Labour Productivity:** Productivity levels for manufacturing various apparel items are far lower in India in comparison with its competitors.

**3. OPPORTUNITIES**

**I. Market access through bilateral negotiation:** The trade is growing between regional trade blocs due to bilateral agreements between participating countries.

**II. Integration of Information technology:** 'Supply Chain Management' and 'Information Technology' has a crucial role in apparel manufacturing. Availability of EDI (Electronic Data Interchange), makes communication fast, easy, transparent and reduces duplication.

**III. Opportunity in High Value Items:** India has the opportunity to increase its UVR's (Unit Value Realization) through moving up the value chain by producing value added products and by producing more and more technologically superior products.

**4. THREATS**

I. Adverse movement in the exchange rates.

ii. Competition from other low cost manufacturing countries like China, Bangladesh, Sri-Lanka, Pakistan, vietnam, Indonesia etc.

**Internal Control System**

Internal control is the set of security measures which contribute to the control of a company. Company is having effective internal control system with its aim to ensure, on the one hand, the security and safeguard of assets and the quality of information, on the other hand, the application of instructions given by Senior Management, and to encourage improvements in performance. It is evidenced through the organisation, methods and procedures for each of the company's activities, so as to ensure the continuity of that company.

**Material Developments in Human Resources/ Industrial Relations**

The long term objective of all HR/IR is to create a culture of sustained business out performance accompanied by extreme care for all stakeholders, while sustaining and strengthening the core values of the Company. Given the business imperatives in the current economic scenario, the focus during the year was on aligning all HR levers to support the initiatives for cost control and conservation of cash, while creating the required capabilities in the workforce and ensuring organizational confidence and employee motivation that would enable the Company to face current challenges and size future opportunities. A major challenge was to find a sense of balance between the short and the long term, and to honour the triple bottom line of profit, people and planet.

The company has been adopting methods and practices for the welfare of employees which includes anything that is done for the comfort and improvement of employees and is provided over and above the wages. Employee welfare includes monitoring of working conditions, creation of industrial harmony through infrastructure for health, industrial relations and insurance against disease, accident and unemployment for the workers and their families.

The permanent employee strength of the Company as on 31st March, 2010 was 1628.

**Acknowledgment**

The Directors convey their thanks to all the Company's customers and their appreciation to all employees for their individual and collective contribution to the Company's performance. The Directors also thank business partners, bankers and auditors for the wholehearted support and confidence reposed in management.

By order of the Board

Place : Chandigarh  
Dated : 24.08.2010

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 2010, 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 the 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 and 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 and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 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 of the company is disqualified as on 31.3.10 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 drawn on note no. 11 of schedule 15-B regarding depreciation on certain Plant and Machinery is provided as per the rates applicable to the continuous process plant for the reason as stated in the said note.
  - g) **Further attention is invited to:**
    - i. **Note No. 16 of schedule 15B regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating Rs. 1903.39 lacs as stated in the said note for which persuasive action for recovery has been initiated, in the opinion of the management these debts are good and recoverable and our inability to comment thereon.**
    - ii. **Note No. 10B of Schedule 15B regarding non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) for the reason as stated in the said note and our inability to comment thereon.**
    - iii. **Note No. 8 of schedule 15B regarding appointment and remuneration paid to the managing director amounting to Rs. 17.79 lacs is subject to the approval of the Central Government.**

**We further report that the loss for the year, the balance in reserve and surplus, debtors and investments are without considering items mentioned in para (g) above, the impact of which could not be determined.**

**Subject to the para (g) above,** 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 17 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, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss 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  
Firm Registration No. 301051E

Place : New Delhi  
Date : 27.05.2010

N.K. Lodha  
Partner  
Membership No.: 85155

(Referred to in Paragraph 1 of our report of even date on Winsome Yarns Limited for the year ended 31st March 2010)

- i. (a) The Company has maintained records in respect of fixed assets showing full particulars including quantitative details and situation of fixed assets.
- (b) As per information & explanations given to us, physical verification of the fixed assets 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 and in transit) have been physically verified by the management during the year.
- (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 explanations given to us, we are of the opinion that the company is maintaining proper records of inventories (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 stock and the book records were not material in relation to the operation of the company.
- iii. As per information and explanations given to us the Company has neither granted nor taken during the year 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) and (f) to (g) of the Order are not applicable.
- 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 special nature and suitable alternative sources do not exist for obtaining comparable quotation or where user department has shown specific preference, *where, as explained, rates were determined considering the quality, volume, nature of the items and market conditions prevailing at that time, there are internal control system commensurate with size of the company and 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. 17 and 20 of schedule 15B)*. Based on the audit procedure performed and information and 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 nor been identified by the management.
- v. (a) According to the information and explanations provided by the management and based on the audit procedure 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 explanation 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 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 Act and the 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 which needs to be further strengthened.
- viii. We have broadly reviewed the books of account maintained by the company as prescribed by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with view to determine whether they are accurate and complete.
- 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, 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 31.03.2010.

(b) Based on 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 based on the records and according to the information and explanations given to us, the dues in respect of Income Tax, Sales Tax and Excise duty that have not been deposited with the appropriate authorities on account of dispute and the forum where these disputes pending are given below:

Name of the 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 Sales Tax Tribunal Punjab
		1993-1994	2.25	
Central Excise Act#	Excise Duty	2002-2003	456.24	CESTAT CESTAT Commissioner Appeals
	Excise Duty	2005 to 2007	35.74	
	Excise Duty	2006-2007, 2007-2008	18.15	
	Excise Duty	2008-2009	3.82	Assistant Commissioner
Financial Act, 1994	Service Tax	2005	0.62	Commissioner Appeals
Income Tax	Income Tax	2004-2005	33.94	ITAT CIT (A) Additional Commissioner of Income Tax
	Income Tax	2005-2006	103.77	
	Income Tax	2006-2007	125.53	

# (excluding excise show cause notices)

This para is to be read with note no. 1 of schedule 15B

- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash loss during the financial year. However company did incurred cash loss in the immediately preceding financial year.
- xi. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has not defaulted in repayment of dues (except for maximum of interest amounting to Rs. 62.96 lacs and principal amounting to Rs. 83.34 lacs and delay for maximum period of 88 days and 86 days respectively) to banks (this is to be read with note no. 2 of schedule 15B). During the year Company has not taken loan from financial institution 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. The Company is not a Chit Fund Company or nidhi / mutual benefit fund / society accordingly clause (xiii) of the order is not applicable.
- 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 Company, we are of the opinion that prima facie no fund raised on short-term basis which have been 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 (read with note no. 3 of schedule 15B).
- 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 any money through a public issues 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 explanations 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  
Firm Registration No. 301051E

Place : New Delhi  
Date : 27.05.2010

N.K. Lodha  
Partner  
Membership No.: 85155

**BALANCE SHEET**  
AS AT 31ST MARCH, 2010

**WINSOME YARNS LIMITED**

PARTICULARS	SCHEDULE No.	31st March 2010 (Rs. in lacs)	31st March 2009 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	1688.96	2905.61
Convertible Warrant (Note No. 3 of Schedule 15B)		1088.00	—
Advance against Application Money of Convertible Warrants (Note No. 19 of Schedule 15B)		—	189.00
<b>Loan Funds</b>			
Secured Loans	3	44516.54	37698.24
Unsecured Loans	4	995.83	2242.67
Deferred Tax Liability (Net)		—	252.88
		<u>50867.54</u>	<u>45866.61</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	43705.56	40960.95
Less : Depreciation		11154.40	9138.43
Net Block		32551.16	31822.52
Capital work-in-progress (Note No. 4 of Schedule 15B)		4766.54	5854.34
		<u>37317.70</u>	<u>37676.86</u>
<b>Investments</b>			
Deferred Tax Asset (Net)	6	1516.71	1516.71
		333.14	—
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	8315.45	4476.31
Sundry Debtors		3669.27	3967.25
Cash and Bank Balances		494.25	1194.22
Loans & Advances		5405.41	3404.14
		<u>17884.38</u>	<u>13041.92</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
- Current Liabilities	8	5968.32	6175.82
- Provisions		216.07	193.06
		<u>6184.39</u>	<u>6368.88</u>
Net Current Assets		<u>11699.99</u>	<u>6673.04</u>
		<u>50867.54</u>	<u>45866.61</u>
Accounting Policies & Notes on Accounts	15		

As per our report of even date.

For LODHA & CO.

Chartered Accountants

FRN : 301051E

N.K. Lodha  
Partner  
M.No. 85155

K.V. Singhal  
Company Secretary

Vinod Jaria  
Financial Controller

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

**PROFIT & LOSS ACCOUNT**  
FOR THE YEAR ENDED 31ST MARCH, 2010

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE No.</b>	<b>31st March 2010 (Rs. in lacs)</b>	<b>31st March 2009 (Rs. in lacs)</b>
<b>INCOME FROM OPERATIONS</b>			
Sales	9	<b>22225.71</b>	14767.11
Less: Excise Duty		<b>0.18</b>	76.65
Net Sales		<b>22225.53</b>	14690.46
Increase/(Decrease) in Stocks	10	<b>1928.12</b>	(170.85)
Other Income	14	<b>122.68</b>	449.62
		<b>24276.33</b>	14969.23
<b>COST OF OPERATIONS</b>			
Raw Materials consumed	11	<b>13222.77</b>	8741.25
Cotton Yarn Purchase		<b>199.55</b>	25.20
Manufacturing & other Expenses	12	<b>7459.28</b>	6042.28
Provision for diminution in investment		<b>—</b>	0.54
		<b>20881.60</b>	14809.27
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>		<b>3394.73</b>	159.96
Less: Financial Expenses	13	<b>3173.93</b>	2600.24
		<b>220.80</b>	(2440.28)
Depreciation		<b>2023.32</b>	
Less: Prorata Capital Subsidy		<b>9.23</b>	
<b>Net Profit/(Loss) before Tax</b>		<b>(1793.29)</b>	(4350.30)
Less :			
— Current Tax		<b>—</b>	—
— Credit against MAT		<b>—</b>	—
— Fringe Benefit Tax		<b>0.15</b>	10.47
— Deferred Tax Liability/(Asset)		<b>(586.02)</b>	(1577.88)
<b>Net Profit/(Loss) after Tax</b>		<b>(1207.42)</b>	(2782.89)
Add : Balance brought forward from last year		<b>2514.25</b>	5297.14
<b>Balance carried to Balance Sheet</b>		<b>1306.83</b>	2514.25
Earning/(Loss) Per Share-Basic and Diluted (Rs)		<b>(0.47)</b>	(1.08)
Accounting Policies & Notes on Accounts	15		

As per our report of even date.  
For LODHA & CO.  
Chartered Accountants  
FRN : 301051E

N.K. Lodha  
Partner  
M.No. 85155

K.V. Singhal  
Company Secretary

Vinod Jaria  
Financial Controller

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULARS	2009-2010		2008-2009	
	(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>(1793.29)</b>		<b>(4350.30)</b>
<b>Adjustment for :</b>				
Depreciation	2020.49		1921.60	
Amortisation of Leasehold Land	2.83		2.83	
(Profit)/Loss on sale of fixed assets	(0.93)		4.86	
Prorata Capital Subsidy	(9.23)		(14.41)	
Interest expense	2920.56		2380.29	
Provision for doubtful debts and advances	—		513.01	
Provision for diminution in investments	—		0.54	
Provision for doubtful debts and advances w/back	(16.59)		—	
Interest income	(68.20)		(90.05)	4718.67
		<b>3055.64</b>		<b>368.37</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
<b>Adjustment for :</b>				
Trade & other receivable	(1671.62)		1340.41	
Inventories	(3839.14)		1440.50	
Trade & other Payables	(157.45)	(5668.21)	(756.92)	2023.99
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(2612.57)</b>		<b>2392.36</b>
Direct Taxes Paid		(2.65)		(26.76)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(2615.22)</b>		<b>2365.60</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(1664.54)		(11921.99)	
Sale of fixed assets	1.31		3.99	
Purchase of Investments	—		—	
Interest Received	55.62	(1607.61)	90.05	(11827.95)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1607.61)</b>		<b>(11827.95)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Convertible Warrants Application Money	899.00		189.00	
Capital Subsidy under TUFS	—		194.23	
Interest Paid	(2711.76)		(2178.25)	
Dividend including Dividend Tax	—		(30.00)	
Proceeds from borrowings	8827.05		12061.45	
Repayment of borrowings	(3491.43)	3522.86	(1166.87)	9069.56
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>3522.86</b>		<b>9069.56</b>
Net Increase/(decrease) in cash and cash equivalents		<b>(699.97)</b>		<b>(392.79)</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2009 (opening balance)		<b>1194.22</b>		<b>1587.01</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2010 (closing balance)		<b>494.25</b>		<b>1194.22</b>

As per our report of even date.  
**For LODHA & CO.**  
**Chartered Accountants**  
 FRN : 301051E

N.K. Lodha  
 Partner  
 M.No. 85155

K.V. Singhal  
 Company Secretary

Vinod Jaria  
 Financial Controller

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

PLACE : Chandigarh  
 DATED : 27th May 2010

Manish Bagrodia  
 Managing Director

Satish Bagrodia  
 Chairman

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

PARTICULARS	AS AT	AS AT
	31.03.2010 (Rs. in lacs)	31.03.2009 (Rs. in lacs)

**SCHEDULE - 1 : SHARE CAPITAL**

<b>AUTHORISED CAPITAL</b>	<b>6000.00</b>	4300.00
60,00,00,000 Equity Shares of Re. 1/- each (Previous Year 4,30,00,000 Equity Shares of Rs. 10/- each)		
<b>ISSUED</b>	<b>2604.56</b>	2604.56
26,04,55,790 Equity Shares of Re. 1/- each (Previous Year 2,60,45,579 Equity Shares of Rs. 10/- each)		
<b>SUBSCRIBED &amp; PAID-UP</b>	<b>2566.60</b>	2566.60
25,66,59,790 Equity Shares of Re. 1/- each (Previous Year 2,56,65,979 Equity Shares of Rs. 10/- each)		
Add : Amount Paid-up on shares forfeited	<b>11.61</b>	11.61
	<b>2578.21</b>	2578.21

**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
Capital Subsidy Reserve	179.81	—	9.23	170.58
Securities Premium Account	—	—	—	—
<b>GENERAL RESERVE</b>	35.08	—	—	35.08
<b>Profit &amp; Loss Account</b>	2514.25	—	1207.42	1306.83
	<u>2905.61</u>	<u>—</u>	<u>1216.65</u>	<u>1688.96</u>
	(5508.69)	(194.22)	(2797.30)	(2905.61)

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

Term Loans	<b>32302.95</b>	30795.30
Working Capital Term Loan	<b>3160.20</b>	2157.00
Interest Accrued and Due	<b>632.90</b>	422.91
Cash Credit/Packing Credit	<b>8408.40</b>	4305.98
Vehicle Loan	<b>12.09</b>	17.05
	<b>44516.54</b>	37698.24

**Notes:**

- Term Loan of Rs. 30055.50 lacs (PY Rs. 27239.61 lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Mohali and at Industrial Area, Phase - VII, Mohali and by hypothecation of all the company's movable properties (save & except book debts) including movable plant & machinery, spares, tools and accessories both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created / to be created shall rank pari-passu 'inter-se' between the Banks except a term loan of Rs. 749.98 lacs (PY Rs. 1000 Lacs) from a bank which is secured by sub-servient charges on fixed assets.
- Term Loans from Banks of Rs. Nil ( Pr.Yr. Rs.1960.36 lacs ) under TUF Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
- Term Loans from Banks of Rs.1497.47 lacs ( Pr. Yr. Rs. 595.33 lacs ) & Working Capital Term Loans of Rs.3160.20 lacs (Pr. Yr. Rs.2157.00 lacs ) are secured by way of first pari-passu charge on Fixed Assets & second pari-passu charge on current assets.
- Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
- All the aforesaid credit facilities mentioned at Point No. 1 to 4 here in above are also guaranteed by two directors of the Company and by Pledge of Shares of the Company held by the Promoter Group read with Note No 2(ii) of Schedule 15B.
- Vehicle Finance is secured by hypothecation of specific assets purchased under such arrangements. Amount repayable within one year Rs. 7.50 Lacs (Pr. Yr. Rs. 2.68 Lacs).

**SCHEDULE - 4 : UNSECURED LOANS**

From Bank*	<b>969.98</b>	1270.00
Interest Accrued and Due	<b>25.85</b>	—
Buyer's Import Credit	<b>—</b>	972.67
	<b>995.83</b>	2242.67

\* Rs.749.98 lacs (Previous Year Rs.1000.00 lacs) secured by hypothecation of immovable property owned by a group company and Rs. 220 Lacs (Previous Year Rs. 270 Lacs) is secured by pledge of 5,00,00,000 nos.(Previous Year 50,00,000 nos.) equity shares of the Company held by a promoter company.

Nature of Assets	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	As at 01.04.2009	Additions	Sales/ adjustments	As at 31.03.2010	Upto 31.03.2009	For the year	Sale/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible</b>										
Freehold Land	334.94	—	—	334.94	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	280.27	9.55	2.83	—	12.38	267.89	270.72
Buildings*	5571.78	62.96	—	5634.74	766.26	177.19	—	943.45	4691.29	4805.52
Plant & Machinery	34230.50	2672.99	—	36903.49	8056.70	1803.23	—	9859.93	27043.56	26173.80
Furniture & Fixtures*	379.63	4.96	—	384.59	207.23	28.30	—	235.53	149.06	172.40
Vehicles	100.35	11.43	7.73	104.05	52.62	7.42	7.35	52.69	51.36	47.73
<b>Intangible</b>										
Specialised Software	63.48	—	—	63.48	46.07	4.35	—	50.42	13.06	17.41
<b>Total</b>	<b>40960.95</b>	<b>2752.34</b>	<b>7.73</b>	<b>43705.56</b>	<b>9138.43</b>	<b>2023.32</b>	<b>7.35</b>	<b>11154.40</b>	<b>32551.16</b>	<b>31822.52</b>
Previous Year	28789.42	12201.89	30.36	40960.95	7235.51	1924.43	21.51	9138.43	31822.52	21553.91

Note: \*Building and Furniture & Fixtures includes capital expenditure incurred on assets/addition 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.12.35 lacs and Rs.15.22 lacs, respectively, (Previous year Rs.16.47 lacs and Rs.20.91 lacs respectively).



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

PARTICULARS	AS AT 31.03.2010 (Rs. in lacs)	AS AT 31.03.2009 (Rs. in lacs)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>Long Term Investments (other than trade) - Unquoted</b>		
Wholly Owned Subsidiary		
101710 Equity Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 101000 shares of 1 Cyprus Pound each)	446.25	446.25
Less: Provision for diminution in investment	<u>0.54</u>	<u>0.54</u>
	445.71	445.71
180000 Preference Shares of Winsome Yarns (Cyprus) Limited of 1 Euro each (Previous Year 180000 shares)	<u>1071.00</u>	<u>1071.00</u>
	<u>1516.71</u>	<u>1516.71</u>
<b>SCHEDULE - 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories (As taken, valued and certified by the management)</b>		
Raw Materials (including material in transit Rs. 63.26 lacs, Pr. Yr. Rs. 269 lacs)	2746.20	915.02
Stock in Process	2236.51	1356.33
Stores & Spares	350.29	270.45
Finished Goods (including goods in transit Rs. 264.66 lacs (PY Rs. 100.15 lacs)	2827.89	1822.42
Waste (As net realisable value)	154.56	112.09
	<u>8315.45</u>	<u>4476.31</u>
<b>Sundry Debtors (Unsecured, considered good unless otherwise disclosed)</b>		
<b>- Over six months</b>		
Considered good	2179.90	2092.54
Considered doubtful	440.17	456.76
<b>- Other Debts</b>		
Considered good	<u>1489.37</u>	<u>1874.71</u>
	4109.44	4424.01
Less: Provision for doubtful debts	<u>440.17</u>	<u>456.76</u>
	<u>3669.27</u>	<u>3967.25</u>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.01	0.01
Cheques in Hand	—	3.70
<b>Bank Balances with scheduled Banks</b>		
On Current Accounts	16.55	65.71
On Unpaid Dividend Account	34.59	26.58
On Fixed Deposit Account (Lodged with Banks as Margin)	<u>443.10</u>	<u>1098.22</u>
	<u>494.25</u>	<u>1194.22</u>
<b>Loans &amp; Advances</b>		
Advances (recoverable in cash or in kind or for value to be received)		
- Considered good	1470.45	596.00
- Considered doubtful	56.25	56.25
Less : Provision for doubtful advances	<u>(56.25)</u>	<u>(56.25)</u>
Total Advances	1470.45	596.00
Advance Income Tax including TDS	301.57	282.23
Refunds/Claims Receivable	821.92	735.92
MAT Credit Entitlement	99.13	99.13
Interest Subsidy Receivable (under TUFS)	1291.74	992.31
Cenvat/VAT/Sales Tax Reimbursable	433.83	268.71
Export Incentives Receivable	869.50	309.94
Security Deposits	<u>117.27</u>	<u>119.90</u>
	<u>5405.41</u>	<u>3404.14</u>
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Acceptances	1639.40	2008.25
<b>Sundry Creditors</b>		
- Due to Micro, Small and Medium Enterprises (Note no. 20 of Schedule 15B)	—	—
- Others	3208.99	2950.98
Advance from Customers	367.25	379.69
Book Overdraft (Temporarily overdrawn)	—	233.94
Interest Accrued but not due on Loans	31.22	58.26
Other Liabilities	686.87	518.12
Unpaid Dividend*	34.59	26.58
	<u>5968.32</u>	<u>6175.82</u>
<b>PROVISIONS</b>		
For Retirement Benefits	106.59	83.58
For Income Tax	109.48	109.48
	<u>216.07</u>	<u>193.06</u>
	<u>6184.39</u>	<u>6368.88</u>

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

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

PARTICULARS	2009-2010 (Rs. in lacs)	2008-2009 (Rs. in lacs)
<b>SCHEDULE - 9 : SALES</b>		
Yarns*	19555.20	12794.07
Knitwear	1204.35	968.43
Waste Sales	1299.14	836.45
Job Charges (TDS Rs. 3.35 Lacs, Previous Year Rs. 4.42 lacs)	167.02	168.16
	<u>22225.71</u>	<u>14767.11</u>
*Includes Duty Drawback & DEPB of Rs. 947.19 lacs (PY Rs. 273.52 lacs)		
<b>SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
Finished Goods		
- Yarn	2517.90	1773.09
- Knitwear	309.99	49.33
	<u>2827.89</u>	<u>1822.42</u>
Stock in Process		
- Yarn	1830.03	987.96
- Knitwear	406.48	368.37
	<u>2236.51</u>	<u>1356.33</u>
Waste	154.56	112.09
	<u>5218.96</u>	<u>3290.84</u>
<b>Less : Opening Stock</b>		
Finished Goods		
- Yarn	1773.09	2152.66
- Knitwear	49.33	-
	<u>1822.42</u>	<u>2152.66</u>
Stock in Process		
- Yarn	987.96	1061.62
- Knitwear	368.37	173.64
	<u>1356.33</u>	<u>1235.26</u>
Waste	112.09	73.77
	<u>3290.84</u>	<u>3461.69</u>
	<u>1928.12</u>	<u>(170.85)</u>
<b>SCHEDULE - 11 : RAW MATERIALS CONSUMED</b>		
Opening Stock	915.02	2094.36
Purchases	15053.95	7561.91
	<u>15968.97</u>	<u>9656.27</u>
Closing Stocks	2746.20	915.02
Raw Materials Consumed	<u>13222.77</u>	<u>8741.25</u>
<b>SCHEDULE - 12 : MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>PAYMENT &amp; PROVISIONS OF EMPLOYEES</b>		
Salaries, Wages & Other Allowances	1186.92	1030.32
Contribution to Provident & Other Funds	106.43	85.96
Employees Welfare	10.52	8.31
	<u>1303.87</u>	<u>1124.59</u>
<b>MANUFACTURING EXPENSES</b>		
Stores & Spares consumed	849.17	958.41
Power & Fuel	2801.67	1648.05
Repairs to Buildings	20.12	6.26
Repairs to Plant & Machinery	15.40	22.04
Processing and Dyeing Charges	533.37	218.36
Material Handling Charges	128.36	82.47
	<u>4348.09</u>	<u>2935.59</u>

PARTICULARS	2009-2010 (Rs. in lacs)	2008-2009 (Rs. in lacs)
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**SCHEDULE - 12 : EXPENSES (continued)**

**ADMINISTRATIVE AND OTHER EXPENSES**

Rent	30.02	30.04
Printing & Stationery	5.64	7.71
Rates & Taxes	0.45	0.35
Director Sitting Fee	1.85	1.80
Insurance	45.87	42.13
Repair & Maintenance	24.88	16.58
Travelling & Conveyance	145.66	133.61
Miscellaneous Expenses	124.94	112.13
Wealth Tax	—	0.10
Postage, Telegrams and Telephones	40.23	52.27
Loss on sale of fixed assets	—	4.86
Liability/Balances written off (Net)	2.95	—
Exchange Rate Difference (Net)	192.51	—
Legal & Professional Charges	118.01	90.21
Charity & Donation	0.12	0.47
Prior Period Expenses (Net)	6.08	13.66
Provision for Doubtful Debts/Advances	—	513.01

**AUDITORS' REMUNERATION**

Audit Fees	2.65	2.65
Tax Audit Fees	0.35	0.35
Other Services	0.80	1.06
Re-imburement of expenses	0.76	0.39
	<u>4.56</u>	<u>4.45</u>
	743.77	1023.38

**SELLING EXPENSES**

Commission on sales	307.85	283.29
Freight & Handling Charges	700.13	581.85
Advertisement & Other Selling Expenses	55.57	93.58
	<u>1063.55</u>	<u>958.72</u>
	7459.28	6042.28

**SCHEDULE - 13 : FINANCIAL EXPENSES**

Interest on Term Loans (Net of re-imburement under TUFS Rs. 1291.74 Lacs Previous Year Rs. 829.19 Lacs)	1911.66	1328.84
Interest on Working Capital	1008.90	1051.45
Bank Charges & Commission	253.37	219.95
	<u>3173.93</u>	<u>2600.24</u>

**SCHEDULE - 14 : OTHER INCOME**

Miscellaneous Income	32.55	25.69
Duty Drawback Others	—	105.89
Interest Received (TDS Rs. 7.90 lacs Previous Year Rs. 17.77 lacs)	68.20	90.05
Sale of Scrap	4.41	62.95
Liability/Balances written back (net)	—	56.48
Profit on sale of fixed assets	0.93	—
Provision for doubtful debts/advances written back	16.59	—
Exchange Rate Difference (Net)	—	108.56
	<u>122.68</u>	<u>449.62</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 incoming statement.

**4. Borrowing Cost**

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

**5. Fixed Assets**

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

**6. Expenditure during Construction Period**

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

**7. Depreciation**

(i) Depreciation has been provided on Fixed Assets on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of additions arising on account of 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. (read with para (ii) below).

(ii) Depreciation on additions/disposals is provided 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) Leasehold land, where ownership vests with the Government / local authorities are amortized over the period of lease.

(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. Current investments are carried at lower of cost or market price.

**11. Foreign Currency Transactions**

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

(ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of the contract. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account.

(iii) Non monetary foreign currency items are carried at cost.

**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.

(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/DEPB 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.

(iii) Capital subsidy under TUFs from the Ministry of Textiles on specified processing machinery has been treated as deferred income which is recognized on systematic and rational basis in proportion of the applicable depreciation over the useful life of the respective assets and is adjusted against the depreciation to the Profit & Loss Account.

**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 Contingent 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. Contingent Assets are neither recognised nor disclosed in the financial statements.

**B) NOTES ON ACCOUNTS**

**1. (A) Contingent Liabilities, not provided for in respect of; (As certified by the management)**

No.	Particulars	2009-10	(Rs. in lacs) 2008-09
(i)	Bills discounted with banks	2884.08	1716.54
(ii)	Outstanding Letter of Credit	418.34	213.82
(iii)	Sales Tax liability in respect of matters in appeal	8.05	8.05
(iv)	Excise duty show cause notices / matters in appeal	523.72	559.41
(v)	Service Tax Matters	0.62	0.62
(vi)	Income Tax Demand	308.23	142.71
(vii)	Outstanding bank guarantees	88.79	51.09
(viii)	Customs duty saved of Rs. 4151.70 lacs (Previous Year Rs.2677.28 lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 33213.58 lacs (Previous Year Rs.21418.23 lacs) are pending.		

(B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined.

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

(C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 862.83 Lacs ( Previous year Rs.893.73 lacs ) net of advances Rs. 460.89 lacs, (Previous year Rs.511.10 lacs).

2. (A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR- EG) in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the Company which is effective from 1st January 2009 has been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as approved on 21st July 2009.

(ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable personal guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present /future) held/to be held by them in the company.

(iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund to meet the deficit as stipulated and fund out of investments made in overseas subsidiaries through disinvestment which is in process.

(B) Certain covenants /conditions as stipulated in the CDR package is pending for compliance during the year.

3. (i) In the EGM held on 5th February, 2010, shareholders of the company have approved the issue of 25,10,00,000 nos. convertible warrants at Rs. 1.60 per warrant (including premium of Re. 0.60 per warrant) on preferential allotment basis and have received aggregate amount of Rs.1004 lacs (total received Rs.1088 lacs) being applicable 25% (Re.0.40 on issue price of Rs. 1.60 per warrant, including premium of Re.0.60 per warrant) of such warrants and made the allotment of Convertible Warrants in Board of Directors meeting held on 19.02.2010.

(ii) Issue proceed have been utilized for the purpose as stipulated and balance amount have been parked into Working Capital.

4. (A) Capital Work-In-Progress includes machinery in stock, roads, construction /capital material at site, site development expenses, plant & machinery in transit /under erection and capital advance of Rs.460.89 lacs (P.Y. Rs.511.10 lacs) and preoperative expenses as per detail given below:

Pre-operative expenditure as follows :	Current Year	(Rs. in lacs) Previous Year
Opening Balance	424.82	751.96
- Stores & Spares	17.69	63.50
- Power & Fuel	9.78	90.64
- Salary, Wages & Allowances	20.55	101.61
- Other Expenses	7.65	-
- Interest on Term Loan (Net)	393.84	446.31
Others	-	156.16
Total	874.33	1610.18
Less: Capitalised during the year	450.69	1185.36
Closing Balance	423.64	424.82

(B) The Company is in process of implementation of 3.90 MW Hydro Power Projects in the state of Punjab and expenses incurred till 31st March 2010 have been included in CWIP.

5. Research and development expenditure amounting to Rs.25.42 lacs (Previous year Rs.21.84 lacs) have been debited to Profit and Loss account under the head Salaries, Wages & other Allowances.

6. 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 value in use of its fixed assets and is of the view that no provision for impairment is necessary.

7. In view of the Company (Accounting Standard) Rules, issued by the Ministry of Corporate Affairs for treatment of gain/(loss) on account of exchange fluctuation on loan/liability for capital assets, the company continued its policy to charge exchange difference to the Profit & Loss Account.

**8. Managerial Remuneration:**

**A. Managerial Remuneration to Managing Director**

	2009-10	(Rs. in lacs) 2008-09
(i) Salary	22.78	24.00
(ii) Contribution to Provident Fund & Family Pension Funds	2.30	2.30
(iii) Perquisites & Other Benefits	Nil	Nil
(iv) Commission	Nil	Nil
<b>TOTAL</b>	<b>25.08</b>	<b>26.30</b>

# WINSOME YARNS LIMITED

Appointment and remuneration to the Managing Director w.e.f. 01.07.2009 (amounting to Rs. 17.79 lacs paid) is subject to the approval of Central Government for which application have been filed.

9. Step down subsidiaries (three nos) are under liquidation, namely M/s, S. C. Winsome Romania s.r.l, Romania, M/s, IMM Winsome Italia s.r.l, Italy and M/s. S.C.Textil s.r.l, Romania. The Company through it's a subsidiary have made investment of amounting to Euro 828 (Equivalent to Rs.0.54 lacs) in these subsidiaries. Considering this necessary provisions against this and outstanding in their accounts (as debtors) have been made during previous year.
10. (A) As per terms of the Agreement entered between company and private equity partners /sellers, the company is to invest through a subsidiary i.e. WYCL (Winsome Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot S.P.A. amounting to Euro 4.64 millions (approx Rs 2782.95 lacs). In earlier year the Company has made investment in equity and preference share capital of its above stated subsidiary amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs).  
(B) Diminution in the value of investment made amounting to Rs.1516.71 lacs in subsidiary has not been considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary company
11. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment.
12. Company does not have taxable income for the year ended as on 31st March, 2010 under the Income Tax Act., 1961 and hence no provision for Income Tax/ Minimum Alternate Tax has been made.
13. Prior period adjustments (net) Rs. 6.08 lacs (P.Y. Rs. 13.66 lacs) include Freight & handling charges Rs. Nil (P.Y. Rs. 3.03 lacs), Legal & Professional charges Rs. 6.08 lacs (P.Y. Rs. 10.53 lacs), and others Rs. Nil (P.Y. Rs. 0.10 lacs).
14. 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.
15. 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.
16. The company has initiated persuasive action for recovery of certain overdue overseas debtors of amounting to Rs.1903.39 lacs (P.Y. Rs. 2028.29 lacs). In the opinion of the management these are good and fully realizable hence no provision there against is considered necessary. However for necessary approval for the extension of time application have been filed with the appropriate authority.
17. Balances of certain sundry debtors, Loans & Advances, creditors (including of associates Company), and other liabilities are in process of confirmation/ reconciliation. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material.
18. **Employees Benefits:**
  - a) **Defined Contribution Plan:** Contribution to Defined Contribution Plan, i.e contribution to provident fund amounting to Rs. 83.62 lacs ( P. Y. Rs. 69.61 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.

Particulars	(Rs. in Lacs)			
	Gratuity (Unfunded)		Leave Encashment (Unfunded)	
	2010	2009	2010	2009
<b>I. Amount to be recognised in the balance sheet.</b>				
Present Value of Obligation as at 31st March 2010	71.04	53.93	35.55	29.65
Fair value of plan assets as at 31st March 2010	—	—	—	—
Funded Status [surplus/(Deficit)]	(71.04)	(53.93)	(35.55)	(29.65)
Net Assets/(Liability) Recognized in Balance Sheet	(71.04)	(53.93)	(35.55)	(29.65)
<b>II. Expenses recognized during the period</b>				
Current Service Cost	24.42	21.85	16.72	19.67
Interest Cost	4.32	3.30	2.37	1.19
Expected Return on Plan Assets	—	—	—	—
Actuarial (gain)/loss	(1.94)	(11.72)	7.26	(1.10)
Net Expenses Recognized	26.80	13.43	26.35	19.76
<b>III. Reconciliation of opening and closing balance of Defined Benefit Obligation</b>				
Present Value of Obligation at the beginning of the period	53.93	44.11	29.65	15.85
Current Service Cost	24.42	21.85	16.72	19.67
Interest Cost	4.32	3.30	2.37	1.19
Actuarial (gain)/loss on obligations	(1.94)	(11.73)	7.26	(1.10)
Benefit Paid	(9.69)	(3.60)	(20.45)	(5.96)
Present Value of Obligation as at the end of the period	71.04	53.93	35.55	29.65
<b>IV. Actuarial/Demographic assumptions</b>				
Indian Assure Lives Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
Discount rate (Per annum)	8.00%	7.50%	8.00%	7.50%
Expected Return on Plan Assets (Per annum)	8.00%	7.50%	8.00%	7.50%
Estimated rate of increase in compensation level	5.00%	5.00%	5.00%	5.00%
Retirement Age			58 Years	
Withdrawal Rate (All ages)			10%	
Disability			No explicit allowance	
Leave Accumulation Ratio			0.58 (PY 0.58)	

- (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.

19. In the AGM held on 23rd Sep 2008 the company had passed a resolution for issue of 1,55,00,000 nos Convertible Warrants on preferential basis to Non-Promoter Group & Promoter Group. However, this preferential allotment of Convertible Warrants was subsequently withdrawn by the Company vide circular Resolution No.1/2009 dated February 23, 2009, due to non-receipt of consent from a term lender and in-principle approval of the Stock Exchanges. The Company had however received an amount of Rs.216 lacs being the applicable 10% amount (Rs.1.80 on issue price of Rs.18/- per warrants, including premium) of such warrants. During the year in the EGM held on 18.06.2009 the Company have passed a resolution for issue of 64,00,000 nos. Convertible Warrants (carrying differential rights as to dividend and voting) of Rs.14/- each (aggregating to Rs.896 lacs) on preferential allotment basis to Non Promoter Group & Promoter Group which was subsequently withdrawn by the Board in their meeting held on 30.07.2009 due to non-receipt of in-principle approval of the Stock Exchanges. Further again in the AGM held on 28.09.2009 company have passed another resolution for issue of 72,00,000 nos. Convertible Warrants on preferential basis to Non-Promoter Group & Promoter Group. However, this preferential allotment of Convertible Warrants was also been subsequently withdrawn by the Board in their meeting held on 09.01.2010 due to non-receipt of consent from a term lender and in principle approval of the stock exchanges.

20. The Company has not received full 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 year end together with interest paid /payable have been given based on the information so far available with the company/ identified by the company management. As required by section 22 of the above said Act the following information is disclosed.

S.No.	Particulars	2009-10 (Rs. in lacs)	2008-09 (Rs. in lacs)
(a)	(i) Principal amount remaining unpaid at the end of the accounting year	—	—
	(ii) Interest due on above	—	—
(b)	The amount of interest paid by the buyer alongwith amount of payment made to the supplier beyond the appointed date	—	—
(c)	The amount of interest accrued and remaining unpaid at the end of financial year	—	—
(d)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under this act.	—	—
(e)	The amount of further interest due and payable in succeeding year, until such interest is fully paid	—	—

21. 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.

**22. 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 follow:
  - (a) Revenue inside India includes sales to customers located within India.
  - (b) Revenue outside India includes sales to customers located outside India.

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

Particulars	India	Outside India	Total
i) External Revenue-Sales	8574.98 (5554.73)	13650.73* (9212.38)	22225.71 (14767.11)
ii) Carrying amount of segment assets by location of assets	52596.59 (47616.26)	4122.20 (4307.85)	56718.79 (51924.11)
iii) Capital Expenditure	1664.54 (11921.98)	— —	1664.54 (11921.98)

\* Includes Export Incentives of Rs. 947.19 Lacs (Previous Year Rs. 273.52 Lacs).

23. During the year, deferred tax in respect of timing differences has been re-assessed/re-computed and assets (net) amounting to Rs.586.02 lacs for the year has been credited to Profit & Loss Account.

	2009-10 (Rs. in lacs)	2008-09 (Rs. in lacs)
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes.	<b>4326.78</b>	4073.96
<b>Deferred Tax Assets (DTA)</b>		
Tax Impact of unabsorbed depreciation and business lossess	<b>4457.82</b>	3618.29
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	<b>37.20</b>	28.41
Tax impact on doubtful debts and advances	<b>164.90</b>	174.38
<b>Deferred Tax Asset / (Liability) (Net)</b>	<b>333.14</b>	(252.88)

Note: Management is confident about recoverability of the DTA as stated above considering the future profitability and present market conditions.

**24. Earning per share**

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

	2009-10	2008-09*
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	<b>(1207.42)</b>	(2782.89)
Weighted average number of equity shares for Basic EPS	<b>256659790</b>	256659790
Nominal Value per equity share (Rs.)	<b>1</b>	1
Basic EPS (Rs.)	<b>(0.47)</b>	(1.08)
Weighted average number of equity shares for Diluted EPS	<b>495728136</b>	256659790
Diluted EPS (Rs.)	<b>(0.47)</b>	(1.08)

\*Refere note no. 25 below

25. In terms of the resolution passed by the shareholders in their meeting held on 28.08.2009, fully paid up shares of Rs. 10/- each of the Company has been sub-divided into 10 no. fully paid shares of Rs. 1/- each.

## 26. Related party disclosures.

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

### 1. (a) Associate Company

Winsome Textile Industries Ltd.

### (b) Subsidiary Company

- (i) Winsome Yarns (Cyprus) Limited (100% Subsidiary)
- (ii) S.C. Winsome Romania S.R.L. (Subsidiary of (i) above)
- (iii) I.M.M. Winsome Italia S.R.L. (Subsidiary of (ii) above)
- (iv) S.C. Textil 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.
- Satyam Combines Pvt. Ltd.

## Transactions with the related parties during the year 2009-10

(Rs. in Lacs)

Particulars	2009-10	2008-09
Winsome Textile Industries Ltd.		
- Sales of material and goods and services	23.00	70.77
- Purchase of material and goods and services	354.49	238.75
- Expenses reimbursed to others	0.25	—
- Expenses reimbursed by others	5.01	—
- Balance Outstanding as at year end Receivable / (Payable)	(254.26)	56.27
Shri Satish Bagrodia		
- Directors Sitting Fee	0.35	0.35
Shri Manish Bagrodia		
- Remuneration	25.08	26.30
Shri Ashish Bagrodia		
- Directors Sitting Fee	0.30	0.40
Starpoint Financial Services Pvt. Ltd.		
- Rent	19.32	16.80
Shell Business Pvt. Ltd.		
- Application / Allotment Money against Convertible Warrants	473.00	27.00
S.C. Winsome Romania		
- Sale of material and goods and services	—	44.67
- Purchase of material and goods and services	—	37.01
- Balance Outstanding as at year end Receivable / (Payable)	86.81	86.81
IMM Winsome Italia		
- Sale of material and goods and services	—	45.05
- Purchase of material and goods and services	—	6.47
- Balance Outstanding as at year end Receivable / (Payable)	171.01	171.01
Winsome Yarns (Cyprus) Ltd.		
- Sale of material and goods and services	—	54.18

Chairman and Managing Director have given guarantees to lenders against loans taken by the Company.

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

### (a) Licensed & Intalled Capacity

Licenced Capacity :

Yarn — Spindles

— Rotors

Knitwears (Nos.)

Installed Capacity :

Yarn — Spindles

— Knitwears (Nos.)

	2009-10	2008-09
Yarn — Spindles	133440	133440
— Rotors	1536	1536
Knitwears (Nos.)	1944000	1944000
Yarn — Spindles	109824	101424
— Knitwears (Nos.)	1160000	1160000

### (b) (i) Production, Turnover & Stocks :

(Value Rs. in lacs)

Particulars	Opening Stock		Production Qty. MT	Purchase		Turnover		Closing Stock	
	Qty. MT	Value		Qty. MT	Value	Qty. MT	Value	Qty. MT	Value
Yarn	1202.89 (1545.50)	1773.09 (2152.66)	13384.63 (8970.52)	171.46 (24.54)	199.55 (25.20)	13281.76 (9337.67)	19555.20* (12794.07)	1477.22 (1202.89)	2517.90 (1773.09)
Knitwears (Pcs.)	16228 (—)	49.33 (—)	287503 (287809)	— (—)	— (—)	224734 (271581)	1204.35** (968.43)	78997 (16228)	309.99 (49.33)
Waste/Scrap	— (—)	112.09 (73.77)	— (—)	— (—)	— (—)	— (—)	1299.14 (836.45)	— (—)	154.56 (112.09)

\* Includes export incentives amounting Rs. 881.80 Lacs (Previous Year Rs. 227.54 Lacs.)

\*\* Includes export incentives amounting Rs. 65.39 Lacs (Previous Year Rs. 45.98 Lacs)

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



(ii) Raw Material Consumed	Qty. (MT)	Value (Rs. in Lacs)	Qty. (MT)	Value (Rs. in Lacs)
Viscose	393.51	543.17	399.16	368.74
Cotton	17766.82	12118.10	11742.26	8023.09
Yarn	490.44	561.50	104.62	349.42
<b>TOTAL</b>	<b>18650.77</b>	<b>13222.77</b>	<b>12246.04</b>	<b>8741.25</b>

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

	Current year	Raw Material %	Previous Year	%	Current year	Stores & Spares %	Previous Year	%
Imported	163.60	1.24	170.99	1.96	118.08	13.91	169.32	17.67
Indigenous	13059.17	98.76	8570.26	98.04	731.09	86.09	789.09	82.33
<b>Total</b>	<b>13222.77</b>	<b>100.00</b>	<b>8741.25</b>	<b>100.00</b>	<b>849.17</b>	<b>100.00</b>	<b>958.41</b>	<b>100.00</b>

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

(iv) Consumption value of raw materials and stores and spares is derived as net of opening stock plus purchases less closing stock.

c) CIF Value of Imports:	31st March 2010 (Rs. in lacs)	31st March 2009 (Rs. in lacs)
Plant & Machinery	600.11	6913.93
Spare Parts & components	143.05	93.05
Raw Material	245.84	212.79
d) Earnings in Foreign Exchange :		
Export of goods on FOB basis (Excluding Export through Export Houses)	12123.52	8627.88
e) Expenditure in Foreign currency : (Cash basis)		
Foreign Travelling	8.52	10.49
Commission on sales	55.12	65.11
Consultancy Fees	11.47	6.85
Others	NIL	4.52
28. Remittance in Foreign Currency on Dividend Account		
Number of Non Resident Shareholders	N.A.	38
Number of shares held by Non Resident Shareholders	N.A.	17000
Net Amount of Dividend Remitted (Amount in Rs.)	NIL	1700
Year to which Dividend relates	N.A.	2007-08
29. (a) 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)	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
Sundry Debtors	USD	943456.33	5054364.41	302.05	2390.80
	EURO	3461848.00	3586070.11	2015.93	2073.86
	GBP	25995.12	107342.28	17.68	71.15
	CHF	58928.54	NIL	24.99	NIL
Sundry Creditors	HKD	34660.11	27244.14	20.03	1.66
	EURO	41508.74	483639.16	25.13	298.46
	JPY	674696.00	NIL	3.24	NIL
	USD	7335.01	19729.11	3.29	8.53
	CHF	NIL	2510829.19	NIL	982.03
	GBP	NIL	1245.07	NIL	0.90
Investment in Preference Shares	EURO	1800000	1800000	1071.00	1071.00
Foreign Commission payable	USD	152143.92	71291.98	68.31	36.18
Loans - PCFC	USD	843856.13	NIL	378.89	NIL

(b) Forward contract for Rs. 2372.36 lacs, USD 50.65 lacs (PY Rs. 310.76 lacs, USD 6.00 lacs) taken to hedge the foreign currency receivables are outstanding as at 31.03.2010.

30. Figures for the previous year have been re-grouped/recast wherever necessary to make them comparable with those of current year.  
31. 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**  
FRN : 301051E

N.K. Lodha  
Partner  
M.No. 85155

K.V. Singhal  
Company Secretary

Vinod Jaria  
Financial Controller

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

**27. Balance Sheet abstract and Company's General Business profile information pursuant to Part IV of Schedule VI of the Companies Act, 1956.**

**I. Registration Details**

Registration No. (CIN)	L17115CH1990PLC010566	State Code
Balance Sheet Date	31-03-2010	53

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

Public Issue	Nil	Rights Issue
Bonus Issue	Nil	Private Placement
		108800

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

Total Liabilities	5705192	Total Assets
		5705192

**Sources of Funds**

Paid-up Capital	256660	Reserve & Surplus
Secured Loans	4451654	Unsecured Loans
Forfeited share account	1161	Deferred Tax Liability
Convertible Warrant	108800	Nil

**Application of Funds**

Net Fixed Assets	3731770	Investments
Net Current Assets	1169999	Misc. Expenditure
Accumulated Losses	Nil	Deferred Tax Asset (Net)
		33314

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

Turnover including other income	2427633	Total Expenditure
Profit/(Loss) Before Tax	(179329)	Profit/(Loss) After Tax
Earning per share (Rs.)	(0.47)	Dividend Rate (%)
		Nil

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

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

K.V. Singhal  
*Company Secretary*

Vinod Jaria  
*Financial Controller*

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
*Managing Director*

Satish Bagrodia  
*Chairman*

**SECTION 212**

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

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Winsome Yarns Limited at the financial year ending date		The net aggregate of profit/(losses) of the Subsidiary Companies so far as they concern the members of Winsome Yarns Limited			
	Equity (Nos.)	Extent of holding (% age)	For Current Financial Year		For Previous Financial Year	
			Dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2010	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2010	Dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2009	Not dealt with in the accounts of Winsome Yarns Limited for the year ended 31st March, 2009
			Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
Winsome Yarns (Cyprus) Limited	101000	100%	-	(10.04)	-	(13.85)
S.C. Winsome Romania S.r.l.	54090	90%	The accounts have not been considered for consolidation, since company is under liquidation			
I.M.M. Winsome Italia S.r.l.	2705	90%	The accounts have not been considered for consolidation, since company is under liquidation			
S.C. Textil S.r.l.	321772	90%	The accounts have not been considered for consolidation, since company is under liquidation			

**Note:**

The financial year of Winsome Yarns (Cyprus) Limited is 1st April, 2009 to 31st March, 2010 and the other three subsidiary companies are 1st January, 2009 to 31st December, 2009.

**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 2010, 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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the foreign subsidiary namely Winsome Yarns (Cyprus) Limited whose financial statement reflects total assets of Rs.1839.64 lacs as at 31st March 2010 and total revenues of Rs. Nil for the year then ended. The separate financial statements of above said subsidiary have been audited by other auditors, as per applicable GAAP in their Country, whose report has been furnished to us by the management and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. Without qualifying attention is drawn on note no.4 of schedule 15 regarding depreciation on certain Plant & Machinery is provided as per the rates applicable to the continuous process plant for the reason as stated in the said note.
5. **Further attention is invited to;**
  - (a) **Note no.5 of schedule 15 regarding non provision for shortfall in recovery (amount unascertained) against overdue debt aggregating to Rs.1903.39 lacs as stated in the said note for which persuasive action for recovery has been initiated, in the opinion of the management these debts are good and recoverable and our inability to comment thereon.**
  - (b) **Note no.7 (c) of Schedule 15 regarding non provision for diminution in the value of investment in a subsidiary company (impact unascertainable) for the reason as stated in the said note and our inability to comment thereon.**
  - (c) **Appointment and remuneration paid to the managing director amounting to Rs.17.79 lacs is subject to the approval of the Central Government.**

Further we report that the consolidated financial statement is subject to and read with our comments in para 5 above, 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 audited 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 and audited standalone financial statements of its Subsidiary (read with note no. 1 (iv)(a) and 1(v) of Schedule 15) included in the Consolidated Financial Statements, we are of the opinion that the said consolidated financial statements read with note no 1 (iv) (a), 1 (v), 2 (B) and 6 of schedule 15 and read together with other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of the Company and its Subsidiary as at 31st March, 2010;
- (b) In the case of the Consolidated Profit & 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 flow of the Company and its Subsidiary for the year then ended.

For Lodha & Co.  
Chartered Accountants  
Firm Registration No. 301051E

Place : Chandigarh  
Date : 27.05.2010

N.K. Lodha  
Partner

**CONSOLIDATED BALANCE SHEET**  
AS AT 31ST MARCH, 2010

**WINSOME YARNS LIMITED**

PARTICULARS	SCHEDULE	31st March 2010 (Rs. in lacs)	31st March 2009 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2578.21	2578.21
Reserves & Surplus	2	1677.54	3077.85
Convertible Warrants (Note No. 3 of Schedule 15)		1088.00	—
Advance against Application Money of Convertible Warrants		—	189.00
<b>Loan Funds</b>			
Secured Loans	3	44516.54	37698.24
Unsecured Loans	4	995.83	2242.67
Deferred Tax Liability (Net)		—	252.88
		<u>50856.12</u>	<u>46038.85</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	43705.56	40960.95
Less : Depreciation		11154.40	9138.43
Net Block		32551.16	31822.52
Capital work-in-progress		4766.54	5854.34
		<u>37317.70</u>	37676.86
<b>Investments</b>	6	<b>0.50</b>	0.54
Deferred Tax Asset (Net)		333.14	—
<b>Current Assets, Loans &amp; Advances</b>	7		
Inventories		8315.45	4476.31
Sundry Debtors		3669.27	3967.25
Cash and Bank Balances		516.05	1234.04
Loans & Advances		7222.75	5430.37
		<u>19723.52</u>	<u>15107.97</u>
<b>Less : Current Liabilities &amp; Provisions</b>	8		
Current Liabilities		6302.67	6553.46
Provisions		216.07	193.06
		<u>6518.74</u>	<u>6746.52</u>
Net Current Assets		<u>13204.78</u>	8361.45
		<u>50856.12</u>	<u>46038.85</u>
Accounting Policies & Notes on Accounts	15		

As per our report of even date.

For LODHA & CO.

Chartered Accountants

FRN : 301051E

N.K. Lodha  
Partner  
M.No. 85155

K.V. Singhal  
Company Secretary

Vinod Jaria  
Financial Controller

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

**CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2010**

**WINSOME YARNS LIMITED**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31st March 2010 (Rs. in lacs)</b>	<b>31st March 2009 (Rs. in lacs)</b>
<b>INCOME FROM OPERATIONS</b>			
Sales	9	<b>22225.71</b>	14770.36
Less: Excise Duty		<b>0.18</b>	76.65
Net Sales		<b>22225.53</b>	14693.71
Increase/(Decrease) in Stocks	10	<b>1928.12</b>	(170.85)
Other Income	14	<b>122.68</b>	449.59
		<b>24276.33</b>	14972.45
<b>COST OF OPERATIONS</b>			
Raw Materials consumed	11	<b>13222.77</b>	8741.25
Cotton Yarn Purchase		<b>199.55</b>	25.20
Manufacturing & other Expenses	12	<b>7469.08</b>	6058.38
Interest & Financial Charges	13	<b>3174.17</b>	2601.24
		<b>24065.57</b>	17426.07
<b>PROFIT/(LOSS) BEFORE DEPRECIATION &amp; EXCEPTIONAL ITEMS</b>		<b>210.76</b>	(2453.62)
Depreciation		<b>2023.32</b>	
Less : Prorata Capital Subsidy		<b>9.23</b>	1910.02
<b>Net Profit/(Loss) before Tax</b>		<b>(1803.33)</b>	(4363.64)
Less : Provision for Taxation			
— Current Tax		—	—
— Credit against MAT		—	—
— Fringe Benefit Tax		<b>0.15</b>	10.47
— Deferred Tax Liability/(Asset)		<b>(586.02)</b>	(1577.88)
<b>Net Profit/(Loss) after Tax</b>		<b>(1217.46)</b>	(2796.23)
Add : Balance brought forward from last year		<b>2485.06</b>	5561.75
Less: Adjustment for non-consolidation of subsidiary (Refer Note No. 1 (iv) (b) of Schedule 15)		—	280.46
<b>Balance carried to the Balance Sheet</b>		<b>1267.60</b>	2485.06
Earning Per Share-Basic and Diluted (Rs)		<b>(0.47)</b>	(1.09)
Accounting Policies & Notes on Accounts	15		

**As per our report of even date.**

**For LODHA & CO.**

**Chartered Accountants**

FRN : 301051E

N.K. Lodha  
*Partner*  
M.No. 85155

K.V. Singhal  
*Company Secretary*

Vinod Jaria  
*Financial Controller*

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
*Managing Director*

Satish Bagrodia  
*Chairman*

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULARS	2009-2010		2008-2009	
	(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>(1803.33)</b>		<b>(4363.64)</b>
<b>Adjustment for :</b>				
Depreciation	2020.49		1921.60	
Amortisation of Leasehold Land	2.83		2.83	
Prorata Capital Subsidy	(9.23)		(14.41)	
(Profit)/Loss on sale of fixed assets	(0.93)		4.86	
Provision for Doubtful Debts/Advances	-		513.01	
Interest Expenses	2920.56		2380.29	
Provision for diminution in investment	-		-	
Interest income	(68.20)	4865.52	(90.05)	4718.13
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>3062.19</b>		<b>354.49</b>
<b>Adjustment for :</b>				
Trade & other receivable	(1790.70)		1002.77	
Inventories	(3839.14)		1440.50	
Trade & other Payables	110.65	(5519.19)	(385.56)	2057.71
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(2457.00)</b>		<b>2412.20</b>
Direct Taxes Paid		(2.65)		(26.75)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(2459.65)</b>		<b>2385.45</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(1664.54)		(11921.98)	
Sale of fixed assets	1.31		4.00	
Minority Interest	-		-	
Interest Received	55.62	(1607.61)	90.05	(11827.93)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1607.61)</b>		<b>(11827.93)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Convertible Warrants - Advance for Application Money	899.00		189.00	
Capital Subsidy under TUFs	-		194.22	
Interest Paid	(2711.76)		(2178.25)	
Dividend including Dividend Tax	-		(29.27)	
Proceeds from borrowings	8827.05		12061.45	
Repayment of borrowings	(3491.43)	3522.86	(1166.87)	9070.28
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>3522.86</b>		<b>9070.28</b>
<b>D. CHANGES IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION</b>		<b>(173.59)</b>		<b>(0.75)</b>
Net Increase/(decrease) in cash and cash equivalents		<b>(717.99)</b>		<b>(372.95)</b>
Cash & Cash equivalent being cash & bank balances as at 31.03.2009 (opening balance)	1234.04		1685.82	
Opening Cash and Cash Equivalent of Subsidiaries, not considered for consolidation	-	1234.04	(78.83)	1606.99
Cash and Cash Equivalents being cash and bank balances as at 31.03.2010 (closing balance)		<b>516.05</b>		<b>1234.04</b>

As per our report of even date.

For LODHA & CO.

Chartered Accountants

FRN : 301051E

N.K. Lodha  
Partner  
M.No. 85155

K.V. Singhal  
Company Secretary

Vinod Jaria  
Financial Controller

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
Managing Director

Satish Bagrodia  
Chairman

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

PARTICULARS	AS AT	AS AT
	31.03.2010 (Rs. in lacs)	31.03.2009 (Rs. in lacs)

**SCHEDULE - 1 : SHARE CAPITAL**

<b>AUTHORISED CAPITAL</b>	<b>6000.00</b>	<b>4300.00</b>
60,00,00,000 Equity Shares of Re. 1/- each (Previous Year 4,30,00,000 Equity Shares of Rs. 10/- each)		
<b>ISSUED</b>	<b>2604.56</b>	<b>2604.56</b>
26,04,55,790 Equity Shares of Re. 1/- each (Previous Year 2,60,45,579 Equity Shares of Rs. 10/- each)		
<b>SUBSCRIBED &amp; PAID-UP</b>	<b>2566.60</b>	<b>2566.60</b>
25,66,59,790 Equity Shares of Re. 1/- each (Previous Year 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 on Buyback of Shares	27.03	—	—	27.03
Capital Redemption Reserve	124.44	—	—	124.44
Capital Subsidy Reserve	179.81	—	9.23	170.58
Sub Total	356.28	—	9.23	347.05
<b>GENERAL RESERVE</b>	35.08	—	—	35.08
<b>Profit &amp; Loss Account</b>	2485.06	(1217.46)	—	1267.60
Add (Less) : Foreign Currency Translation Reserve (Net)	201.43	—	173.62	27.81
Sub Total	2721.57	(1217.46)	173.62	1330.49
Total	3077.85	(1217.46)	182.85	1677.54
Previous Year	5689.75	(2370.02)	294.87	(3077.85)

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

Term Loans	<b>32302.95</b>	<b>30795.30</b>
Working Capital Term Loan	<b>3160.20</b>	<b>2157.00</b>
Cash Credit / Packing Credit	<b>8408.40</b>	<b>4305.98</b>
Vehicle Loan	<b>12.09</b>	<b>17.05</b>
Interest accrued and due	<b>632.90</b>	<b>422.91</b>
	<b>44516.54</b>	<b>37698.24</b>

**NOTES:**

- Term Loan of Rs.30,055.50 lacs (PY. Rs.27,239.61 lacs) from banks are secured by mortgage of Immovable properties situated at Village Kurawala, Distt Mohali and at Industrial Area, Phase - VII, Mohali and hypothecation of all the company's movable properties (save & except book debts) including movable plant & machinery, spares, tools and accessories both present and future, subject to the prior charges created/to be created in favour of Company's bankers on specified movable assets for the working capital facilities. The mortgage and charges created shall rank pari-passu 'inter-se' between the Banks except a term loan of Rs.749.98 Lacs (PY. Rs.1,000 lacs) from a bank which is secured by subservient charges on fixed assets.
- Term Loans from Banks of Rs. Nil (PY- Rs.1960.36 Lacs) under TUFSS Scheme are secured by way of hypothecation on Plant & Machinery and other assets purchased thereunder.
- Term Loans from Banks of Rs.1497.47 Lacs (PY. Rs. 595.33 Lacs) & Working Capital Term Loans of Rs. 3160.20 Lacs (PY. Rs. 2157.00 Lacs) are secured by way of 1st pari-passu charge on Fixed Assets & 2nd pari-passu charge on current assets.
- Packing Credit & Cash Credit are secured by hypothecation of current assets and also secured by second charge on fixed assets of the company.
- All the aforesaid of credit facilities mentioned at Point No. 1 to 4 here in above are also guaranteed by two directors of the Company and Pledge of Shares of the Company held by the Promoter Group read with Note No 2A (ii) of Schedule 15.
- Vehicle Finance is secured by hypothecation of specific assets purchased under such arrangements. Amount repayable within one year Rs. 7.50 Lacs (PY. Rs. 2.68 Lacs)

**SCHEDULE - 4 : UNSECURED LOANS**

From Bank*	<b>969.98</b>	<b>1270.00</b>
Interest accrued and due	<b>25.85</b>	<b>-</b>
Buyer's Import Credit	<b>-</b>	<b>972.67</b>
	<b>995.83</b>	<b>2242.67</b>

\*Includes Rs.749.98 lacs (PY. Rs. 1000 lacs) secured by Hypothecation of immovable property owned by a group Company and Rs.220 Lacs (Previous Year Rs. 270 Lacs) is secured by pledge of 5,00,00,000 nos. (Previous Year 50,00,000 nos.) equity shares of the Company held by a promoter company.



**SCHEDULE - 5 : FIXED ASSETS**

(Rs. in Lacs)

Nature of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 01.04.2009	Adjustment*	Additions	Sales	As at 31.03.2010	Upto 31.03.2009	Adjustment*	For the year	Sales	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible</b>												
Freehold Land	334.94	—	—	—	334.94	—	—	—	—	—	334.94	334.94
Leasehold Land	280.27	—	—	—	280.27	9.55	2.83	—	—	12.38	267.89	270.72
Buildings**	5571.78	—	62.96	—	5634.74	766.26	—	177.19	—	943.45	4691.29	4805.52
Plant & Machinery	34230.50	—	2672.99	—	36903.49	8056.70	—	1803.23	—	9859.93	27043.56	26173.80
Furniture & Fixtures**	379.63	—	4.96	—	384.59	207.23	—	28.30	—	235.53	149.06	172.40
Vehicles	100.35	—	11.43	7.73	104.05	52.62	—	7.42	7.35	52.69	51.36	47.73
<b>Intangible</b>												
Specialised Software	63.48	—	—	—	63.48	46.07	—	4.35	—	50.42	13.06	17.41
<b>Total</b>	<b>40960.95</b>	<b>—</b>	<b>2752.34</b>	<b>7.73</b>	<b>43705.56</b>	<b>9138.43</b>	<b>—</b>	<b>2023.32</b>	<b>7.35</b>	<b>11154.40</b>	<b>32551.16</b>	<b>31822.52</b>
Previous Year	29098.62	309.20	12201.89	30.36	40960.95	7259.41	23.90	1924.43	21.51	9138.43	31822.52	21839.21

Notes:

\* Adjustment for non consolidation of financial statement of subsidiary (refer note no. 1 (iv) (b) of schedule 15)

\*\* Building and Furniture and 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 WDV Rs. 12.35 Lacs and Rs. 15.22 Lacs, respectively, (Previous Year Rs. 16.47 Lacs and Rs. 20.91 Lacs, respectively).

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

PARTICULARS	AS AT 31.03.2010 (Rs. in lacs)	AS AT 31.03.2009 (Rs. in lacs)
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<b>Long Term Investments (Trade) - Unquoted)</b>		
90 Equity Shares of S.C. Winsome Romania S.r.l., face Value of RON 30/- each	0.50	0.54
	<u>0.50</u>	<u>0.54</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. 63.26 lacs (PY Rs. 269 lacs)	2746.20	915.02
Stock in Process	2236.51	1356.33
Stores & Spares	350.29	270.45
Finished Goods (including goods in transit Rs. 264.66 lacs (PY Rs. 100.15 lacs)	2827.89	1822.42
Waste (As net realisable value)	154.56	112.09
	<u>8315.45</u>	<u>4476.31</u>
<b>Sundry Debtors (Unsecured, considered good unless otherwise disclosed)</b>		
Over six months		
- Considered good	2179.90	2092.54
- Considered doubtful	440.17	456.76
Other Debts		
- Considered good	1489.37	1874.71
	<u>4109.44</u>	<u>4424.01</u>
Less: Provision for doubtful debts	<u>440.17</u>	<u>456.76</u>
	<u>3669.27</u>	<u>3967.25</u>
<b>Cash &amp; Bank Balances</b>		
Cash in hand	0.01	0.01
Cheques in Hand	-	3.70
<b>Bank Balances with scheduled Banks</b>		
On Current Accounts	38.35	105.53
On Unpaid Dividend Account	34.59	26.58
On Fixed Deposit Account (Lodged with Banks as Margin)	443.10	1098.22
	<u>516.05</u>	<u>1234.04</u>
<b>Loans &amp; Advances (Unsecured, considered good)</b>		
Advance recoverable in cash or in kind or for value to be received		
- Considered good	2984.99	2284.61
- Considered doubtful	56.25	56.25
Less: Provision for Doubtful Advances	<u>(56.25)</u>	<u>(56.25)</u>
	<u>2984.99</u>	<u>2284.61</u>
Advance to Subsidiary (refer note no. 7(c) of schedule 15)	302.80	337.62
Advance Income Tax including TDS	301.57	282.23
Refunds/Claims Receivable	821.92	735.92
MAT Credit Entitlement	99.13	99.13
Interest subsidy receivable (under TUFs)	1291.74	992.31
Cenvat/VAT/Sales Tax Reimbursable	433.83	268.71
Export Incentives Receivable	869.50	309.94
Security Deposits	117.27	119.90
	<u>7222.75</u>	<u>5430.37</u>
<b>SCHEDULE - 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
<b>Acceptances</b>		
	1639.40	2008.25
<b>Sundry Creditors for Trade</b>		
- Due to Micro, Small and Medium Enterprises	-	-
- Others	3208.99	2950.98
Advance From Customers	367.25	379.69
Book Overdraft (Temporarily overdrawn)	-	233.94
Interest Accrued but not due on Loans	31.22	58.26
Other Liabilities	1021.22	895.76
Unpaid Dividend*	34.59	26.58
	<u>6302.67</u>	<u>6553.46</u>
<b>PROVISIONS</b>		
For Retirement Benefits	106.59	83.58
For Corporate Tax	109.48	109.48
	<u>216.07</u>	<u>193.06</u>
	<u>6518.74</u>	<u>6746.52</u>

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

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

PARTICULARS	AS AT		AS AT
	31.03.2010		31.03.2009
	(Rs. in lacs)		(Rs. in lacs)
<b>SCHEDULE - 9 : SALES</b>			
Yarns*	19555.20		12794.07
Knitwear	1204.35		971.68
Waste Sales	1299.14		836.45
Job Charges (TDS Rs. 3.35 Lacs, Previous Year Rs. 4.42)	167.02		168.16
	<u>22225.71</u>		<u>14770.36</u>
*Includes Duty Drawback and DEPB Rs. 947.19 lacs (PY Rs. 273.52 lacs)			
<b>SCHEDULE - 10 : INCREASE/(DECREASE) IN STOCKS</b>			
<b>Closing Stock</b>			
Finished Goods			
- Yarn	2517.90	1773.09	
- Knitwear	309.99	49.33	1822.42
Stock in Process			
- Yarn	1830.03	987.96	
- Knitwear	406.48	368.37	1356.33
Waste	154.56		112.09
	<u>5218.96</u>		<u>3290.84</u>
<b>Less: Opening Stock</b>			
Finished Goods			
- Yarn	1773.09	2416.70	
- Knitwear	49.33	—	
Less: Finished Goods relating to Subsidiaries*	—	264.04	2152.66
Stock in Process			
- Yarn	987.96	1625.71	
- Knitwear	368.37	173.64	
Less: Finished Goods relating to Subsidiaries*	—	564.09	1235.26
Waste	112.09		73.77
	<u>3290.84</u>		<u>3461.69</u>
	<u>1928.12</u>		<u>(170.85)</u>
*Adjustment for non consolidation of financial statement of subsidiary (Refer Note no. 1 (iv)(b) of Schedule 15)			
<b>SCHEDULE - 11 : RAW MATERIALS CONSUMED</b>			
Opening Stock	915.02	3824.55	
Less : Opening Stock relating to financial statement of Subsidiaries*	—	1730.19	2094.36
Purchases	15053.95		7561.91
	<u>15968.97</u>		<u>9656.27</u>
Closing Stocks	2746.20		915.02
Raw Materials Consumed	<u>13222.77</u>		<u>8741.25</u>
*Adjustment for non consolidation of financial statement of subsidiary (Refer Note no. 1 (iv)(b) of Schedule 15)			
<b>SCHEDULE - 12 : MANUFACTURING &amp; OTHER EXPENSES</b>			
<b>PAYMENT &amp; PROVISIONS OF EMPLOYEES</b>			
Salaries, Wages & Other Allowances	1186.92	1030.32	
Contribution to Provident & Other Funds	106.43	85.96	
Employees Welfare	10.52	8.31	
	<u>1303.87</u>		<u>1124.59</u>
<b>MANUFACTURING EXPENSES</b>			
Stores & Spares consumed	849.17	958.41	
Power & Fuel	2801.67	1648.05	
Repairs to Buildings	20.12	6.26	
Repairs to Plant & Machinery	15.40	22.04	
Processing & Dyeing Charges	533.37	218.36	
Material Handling Charges	128.36	82.47	
	<u>4348.09</u>		<u>2935.59</u>

PARTICULARS	AS AT 31.03.2010 (Rs. in lacs)	AS AT 31.03.2009 (Rs. in lacs)
<b>SCHEDULE - 12 : EXPENSES (continued)</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	30.02	30.04
Printing & Stationery	5.80	7.94
Rates & Taxes	0.45	0.35
Director Sitting Fee	2.36	2.32
Insurance	45.87	42.13
Repair & Maintenance	24.88	16.58
Travelling & Conveyance	145.66	133.61
Miscellaneous Expenses	124.94	112.13
Wealth Tax	—	0.10
Postage, Telegrams and Telephones	40.33	52.31
Loss on sale of fixed assets	—	4.86
Balances written off (net)	2.95	—
Exchange Rate Difference (Net)	192.51	—
Legal & Professional Charges	126.11	106.46
Charity & Donation	0.12	0.47
Prior Period Expenses (Net)	6.37	12.07
Provision for Doubtful Debts/Advances	—	513.01
<b>AUDITORS' REMUNERATION</b>		
Audit Fees	3.29	3.30
Tax Audit Fees	0.35	0.35
Other Services	0.80	1.06
Re-imburement of expenses	0.76	0.39
	<u>5.20</u>	<u>5.10</u>
	<u>753.57</u>	<u>1039.48</u>
<b>SELLING EXPENSES</b>		
Commission on sales	307.85	283.29
Freight & Handling Charges	700.13	581.85
Advertisement & Other Selling Expenses	55.57	93.58
	<u>1063.55</u>	<u>958.72</u>
	<u>7469.08</u>	<u>6058.38</u>
<b>SCHEDULE - 13 : FINANCIAL EXPENSES</b>		
Interest on Term Loans (Net of re-imburement under TUFs Rs. 1291.74 Lacs PY Rs. 829.19 Lacs)	1911.66	1328.84
Interest on Working Capital	1008.90	1051.45
Bank Charges & Commission	253.61	220.95
	<u>3174.17</u>	<u>2601.24</u>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Income	32.55	25.69
Duty drawback others	—	105.89
Interest Received (TDS Rs. 7.90 lacs Previous Year Rs. 17.77 lacs)	68.20	90.05
Sale of Scrap	4.41	62.95
Liability/Balances written back (net)	—	56.48
Profit on Sale of Fixed Assets	0.93	—
Provision for Doubtful Debts / Advances written back	16.59	—
Exchange Rate Difference (Net)	—	108.53
	<u>122.68</u>	<u>449.59</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) Consolidated financial statements (CFS) comprised the financial statements of Winsome Yarns Limited and its subsidiary namely Winsome Yarns (Cyprus) Limited.
- iii) List of subsidiaries:

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.R.L.	100	Indirect	Italy
4.	S.C. Textil S.R.L.	100	Indirect	Romania

- (iv) (a) The financial Statements of step down subsidiary namely S.C. Winsome Romania S.R.L. had been excluded from consolidation as the same is under liquidation. Further the insolvency of S.C. Winsome Romania S.R.L. have not yet been confirmed by the relevant court. Accordingly standalone financial statements of Winsome Yarns (Cyprus) Limited have been considered.
  - (b) Adjustments of non-consolidation of the financial statements of the aforesaid step down subsidiaries had been considered in the respective accounts during the previous year.
  - (v) S.C. Winsome Romania S.R.L. is holding 100% shares (investment) of IMM Winsome Italia S.R.L, Italy and the later Company holds 100% shares (investment) of S. C. Textil S.R.L, Romania. The financial statements of the above said companies have not been considered for the purpose of consolidation, as the same are under liquidation (read with note no. (iv)(a) above).
  - (vi) 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.
  - (vii) 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.
  - (viii) 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. (A) (i) The Corporate Debt Restructuring (CDR) Empowered group (CDR-EG) in their meeting held under CDR mechanism on 17th March, 2009 have approved debt restructuring proposal of the Company which is effective from 1st January 2009 has been implemented based on the sanctioned so far received from the lenders or the agreement to the restructuring scheme and Master Restructuring Agreement (MRA) as approved on 21st July 2009.
- (ii) As per the above, arrangement / loans is further secured by unconditional and irrevocable guarantees of promoters, promoters group/ associate companies and further secured/ to be secured by pledge of 51% (Fifty one percent) of equity share capital (present /future) held/to be held by them in the Company.
  - (iii) CDR Empowered group have also stipulated that promoters shall arrange to bring fund to meet the deficit as stipulated and fund out of investments made in overseas subsidiaries through disinvestment which is in process.
- (B) Certain covenants/ conditions as stipulated in the CDR package are pending for compliance during the year.
3. (i) In the EGM held on 5th February, 2010, shareholders of the Company have approved the issue of 25,10,00,000 nos. convertible warrants at Rs. 1.60 per warrant (including premium of Rs. 0.60 per warrant) on preferential basis and have received aggregate amount of Rs. 1004 lacs (total received Rs. 1088 lacs) being applicable 25% (Rs. 0.40 on issue price of Rs.1.60 per warrant, including premium of Rs.0.60 per warrant) of such warrant and made the allotment of Convertible Warrant in Board of Directors meeting held on 19.02.2010.
- (ii) Issue proceed have been utilized for the purpose as stipulated and balance amount have been parked into Working Capital.

4. Depreciation on certain Plant & Machinery is provided by considering it as continuous process plant based on technical assessment.
5. The Company has initiated persuasive actions for recovery of certain overseas overdue debtors of amounting to Rs.1903.39 lacs (P.Y. Rs. 2028.29 lacs). In the opinion of the management these are good and fully recoverable / realisable hence no provision there against is considered necessary by the management. However for necessary approval for the extension of time application have been filed with the appropriate authority.
6. Balances of certain sundry debtors, Loans & Advances, creditors (including of associates Company), and other liabilities are in process of confirmation/ reconciliation. The management is of the opinion that adjustment, if any, arising out of such reconciliation would not be material.
7. (a) As per terms of the Agreement entered between Company and private equity partners /sellers, the Company is to invest through a subsidiary i.e. WYCL (Winsome Yarns (Cyprus) Ltd) in a JV Company M/s Newcocot S.R.L. amounting to Euro 4.64 millions (approx Rs.2782.95 lacs) (read with para(b) below for partial payment). In earlier year the Company has made investment in equity and preference share capital of its above stated subsidiary amounting to EURO 2.55 million (Equivalent to Rs.1517.25 lacs).
- (b) Loans & Advances includes Euro 2.5 millions (Equivalent to Rs.1,514 lacs) represent partial payment for the acquisition of 933750 Shares in an overseas Company namely, Newcocot S.R.L.
- (c) Company has investment in a subsidiary Company amounting to Rs.1516.71 lacs (net of provision) which has advanced amounting to Euro 500,000 (Equivalent to Rs.302.80 lacs) for subscribing to the share capital, to M/s S. C. Winsome Romania s.r.l, Romania (step down subsidiary) which is under liquidation. Further this stated subsidiary Company have also advanced amounting to Euro 2.5 millions (Equivalent to Rs.1514 lacs) (note no. 7 (b)) for acquisition of shares of Newcocot S.R.L. No provision for diminution in the value of investment of Rs.1516.71 lacs in subsidiary considered necessary by the company in view of strategic and long term in nature and considering the intrinsic value of the assets of the subsidiary Company.
8. Auditors of the subsidiary Company namely M/s Winsome Yarns (Cyprus) Limited has referred in report for non-provisioning against investment / advance in a subsidiary (namely S.C. Winsome Romania s.r.l) of amounting to Euro 500,828 (Equivalent to Rs.303.30 lacs) (read with note no.7(c)).

9. A) Contingent Liabilities, not provided for in respect of (As certified by the management): (Rs. in Lacs)

No.	Particulars	2009-2010	2008-2009
(i)	Bills discounted with banks	2884.08	1716.54
(ii)	Outstanding Letter of Credit	418.34	2222.07
(iii)	Sales Tax liability in respect of matters in appeal	8.05	8.05
(iv)	Excise duty show cause notices / matters in appeal	523.72	559.41
(v)	Service Tax Matters	0.62	0.62
(vi)	Income Tax Demand	308.23	142.71
(vii)	Outstanding bank guarantees	88.79	51.09
(viii)	Customs duty saved of Rs.4151.70 lacs (Previous Year Rs. 2677.28 lacs) for import of capital good made against EPCG license against which export obligations amounting Rs. 33213.58 lacs (Previous Year Rs. 21418.23 Lacs) are pending.		

- B) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustments, if any, will be made after the same are finally determined.  
Considering the past experience, management is of the view that there will not be any material impact on accounts on settlement / finalization of above.
- C) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.862.83 lacs (Previous Year Rs.893.73 lacs) net of advances Rs.460.89 lacs (Previous year Rs.511.10 Lacs).
10. In terms of the resolution passed by the shareholders in their meeting held on 28.08.09, fully paid equity shares of Rs. 10/- each of the Company had been sub-divided into 10 no. fully paid equity shares of Rs. 1/- each.

#### 11. 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 follow:
  - (a) Revenue inside India includes sales to customers located within India.
  - (b) Revenue outside India includes sales to customers located outside India.

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

No.	Particulars	India	Outside India	Total
i)	External Revenue-Sales	8574.98 (5554.73)	13650.73* (9215.63)*	22225.71 (14770.36)
ii)	Carrying amount of segment assets by location of assets	52596.59 (47616.26)	4445.13 (4857.73)	57041.72 (52473.99)
iii)	Capital Expenditure	1664.54 (11921.98)	— (—)	1664.54 (11921.98)

\* Includes Export Incentive of Rs. 947.19 Lacs (P.Y. 273.52 Lacs)

12. During the year, deferred tax in respect of timing differences has been re-assessed/ re-computed and asset (net) amounting to Rs. 586.02 lacs for the year has been credited to Profit & Loss Account.

Particulars	2009-10	2008-09
<b>Deferred Tax Liability (DTL)</b>		
Tax impact on difference between book value of depreciable assets and written down value for tax purposes	<b>4326.78</b>	4073.96
<b>Deferred Tax Assets (DTA)</b>		
Tax impact of unabsorbed depreciation and business losses	<b>4457.82</b>	3618.29
Tax impact of expenses charged to profit & loss account but allowance under tax laws deferred	<b>37.20</b>	28.41
Tax impact on doubtful debts & advances	<b>164.90</b>	174.38
<b>Deferred Tax Asset/(Liability) (Net)</b>	<b>333.14</b>	(252.88)

Note: Management is confident about recoverability of the DTA as stated above considering the future profitability and present market conditions.

### 13. Earning per share

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

Particulars	2009-2010	2008-2009*
Net Profit/(Loss) attributable to Equity Shareholders (Rs. in lacs)	<b>(1217.46)</b>	(2796.23)
Weighted average number of equity shares	<b>256659790</b>	256659790
Nominal Value per equity share (Rs.)	<b>1</b>	1
Basic EPS (Rs.)	<b>(0.47)</b>	(1.09)
Weighted average number of equity shares for diluted EPS	<b>495728136</b>	256659790
Diluted EPS (Rs.)	<b>(0.47)</b>	(1.09)

\*Refer note no. 10.

### 14. 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) S.C. Winsome Romania S.R.L. (90% subsidiary)
  - (ii) I.M.M. Winsome Italia S.R.L. (Subsidiary of (i) above)
  - (iii) S.C. Textil S.R.L. (Subsidiary of (ii) above)
- (ii) Key management personnel and their relatives.
 

- Shri Satish Bagrodia	Chairman
- Shri Manish Bagrodia	Managing Director
- Shri Ashish Bagrodia	Director
- Shri Andreas Alexiou	Director
- Shri Androulla Kakoyianni	Director
- Shri Stelios Sivitanides	Director
- (iii) Organisations where Key Management Personnel & their relative have Significant influence
  - Star Point Financial Services (Pvt.) Ltd.
  - Shell Business Pvt. Ltd.
  - Satyam Combines Pvt. Ltd.

**Transactions with the related parties during the year ended 2009-2010**

(Rs. in Lacs)

<b>Particulars</b>	<b>2009-10</b>	<b>2008-09</b>
Winsome Textile Industries Ltd.		
- Sale of material & goods and services	<b>23.00</b>	70.77
- Purchase of material & goods and services	<b>354.49</b>	238.75
- Expenses reimbursed to others	<b>0.25</b>	-
- Expenses reimbursed by others	<b>5.01</b>	-
- Balance Outstanding as at year end Receivable / (Payable)	<b>(254.26)</b>	56.27
Sh. Satish Bagrodia		
- Directors Sitting Fee	<b>0.35</b>	0.35
Sh. Manish Bagrodia		
- Remuneration	<b>25.08</b>	26.30
Sh. Ashish Bagrodia		
- Directors Sitting Fee	<b>0.30</b>	0.40
Starpoint Financial Services Pvt. Ltd.		
- Rent	<b>19.32</b>	16.80
Shell Business Pvt. Ltd.		
- Application/ Allotment Money against convertible warrant	<b>473.00</b>	27.00
S.C. Winsome Romania		
- Sale of material & goods and services	-	44.67
- Purchase of material & goods and services	-	37.01
- Balance Outstanding as at year end Receivable / (Payable)	<b>86.81</b>	86.81
IMM Winsome Italia		
- Sale of material & goods and services	-	45.05
- Purchase of material & goods and services	-	6.47
- Balance Outstanding as at year end Receivable / (Payable)	<b>171.01</b>	171.01

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

15. 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.
16. Accounting Policies and other notes on accounts are set out in the financial statements of the Company.
17. Figures for the previous year have been re-grouped/recast wherever considered necessary to make them comparable with those of current year.
18. 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**

FRN : 301051E

N.K. Lodha  
*Partner*  
M.No. 85155

K.V. Singhal  
*Company Secretary*

Vinod Jaria  
*Financial Controller*

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

PLACE : Chandigarh  
DATED : 27th May 2010

Manish Bagrodia  
*Managing Director*

Satish Bagrodia  
*Chairman*



**BOARD OF DIRECTORS**

Andreas Alexiou  
Androulla Kakoyianni  
Stelios Sivitanides  
Ashish Bagrodia  
Manish Bagrodia

**COMPANY SECRETARY**

**Cypcosecretarial Limited**

Demitas Tower  
3rd Floor, Flat/Office 302  
14 Michalakopoulou Street  
P.C. 1075, Nicosia  
Cyprus

**REGISTERED OFFICE**

58 Grivas Dighenis Avenue  
City House  
8047-Paphos  
Cyprus

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## **Report of the Board of Directors**

1. The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 March 2010.

### **Principal Activities**

2. The principal activities of the Company, which are unchanged from last year, are the import and export of textile and apparels, and the holding of investments.

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

3. The loss of the Company for the year ended 31 March 2010 was Euro 15.759 (2009: Euro 23.095). On 31 March 2010 the total assets of the Company were Euro 3.037.716 (2009: Euro 3,060.689) and the net assets were Euro 2.485.624 (2009: Euro 2.501.383). The financial position, development and performance of the Company as presented in these financial statements is considered satisfactory.

### **Principal risks and uncertainties**

4. The Board of Directors considers that the Company does not face any risks or uncertainty other than those mentioned in Note 3 of the financial statements.

### **Future developments of the Company**

5. The Board of Directors does not expect any significant future developments in the operations, financial position and performance of the Company in the foreseeable future.

### **Results**

6. The Company's results for the year are set out on page 4. The loss for the year is carried forward.

### **Share Capital**

7. There were no changes in the share capital of the Company.

### **Board of Directors**

8. The members of the Board of Directors at 31 March 2010 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year ended 31 March 2010.
9. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.
10. In accordance with the Company's Articles of Association there being no requirement for the retirement of directors by rotation, all the Directors remain in office.

### **Events after the balance sheet date**

11. There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

### **Branches**

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

### **Independent Auditors**

13. The Independent Auditors, D.C. Demetriou Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Paphos,  
21 May 2010

**Andreas Alexiou**  
*Director*

## **Independent Auditors' Report**

To the Members of Winsome Yarns (Cyprus) Limited

### **Report on the Financial Statements**

We have audited the company financial statements of Winsome Yarns (Cyprus) Limited (the "Company"), which comprise the balance sheet as at 31 March 2010, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Board of Directors' Responsibility for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for qualified opinion**

As discussed in Note 12 to the Financial statements, there was no write off of the investment in the subsidiary, S.C. Winsome Romania S.r.l. in the financial statements which practice, in our opinion, is not in accordance with the International Financial Reporting Standards. The write off of the investment for the year ended 31 March 2010 should be Euro 500.828 based on the principle of IAS 10 "Post Balance Sheet Events". Accordingly, the value of the investment should be reduced to Nil and the loss for the year and the accumulated deficit should be increased by Euro 500.828.

### **Qualified Opinion**

In our opinion, except for the effect on the financial statements of the matter referred to on the basis for Qualified Opinion paragraph, the financial statements given a true and fair view of the financial position of Winsome Yarns (Cyprus) Limited as of 31 March 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on Other Legal and Regulatory Requirements**

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113 we report the following:

- We have obtained all the information and explanations we considered necessary for the purpose of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement and the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required except as explained in the paragraph Basis for Qualified Opinion.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Cyprus Companies Law Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

### **D.C. Demetriou Limited**

Certified Public Accountants (CV)

Nicosia 21 May 2010

## WINSOME YARNS (CYPRUS) LIMITED

### Income Statement for the year ended 31 March 2010

PARTICULARS	NOTES	2010 Euro	2009 Euro
Revenue	5	-	87,364
Cost of Sales		-	(84,077)
Gross Profit		-	3,287
<b>Administrative expenses</b>			
Other Losses - Net		(15,759)	(26,337)
Operating Loss	6	-	(44)
		(15,759)	(23,094)
Financial Costs	8	-	(1)
Loss before tax		(15,759)	(23,095)
Income tax Credit	9	-	-
Loss for the year		(15,759)	(23,095)

The notes on pages 6 to 12 are an integral part of these financial statements.

### Balance Sheet as at 31 March 2010

PARTICULARS	NOTES	2010 Euro	2009 Euro
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	12	500,828	500,828
<b>Current Assets</b>			
Trade and other receivables	13	2,500,897	2,500,897
Cash and cash equivalents	14	35,991	58,964
		2,536,888	2,559,861
<b>Total Assets</b>		<b>3,037,716</b>	<b>3,060,689</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	15	281,727	281,727
Share premium	15	2,268,200	2,268,200
Accumulated losses		(64,303)	(48,544)
<b>Total Equity</b>		<b>2,485,624</b>	<b>2,501,383</b>
<b>Current Liabilities</b>			
Trade and other payables	16	552,092	559,306
<b>Total equity and liabilities</b>		<b>3,037,716</b>	<b>3,060,689</b>

On 21 May 2010 the Board of Directors of Winsome Yarns (Cyprus) Limited authorised these financial statements for issue.

Andreas Alexiou, Director

Sterlios Sivitanidex, Director

The notes on pages 6 to 12 are an integral part of these financial statements.

## WINSOME YARNS (CYPRUS) LIMITED

### Statement of changes in equity for the year ended 31 March 2010

	Note	Share Capital Euro	Share Premium Euro	Accumulated Losses <sup>1</sup> Euro	Total Euro
<b>Balance at 1 April 2008</b>		281,727	2,268,200	(25,449)	2,524,478
<b>Comprehensive Income</b>					
Loss for the year		-	-	(23,095)	(23,095)
<b>Balance at 31 March 2009 / 1 April 2009</b>		281,727	2,268,200	(48,544)	2,501,383
<b>Comprehensive Income</b>					
Loss for the year		-	-	(15,759)	(15,759)
<b>Balance at March 2010</b>		281,727	2,268,200	(64,303)	2,485,624

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 6 to 12 are an integral part of these financial statements.

### Statement of Cash Flows for the year ended 31 March 2010

PARTICULARS	NOTES	2010 Euro	2009 Euro
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(15,759)	(23,095)
<b>Adjustment for:</b>			
- Interest expense	8	-	1
		(15,759)	(23,094)
<b>Changes in working capital:</b>			
- Trade and other payables		(7,214)	550,393
<b>Net Cash (used in) / from operating activities</b>		(22,973)	527,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in subsidiaries	12	-	(500,000)
<b>Net Cash used in investing activities</b>		-	(500,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares	15	-	-
Interest Paid		-	(1)
<b>Net cash from / (used in) financing activities</b>		-	(1)
<b>Net (decrease) / Increase in cash and cash equivalents</b>		(22,973)	27,298
<b>Cash and cash equivalents at beginning of the year</b>		58,964	31,666
<b>Cash and cash equivalents at the end of year</b>	14	35,991	58,964

The notes on pages 6 to 12 are an integral part of these financial statements.

## **Notes to the Financial Statements**

### **1. General Information**

#### **Country of Incorporation**

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

#### **Principal activities**

The principal activities of the Company, which are unchanged from last year, are the import and export of textile and apparels, and the holding of investments.

### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

#### **Basis of Preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 April 2009 and relevant to the Company have been adopted by the EU through the endorsement procedure established by the European Commission.

The Company is not required by the Companies Law, Cap. 113, to prepared consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2010.

The European Commission has concluded that since parent companies are required by the EU 4th Directive to prepare their separate financial statements and since the Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IAS 27 "Consolidated and Separate Financial Statements" requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. Note 4.

#### **Adoption of new and revised IFRSs**

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 April 2009. This adoption did not have a material effect on the accounting policies of the Company, with the exception of the following:

- (i) International Accounting Standard (IAS) 1 "Presentation of financial statements" (revised). As a result of the adoption of this revised standard, the Company presents in the statement of changes in equity all changes resulting from transactions with shareholders, whereas all changes in equity resulting from transactions with non-shareholders of the Company are presented in the statement of comprehensive income. The presentation of comparative information has been adjusted in conformity with the revised standard. The change had an impact only on the presentation of the financial statements.
- (ii) IFRS 7 "Financial Instruments - Disclosures" (amendment). As a result of the adoption of this amendment, the Company provides additional disclosures in relation to the fair value measurements of its financial instruments and liquidity risk.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

#### **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts. Revenues earned by the Company are recognised on the following basis:

The Company recognises revenue when the amount of revenue can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(i) Sales of goods**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customers, which is usually when the Company has sold or delivered goods to the customers, the customer has accepted the goods and collectibility of the related receivables is reasonably assured.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**(ii) Interest Income**

Interest income is recognised on a time proportion basis using the effective interest method.

### **Foreign Currency Translation**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an assets or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

### **Investments in subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements.

### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due

according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision are recognised in the income statement.

**Share Capital**

Ordinary shares are classified as equity.

**Provisions**

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Company becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided in advance. Provisions are not recognised for future operating losses.

**Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Cash and Cash equivalents**

Cash and cash equivalents include cash at banks.

**Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**3. Financial Risk Management****(i) Financial Risk Factors**

The Company's activities expose it to foreign exchange risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risk are discussed below:

The company does not have a formal risk management policy programme. Instead the susceptibility of the Company's financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk is monitored as part of its daily management of the business.

**- Market Risk****Foreign exchange risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**- Liquidity Risk**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**At 31 March 2009**

Trade and other payables

Less than 1 Year  
Euro

559,306

**At 31 March 2010**

Trade and other payables

552,092

Management does not have a formal policy for managing liquidity risk.



**(ii) Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The capital is defined by Management at 31 March 2010 and 2009 were as:

	2010 Euro	2009 Euro
Total Borrowings	-	-
Less: Cash and cash equivalents (Note 14)	(35,991)	(58,964)
Net debt	(35,991)	(58,964)
Total equity	2,485,624	2,501,383
Total capital as defined by management	<u>2,449,633</u>	<u>2,442,419</u>

**(iii) Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

**4. Critical accounting estimates and judgements**

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

**5. Revenue**

	2010 Euro	2009 Euro
Sales of Goods	-	87,364

**6. Other Losses - Net**

Net foreign exchange transaction losses on operating activities	-	(44)
---	---	------

**7. Expenses by nature**

Finished goods	-	84,077
Auditors' remuneration	1,000	1,000
Auditor's remuneration - previous year	450	(2,450)
Accounting and administrative expenses	12,201	23,041
Other administrative expenses	2,108	4,746
Total cost of goods sold and administrative expenses	<u>15,759</u>	<u>110,414</u>

**8. Finance Costs**

Interest expense:		
- Bank borrowings	-	1

**9. Income tax expense**

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

Loss before tax	(15,759)	(23,095)
Tax calculated at the applicable corporation tax rate of 10%	(1,576)	(2,310)
Tax effect of tax losses for which no deferred tax asset was recognised	1,576	2,310
Income tax charge	<u>-</u>	<u>-</u>

## WINSOME YARNS (CYPRUS) LIMITED

The company is subject to corporation tax on taxable profits at the rate of 10%. The Company's tax losses as at 31 March, 2009 amounted to Euro 17.593 (2008: Euro 39.234).

Upto 31 December 2008, under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

No deferred tax asset has been recognised due to the uncertainty over the utilisation of the accumulated tax losses in future years.

<b>10. Financial Instruments by category</b>	Loans and receivables Euro	Total Euro
<b>31 March 2009</b>		
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments)	2,500,000	2,500,000
Cash and cash equivalents	58,964	58,964
Total	<u>2,558,964</u>	<u>2,558,964</u>
	Other financial liabilities Euro	Total Euro
<b>Liabilities as per balance sheet</b>		
Trade and other payables (excluding statutory liabilities)	559,306	559,306
Total	<u>559,306</u>	<u>559,306</u>
<b>31 March 2010</b>		
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments)	2,500,000	2,500,000
Cash and cash equivalents	35,991	35,991
Total	<u>2,535,991</u>	<u>2,535,991</u>
	Other financial liabilities Euro	Total Euro
<b>Liabilities as per balance sheet</b>		
Trade and other payables (excluding statutory liabilities)	552,092	552,092
Total	<u>552,092</u>	<u>552,092</u>

### 11. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2010 Euro	2009 Euro
<b>Fully performing other receivables</b>		
Receivables from third parties	2,500,000	2,500,000
<b>Cash at Bank and Short-Term bank deposits</b>		
A2	35,991	58,964

Group 1 - Receivables from third parties.

None of the financial assets that are fully performing has been renegotiated in the last year.

None of the loans and receivables from related parties is past due or impaired.

## WINSOME YARNS (CYPRUS) LIMITED

<b>12. Investments in subsidiaries</b>		<b>2010</b>	<b>2009</b>
		<b>Euro</b>	<b>Euro</b>
At beginning of the year		500,828	828
Additions		-	500,000
At end of year		500,828	500,828

The principal subsidiary undertaking which is unlisted, is:

Name	Principal activity	Country of Incorporation	2010 % holding	2009 % holding
S.C. Winsome Romania S.r.l.	Textile market	Romania	90	90

The Company's Romanian subsidiary, S.C. Winsome Romania S.r.l. is still under liquidation, as the insolvency has not yet been confirmed by the relevant court.

<b>13. Trade and other receivables</b>		<b>2010</b>	<b>2009</b>
		<b>Euro</b>	<b>Euro</b>
Other receivables		2,500,000	2,500,000
Prepayments		897	897
		2,500,897	2,500,897

The fair value of trade and other receivables approximate their carrying amounts.

Other receivables represent a partial payment for the acquisition of 933.750 shares in an Italian Company namely, Newcocot S.r.l. It is expected that the total cost for this acquisition will be Euro 4,600,000.

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

		<b>2010</b>	<b>2009</b>
		<b>Euro</b>	<b>Euro</b>
Euro - Functional and Presentation Currency		2,500,897	2,500,897

### 14. Cash and Cash equivalents

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

		<b>2010</b>	<b>2009</b>
		<b>Euro</b>	<b>Euro</b>
Cash at Bank		35,991	58,964

Cash and cash equivalents are denominated in the following currencies:

		35,991	58,964
Euro-Functional and Presentation Currency			

<b>15. Share Capital and Share Premium</b>		<b>Number of shares</b>	<b>Share capital Euro</b>	<b>Share premium Euro</b>	<b>Total Euro</b>
At 1 April 2008 / 31 March 2009 / 31 March 2010		281,710	281,727	2,268,200	2,549,927

<b>16. Trade and other payables</b>		<b>2010</b>	<b>2009</b>
		<b>Euro</b>	<b>Euro</b>
Payables to shareholders [Note 18(ii)]		12,394	4,758
Other payables		1,188	14,298
Accrued expenses		2,800	4,540
Advances received from customers		535,710	535,710
		552,092	559,306

The advances received from customers represent deposits for future sales.

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

## WINSOME YARNS (CYPRUS) LIMITED

### 17. Commitments

#### (i) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2010 Euro	2009 Euro
Advances received from customers	535,710	535,710

### 18. Related party transactions

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

The following transactions were carried out with related parties:

#### (i) Directors' Remuneration

The total remuneration of the Directors as follows:

	2010 Euro	2009 Euro
Fees	805	805

#### (ii) Shareholders Current Account

At beginning of year	4,758	43
Deposits during the year	7,636	4,715
Balance at the end of year	12,394	4,758

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

### 19. Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on page no. 3.

PARTICULARS	2010 Euro	2009 Euro
<b>Cost of goods sold for the year ended 31 March 2010</b>		
Purchases of finished goods	-	84,077
Cost of finished goods	-	84,077

### Analysis of expenses for the year ended 31 March 2010

#### Administrative expenses:

Auditors' Remuneration	1,000	1,000
Auditors' Remuneration - Prior Year	450	(2,450)
Accounting and administration fees	12,201	23,041
Legal Fees	-	978
Directors' Fees	805	805
Secretarial Fees	391	391
Registered Office Fees	-	403
Legalisation of Documents	122	214
Telephone, telexes and facsimiles	153	68
Printing and Stationery	253	347
Bank charges	384	1,540
	15,759	26,337

# 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 **20th ANNUAL GENERAL MEETING** of the Company being held on Thursday, the 30th September, 2010 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh.

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

\*Applicable for investors holding shares in electronic form.

**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*	
No. of Shares	Client id*	

\*Applicable for investors holding shares in electronic form.

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 20th ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 30th September, 2010 at 3.30 p.m. at PHD Chamber of Commerce and Industry, Sector 31-A, Chandigarh and at any adjournment thereof.

AS WITNESS my/our hand this .....day of .....2010.

Signature of Proxy .....

Stamp

Signature of 1st/Sole Shareholder  
(As per specimen signature registered with the Company)

### NOTE :

- (i) The Proxy form duly signed across the revenue stamp must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
- (ii) Incomplete Proxy Form will not be considered.

# BOOK POST

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

*Sapnika - 2661579*