

PRIME TEXTILES LIMITED

Annual Report 2005-06

BOARD OF DIRECTORS

Mr. MADAN LAL PATODIA
Chairman

Mr. PURUSHOTTAM PATODIA
Vice Chairman & Managing Director

Mrs. MINNU THOMAS
(Nominee of IDBI)

Mr. N.K. BAFNA

Mr. BANWARILAL SINGHAL

Mr. CHANDULAL D. THAKKER

Mr. MANOJ KUMAR PATODIA
Managing Director

Mr. ANUJ K. PATODIA
Executive Director

COMPANY SECRETARY

Mr. S. RENGASAMY

AUDITORS

MESSRS. M.S. JAGANNATHAN & VISVANATHAN
Chartered Accountants, Coimbatore

LEGAL ADVISORS

MESSRS. RAMANI & SHANKAR
Advocates, Coimbatore

BANKERS

CENTRAL BANK OF INDIA
BANK OF INDIA
CANARA BANK

REGISTERED OFFICE

110, Avinashi Road
Gandhinagar Post
Tirupur-641 603
India

PRIME TEXTILES LIMITED

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DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Sixty Ninth Annual Report and the Audited Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS AT A GLANCE

	Year ended March 31, 2006 Rs.lacs	Year ended March 31, 2005 Rs.lacs
Turnover and other Income	11,165	12,074
EBIDTA	1,524	1,351
Interest	724	583
Depreciation	453	429
Amortisation	216	192
Profit before taxes	131	147
Current Taxation	(7)	(8)
Deferred taxation	75	118
Fringe benefit tax	(9)	-
Minimum Alternate Tax Credit entitlement	7	-
Profit after tax	197	257
Surplus from previous year brought forward	142	137
Amount available for appropriation	339	394
APPROPRIATIONS:		
Proposed Dividends-		
On Equity Capital	34	34
On Preference Capital	12	12
Tax on Distributed Profits	6	6
Transfer to General Reserve	200	200
Surplus carried over to Balance Sheet	87	142
Total Appropriations	339	394

DIVIDEND

Your Directors are pleased to recommend a Dividend of 7.50% on 45,48,720 Equity Shares of Rs.10 each absorbing Rs. 34.12 lacs and to recommend a Dividend @8% on 1,50,000 8% Preference Shares of Rs.100 each absorbing Rs.12.00 lacs for the year ended 31 March 2006.

The above Dividends, if declared, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. You may please note the fact that the Dividend recommended above is free of tax in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs. 6.47 lacs.

REVIEW OF OPERATIONS

Industry

True to expectations the textile industry witnessed intense competition both in domestic and international markets in the aftermath of quotas, progressive liberalization of market access and removal of quantitative restrictions (QRs). Post-MFA era posed opportunities and posed challenges for the Indian textile industry. The elimination of quota restriction opened the way for the Indian textile industry to develop stronger clusters to handle different stages of production chain. In order to capitalize on the opportunities a Vision-2010 for textiles was formulated by the government. It aims at increasing India's share in world's textile trade from the current 4% to 8% by 2010 and to achieve export value of US \$ 50 billion by 2010. Vision 2010 for textiles envisages growth in Indian textile economy from the current US \$ 37 billion to \$ 85 billion by 2010, creation of 12 million new jobs in the textile sector; and modernisation and consolidation for creating a globally competitive textile industry. The industry needs to capitalize on the natural advantages in the country which has a strong raw material base, large capacities in both spinning and weaving sector, vast pool of skilled manpower, flexibility in production process and growing entrepreneurship.

Operations

Spinning Unit:

During the year under report, your company witnessed a high incidence of power cost owing to unprecedented increase in oil prices, which rendered operation of its captive power plant most uneconomical, dipping the operational margins of the Spinning Unit. Power cost alone escalated by 33% (Rs.304 lacs) during the year under report compared to the previous year. The switchover to SEB for

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power supply was the only option available but the high power tariff in the State has contributed to increased operational costs, with the result profit margins have been depressed.

Your Directors are considering various options to redress the situation on a long term basis and are hopeful of bringing up the operational margins to match with industry best standards.

Garments Division:

The Garments industry has been operating in the mid price segment where production costs are kept low. The Division has fallen short of expectations owing mainly to changing customer preferences. Despite adequate attention provided at top management levels, being a labour-intensive sector, catering to seasonal export demands which are small lot sizes and operating in low value segments has thrown the scale economies out of gear, forcing the Company to take a fresh look at its expansion proposals. The poor performance of the Division with a net loss at Rs.114 lacs for the current year has adversely affected the overall performance of the company.

Presently the Division is showing some signs of improvements and your Directors hope the Division reaches reasonable levels of productivity and margins on sales during the coming year.

Property Development:

As already reported, your company has stepped into development of its landed properties in partnership with technocrats and others. Its first project of construction of Residential flats in Tirupur is in advanced stages of construction and the Phase-1 with 212 apartments is expected deliverable by end-December 2006. The Phase-2 with further 200 residential apartments will be taken up for construction by July 2006. The Commercial Mall of world-class amenities is expected to launch during the current year. It offers amusement parks, convention centers, food courts, shopping and offices, multiplexes and a star category hotel. This state-of-the-art mall, first of its kind in Tirupur, is expected to redefine the way the city shops. It is expected that organized retailing attains a fast track growth in Tirupur, fuelled by such a mall catching up imagination of young retailers.

CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the year ended March 31, 2006 form part of the Annual Report.

SUBSIDIARY COMPANIES

The Reports and Audited Accounts of the subsidiary companies along with the statement pursuant to Section 212 of the Companies Act, 1956, form part of the Annual Report.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company has adopted appropriate standards for good Corporate Governance. All the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with. Report on Corporate Governance with Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges forms part of the Annual Report in Annexure B.

ENVIRONMENT AND POLLUTION CONTROL

Your Company has been complying with the State Environment and Pollution Control statutes and has instituted adequate measures towards environmental protection.

FIXED DEPOSITS

There are no unpaid deposits except the ones matured but remaining unclaimed amounting to Rs. 1.00 lac (Rs.2.06 lacs) by two depositors.

LISTING AT STOCK EXCHANGES

The Equity Shares of the Company are listed on the Stock Exchanges at Coimbatore, and Mumbai. The annual listing fees for the year 2005-2006 have been paid to both these Stock Exchanges.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data is given in Annexure C. A Cash Flow Statement, as required by Clause 32 of the Listing Agreement with the stock exchanges is forming part of the Notes on accounts.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Madan Lal Patodia and Mr. Chandulal D. Thakker retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm that

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii. The Accounting Policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year.

- iii The Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of this Act in safeguarding the assets of the Company and for preventing/detecting any incidence of frauds and other irregularities.
- iv The Annual Accounts have been prepared on a going concern basis.

COST AUDIT

The reports of M/s.Mahadevan & Co., Cost Accountants, in respect of audit of cost accounts of the Company for the year ended March 31, 2006 will be submitted to the Central Government within the stipulated time limit.

AUDITORS

The statutory auditors of the Company, Messrs M.S.Jagannathan & Visvanathan, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of employees referred to in sub section (2A) of section 217 of the Companies Act 1956 read with Companies (Particulars of employees) Rules 1975 is given in Annexure A forming part of the report.

ACKNOWLEDGEMENTS

Your Directors record with a deep sense of gratitude the excellent support and cooperation rendered by all stakeholders including financial institutions, bankers and business associates. The Directors thank the State and the Central government offices for various assistances rendered to the Company. The Directors take this opportunity to record their appreciation the commitment and dedication of the employees at all levels.

For and on behalf of the Board of Directors

Place : Kolkata
Date : 31.05.2006

Madan Lal Patodia
Chairman

ANNEXURE A

Particulars of employees as required under sub section(2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder forming part of the Directors Report

A. Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000 or more per year

Name	Age	Designation & Nature of duties	Qualification & Experience	Date of commencement	Remuneration Rs. lacs	Last employment held
Mr. Purushottam Patodia	66	Vice Chairman & Managing Director	B.Com (44 years)	20.10.1989	36.04	GTN Textiles Ltd.

B. Employees who worked during part of the accounting year and whose remuneration aggregating Rs.2,00,000 or more per month

None

Notes:

1. Nature of employment : Contractual
2. The remuneration includes Salary, Company's contribution to Provident Fund, Educational Allowance, Medical Expenses and other perquisites evaluated as per Income tax Rules wherever necessary
3. Mr. Purushottam Patodia is related to Mr. Madan Lal Patodia, Chairman, Mr. Manojkumar Patodia, Managing Director and Mr. Anuj K. Patodia, Executive Director and Mrs. Indira Devi Patodia, Sales Executive of the Company.

For and on behalf of the Board

Place: Kolkata
Date : 31.05.2006

Madan Lal Patodia
Chairman

PRIME TEXTILES LIMITED

ANNEXURE B Management's Discussion and Analysis

OVERVIEW

Prime Textiles Limited is a Government Recognised 2-Star Export House, accredited to the ISO-9002 Quality Standards and the Oeko Tex Standard-100. The Company has an eco-friendly Spinning Unit, and a Knitted Garments Unit situated at Tirupur. It has a Post-spinning Unit near Satyamangalam for carrying out value-addition processes of TFO twisting and singeing. It has a Realty Division for developing land banks in Tirupur and other tier-II cities.

The year under report has been a period of consolidation of its strengths, enabling it to re-orient for overall performance improvement. The hall marks of the year have been assertive marketing efforts, addition of value-added processes as part of technological advancement in spinning, focus on increasing efficiency levels and implementation of effective cost control measures and progress in property development activities. The turnover registered a fall by 9.6% mainly on account of low off-take in outsourced yarn exports and poor performance by the Garments Division. The net profit after tax was at Rs.197 lacs (previous year Rs.257 lacs).

Towards enhancement of stakeholder value

Measures During The Year

The company has been implementing Phase-4 of modernization cum expansion under the Technology Upgradation Fund Scheme. Completion of this Phase is expected to enhance capacity of the company to produce world class yarns and offers greater flexibility to adopt to changing market demands with ease. However the company's Garment Division did not perform on expected lines and as such expansion plans for the facility have been dropped for the time being.

Technology absorption First Phase under TUFs completed

The company has implemented a modernisation programme allowing it for absorption of latest technology in its production lines, increased capacity for value-added processes and for expansion of knitted garment capacities, replacement of worn out spinning machineries with the latest machines and reinforced the pre-spinning and post-spinning capacities. The Industrial Development Bank of India with a term loan of Rs.1000 lacs funded the project under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.1415.00 lacs

Second Phase under TUFs completed

With the thrust towards equipping the Company to confidently meet the post-MFA era by enhancing the existing levels of process know-how, technology absorption and operational skills, the Company has implemented the second modernisation programme. The IDBI Bank Ltd with a term loan of Rs.550 lacs funded the project under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.975.35 lacs

Third Phase under the TUFs completed

As a logical extension of the earlier two phases, this phase allowed the Company in absorbing latest technological advancement in post-spinning value-addition process to meet the requirements in export markets. Central Bank of India has funded with a term loan of Rs.245 lacs under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.315.75 lacs

Fourth Phase under TUFs under implementation

This phase contemplates increasing the spindle capacity, strengthening preparatory in spinning to produce world class yarns, additional preparatory facilities and additional value-addition process to meet the customers' requirements in export markets, as also expansion of the Garments Division. The Fourth phase of modernization is funded with a term loan of Rs.20.00 crores under the Technology Upgradation Fund Scheme jointly by State Bank of Patiala and State Bank of Hyderabad to meet the project outlay of Rs.25.21 crores. With the dropping of expansion plans for the Garments manufacturing facilities, the loaned funds are pruned down and will be restricted to about Rs.16.00 crores.

Cost of Finance

The company has been able to swap high cost debts with low cost ones matching the coupon rates prevailing at the time. It has pruned the cost of working capital advances. Further efforts are under way in pruning the cost of finance.

Property Development

The Company has launched development of company owned prime lands in partnership with technocrats and others. At present, the construction of Residential Apartments is underway and 212 apartments will be ready for delivery by end-December 2006. The next phase for construction of 200 Residential Apartments and for ultra modern Commercial Complex will be launched in the latter half of current year.

The sum total of the above is enhancement of the stakeholder value.

BUSINESS ANALYSIS

Segment Analysis

The Company has cotton textiles as a single segment. It has a Spinning Unit manufacturing cotton yarns and a Knitted Garments Unit manufacturing cotton knitted garments.

Cotton yarn continues to be the key business of the company. The Yarn Division of the Company comprises of (1) Manufacturing Division (MFD) deals with its own production of cotton yarns and (2) Outsourced Yarns Division (OYD) taking up processing of outsourced yarns. OYD also caters for exports of yarns in product ranges where the in-house manufacturing capacities are not adequate.

The Garments Division with its own manufacturing facilities, caters to both domestic and export markets.

Review of Operations

The performance during the year under review has mainly been the result of effective cost control measures, improved floor-level workings and sustained marketing efforts creating a niche for the products in overseas markets.

The company continued its focus on the exports. Time-honored marketing strategy of quality assurance as the key word for customer satisfaction, it has been able to create a sustainable demand in quality-conscious countries such as Italy, South Korea, Germany, Japan, U.K. and the U.S.A. The underlying focus of the company is customer-centric in every of its operations.

Yarn Market Outlook

The outlook is promising. Both availability of raw cotton and crop outlook are looking bright. The market landscape has undergone a change with various end-users of the products of the company shifting their manufacturing bases to India. In order to match their requirements, the company is turning to mid-coarser counts of yarns in its manufacturing range.

Expansion Projects

With a long term perspective the company has embarked on a vertical expansion by setting up its Unit-II with installed capacity of 50,000 ring spindles in Andhra Pradesh. It has planned to set up a Home Textiles Weaving and Processing Unit through a subsidiary company predominantly for exports. The location chosen offers close proximity to cotton growing areas and enables the company to retain cost advantage in international markets.

Towards delivering enhanced value to shareholders in the years to come, Prime will continue to strengthen its operations so as to meet requirements of customers and for product ranges offering better margins.

Financial Review And Analysis Highlights

Year ended 31 st March	2006 Rs.lacs	2005 Rs.lacs	Percentage of Y-0-Y change
Net Turnover	10,856	12,030	(9.76%)
Other Income	308	44	600%
PBIDT	1,308	1,159	13.89%
Interest	724	583	24.18%
Depreciation	453	429	5.59%
Profit before Taxes	131	147	(2.78%)
Current tax	7	8	
Fringe Benefit Tax	9	0	
Profit after Current Tax	115	139	
Deferred Tax	75	118	
Minimum Alternate Tax Credit entitlement	7	-	
Profit after tax	197	257	(23.30%)

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Income Tax

Deferred tax asset relating to the current year stands credited to the current revenues of the Company. The Minimum Alternate Tax liability is Rs.7.15 lakhs. As the company expects payment of taxes in coming years, due credit is taken for the MAT tax liability.

Return on Capital Employed

Particulars for year ended 31 st March	2006 Rs.lacs	2005 Rs.lacs
Net Fixed Assets (sans Revaluation)	6,679	6,248
Net Current Assets	5,158	4,974
Capital Employed	11,837	11,222
PBIT (Excluding Profit on Sale of Assets)	612	743
ROCE	5.17%	6.62%

Internal Control

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly.

The Internal Control is supplemented by an extensive program of internal audits, review by management and documented policies, guidelines and procedures. The Internal Control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets. The Board of Directors provides governance, guidance, and oversight. Through the Audit Committee, it discusses the internal control structure with management based on input from the internal and independent auditors and provides oversight as necessary.

The internal audit function adequately provides

- a) objective assurance to the Board as to the effectiveness of the company's risk management and internal control framework;
- b) assistance to the Board and the management to issues connected with the design, implementation, and operation of systems of internal control; and,
- c) assistance to the Board through periodic reporting to support their review of effectiveness of internal control.

Delivering Enhanced Value To Shareholders

Your Company has positioned itself strategically well for the future. It involves nothing less than creating a new corporate reality that changes the way employees, customers and investors perceive and experience the operations of the company. With technology revolutionizing the industry, the timing chosen by your company to expand vertically its capacity in Spinning and venture into a green-field project for manufacture of home textile products is just apt. The blue print drawn for the future renders your company consistently strong and capitalizing new opportunities opened in the post-MFA regime by pursuing best practices in strategy, marketing, operations, and organization.

ANNEXURE C

INFORMATION PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988, FORMING PART OF THE REPORT OF THE DIRECTORS

1. CONSERVATION OF ENERGY

(A) MEASURES TAKEN

The existing manually set humidification system is now auto-controlled.

(B) IMPACT OF THE ABOVE MEASURES

Apart from averting human errors in settings, the auto-controlled humidification ensures maintenance of constant levels in the processes of yarn making, allowing only optimum load on fans.

(C) ENERGY CONSUMPTION

Energy consumption details as per prescribed Form-A together with comparative figures for the previous year, is given at the end of this Annexure.

2. TECHNOLOGY ABSORPTION

(A) MODERNISATION OF PROCESSES AND FOR VALUE-ADDITION

- i. Up-gradation of existing technologies/products is an on-going basis.
- ii. The Company has implemented so far three phases of modernization under the TUFs Norms. The Fourth phase of modernization under the TUFs Norms is in its stages of completion.

(B) BENEFITS

- i. Modernization of processes and increased value-addition processes have led to improved efficiencies, cost competitiveness and enhanced product range offered to international markets.
- ii. The four phases being complimentary to and logical extension of each other, the fuller benefits measured in monetary terms are expected to accrue only after completion of the fourth Phase.

(C) IMPORTED TECHNOLOGY/IMPORTS IN LAST FIVE YEARS

No technology is imported for the processes.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activity relating to Exports

Exports of value-added cotton yarns and cotton knitted garments are the main thrust of the business plans of the Company.

2. Initiatives taken to increase exports

- a. Absorption of latest technological advancements in the field of textiles, enabling to offer its products to match qualitative requirements of the end-users.
- b. Efforts are taken for penetration into newer markets.

3. Export plans

Cost control measures instituted by the Company enables to offer its products in a most cost-competitive manner. Rigorous in-house technical evaluations of the products are conducted prior to exports to assure the importers of the end-usage of the same.

4. Total Foreign Exchange earning and outgo

	Year ended on March 31st	
	2006 Rs.lacs	2005 Rs.lacs
Total Foreign Exchange earnings	5,650	6,435
Total Foreign Exchange outgo	2,841	2,835

PRIME TEXTILES LIMITED

FORM A

CONSERVATION OF ENERGY

For the years ended on 31st March

2006

2005

A Power and Fuel consumption

1. Electricity

a Purchased	KW hr	1,42,11,312	46,26,328
Total amount	Rs.lacs	652.69	242.47
Rate per Unit	Rs.P.	4.59	5.24
b Generation for captive usage	KW hr	1,53,30,583	2,37,11,425
Total amount	Rs.lacs	630.63	708.32
Rate per Unit	Rs.P.	4.11	2.99
Units generated per litre	KW hr	4.06	4.05

2. Coal

Nil

Nil

B. Consumption per unit of Production

a Electricity	KW hr	2,95,41,895	2,83,37,753
b Consumption for production per Kg.	KW hr	11.75	12.44

For and on behalf of the Board of Directors

Place: Kolkata
Date : 31.05.2006

Madan Lal Patodia
Chairman

**CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31ST MARCH 2006**

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

Your Company reports total compliance of the mandatory provisions of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. Furnished below is a Report on the implementation thereof.

A.Mandatory Requirements

Company's Philosophy on Code of Governance

PRIME TEXTILES LIMITED has recognised corporate governance policies as key factors in achieving its long-term goals. The Company believes that adherence to sound corporate governance policies and practices is important in ensuring that PRIME TEXTILES LIMITED is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interest of its stakeholders. The Board has adopted Principles of Corporate Governance, which provide an effective corporate governance framework for the Company, intending to reflect a set of core values that provide the foundation for its governance and management systems and its interactions with others.

The above philosophy along with the Prime Code of Conduct and Prime Code of Conduct for Prevention of Insider Trading ensures the sustenance of high ethical and moral standards which govern the conduct of the Company and its employees.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below:

Board of Directors

a. Composition of the Board

The Board comprises five non-executive Directors and three executive Directors and is responsible to shareholders for the proper management of the Company. It meets regularly, reviewing trading performance, setting and monitoring strategy and examining major capital expenditure and acquisition opportunities. The size and composition of the Board meets the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges. It is a broad-based one with a non-executive chairman.

b.Directors attendance record at the Board Meetings and the last AGM

Name of Director	Category	No. of Board Meetings attended	Attended at the last AGM
Mr.Madanlal Patodia Chairman	Promoter Non Independent Non-Executive	1	No
Mr.Purushottam Patodia Vice Chairman and Managing Director	Promoter Non Independent Executive	3	Yes
Mr.Manojkkumar Patodia Managing Director	Promoter Non Independent Executive	5	No
Mr.Anujj K.Patodia Executive Director	Promoter Non Independent Executive	5	No
Mrs. Minnu Thomas Nominee of IDBI	Independent Non Executive	4	No
Mr. Chandulal D.Thakker	Non Independent Non Executive	3	No
Mr. N.K. Bafna	Independent Non Executive	5	No
Mr. Banwarilal Singhal	Independent Non Executive	5	Yes

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c. Number of other Companies or Committees the Director of the Company is a Director/Member/Chairman

None of the Directors on the Board hold the office of Director in more than 15 public limited companies in India or are holding memberships in Committees of Board in more than 10 Committees or Chairmanship of more than 5 such Committees.

Name of Director	No. of Directorship in other companies		No. of Committee positions held in other companies	
	Chairman	Member	Chairman	Member
Mr.Madan Lal Patodia	2	3	Nil	Nil
Mr.Purushottam Patodia	Nil	3	Nil	Nil
Mr.Manojkumar Patodia	Nil	4	Nil	Nil
Mr.Anuj K.Patodia	Nil	6	Nil	Nil
Mrs. Minnu Thomas	Nil	Nil	Nil	Nil
Mr. Chandulal D.Thakker	Nil	1	1	Nil
Mr. N.K. Bafna	Nil	2	2	2
Mr. Banwarilal Singhal	Nil	4	4	2

The Company did not have any pecuniary relationship with any of the Non-Executive Directors during the year 2005-06.

During the meetings, the information as required under Annexure IA to Clause 49 have been made available to the Board.

d. Number of Board meetings held during the year

Five Board Meetings were held during the year 2005-06 and the gap between two consecutive meetings did not exceed four months. The dates on which the Board Meetings held were as follows:

18th June 2005, 27th July 2005, 29th October 2005, 21st December 2005 and 31st January 2006

e. Information supplied to the Board

Among others, this includes

- review of annual operating plans of business, capital budgets
- quarterly results of the company
- minutes of meeting of audit committee and other committees
- materially important show cause, demand, prosecution and penalty notices
- fatal or serious accidents or dangerous occurrences
- any materially significant problems
- sale of material nature of investments, subsidiaries, assets which is not in the normal course of business
- non compliance of any regulatory or statutory provision or listing requirements as well as share holder services

The Board of Prime Textiles is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board Meetings or are tabled in the course of the Board Meetings or are tabled before the appropriate Committees of the Board.

f. Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationship between the company and its Directors for the year ended 31st March 2006 that may have a potential conflict with the interest of the company at large.

g. Code of Conduct for Directors and Senior Management Personnel

The Company has adopted the "Code of Conduct for Directors and Senior Management Personnel for compliance on annual basis, meeting the requirements of the Securities and Exchange Board of India (SEBI). The Company Secretary has been appointed as the Compliance Officer for the purpose. The code is applicable to all the Directors and Senior Management Personnel who are members of its core management team excluding Board of Directors and will comprise all members of management one level below the Executive Directors including all functional heads.

All Board members and senior management personnel have affirmed compliance with the applicable Code of Conduct. The code of conduct is available on the website of the Company.

Appointment / reappointment of directors

Mr. Madan Lal Patodia and Mr. Chandulal D. Thakker retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. A brief profile of Mr. Madan Lal Patodia and Mr. Chandulal D. Thakker as required in terms of Clause 49 VI A of the Listing Agreement is as under:-

Mr. Madan Lal Patodia was appointed as a Director in the Board on 14.05.1988 and was elected as a Chairman of the Board of Directors. Aged 91 years, Mr. Madan Lal Patodia has vast and versatile experience stretching to over 6 decades in textile marketing and corporate management. He holds the Directorships in the following companies.

Name of Company Messrs	Designation	Committee	Member/Chairman
GTN Textiles Limited	Chairman	None	None
Yarn Syndicate Limited	Managing Director	None	None
YS Exports Limited	Director	None	None
GTN Exports Limited	Director	None	None
GTN Industries Limited	Chairman	None	None

Mr. Chandulal D. Thakker has been a Director in the Board since 15.05.1988. Aged 68 years, Mr. Chandulal D. Thakker has a vast experience in the field of raw cotton selection. He holds the Directorships in the following companies and is the Chairman/Member of various committees in the respective companies as under”

Name of Company Messrs	Designation	Committee	Member/Chairman
GTN Textiles Limited	Director	Investors Grievance Committee	Member

COMMITTEES OF THE BOARD

The Board has two mandatory Committees viz., the Audit Committee and the Investors' Grievance Committee and two Non-Mandatory Committees viz., the Finance Committee and the Remuneration Committee. The Board decides the terms of reference of these Committees and the assignment of its members thereof.

Audit Committee

The Audit Committee comprises of Mr. Banwarilal Singhal as its Chairman and three non-executive Directors, Mr. Madan Lal Patodia, Mr. N.K.Bafna and Mrs. Minnu Thomas. The Committee provides a forum for reporting by the Company's auditors. By invitation, the meetings are also attended by other Directors. Other key personnel of the Company, as called for, attend the meetings. The Company Secretary acts as the Secretary of the Committee. Mr. Banwarilal Singhal and Mr. N.K.Bafna are partners in reputed firms of Chartered Accountants.

The Chairman of the Audit Committee, Mr. Banwarilal Singhal was present at the Annual General Meeting held on 17th September 2005.

The Audit Committee is responsible for reviewing a wide range of financial matters including the quarterly and annual accounts before their submission to the Board and monitoring the controls that are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee advises the Board on the appointment of external and internal auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit. The committee is also responsible for implementing the recommendations of the Board arising from its review of the internal control and risk assessment report. The scope of the activities of the Audit Committee include the areas prescribed by Clause 49 II(D). The Audit Committee has been granted powers as prescribed under Clause 49 II(C).

Audit Committee met 5 times during the year 2005-06 on 17th June 2005, 27th July 2005, 29th October 2005, 21st December 2005 and 31st January 2006.

PRIME TEXTILES LIMITED

The Company has complied with the requirements of Clause 49II A as regards the composition of the Audit Committee and the details of meetings attended by the Directors are given below:

Names of Members	Category	Number of meetings attended
Mr. Banwarilal Singhal Committee Chairman (Chartered Accountant)	Independent, Non-Executive	5
Mr. Madan Lal Patodia	Promoter, Non-Independent, Non-Executive	1
Mr. N.K. Bafna, Member (Chartered Accountant)	Independent, Non-Executive	5
Mrs. Minnu Thomas (Nominee IDBI)	Independent, Non-Executive	4

Remuneration Committee:

Brief description of terms of reference:

The Remuneration Committee comprises three non-executive Directors, Mr. Chandulal D. Thakker, Mr. Banwarilal Singhal and Mr. N.K. Bafna and is chaired by Mr. Chandulal D. Thakker. The Committee is responsible for recommending the contract terms, remuneration and other benefits for Company's Managing/ Whole-time Directors. The Committee met once on 17th June 2005. The composition of the Remuneration Committee and the details of meetings attended by the Directors are given below:

Names of Members	Category	Number of meetings attended
Mr. Chandulal D. Thakker Committee Chairman	Independent, Non-Executive	Nil
Mr. Banwarilal Singhal	Independent, Non-Executive	1
Mr. N.K. Bafna	Independent, Non-Executive	1

Remuneration Policy

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director and Whole-time Directors. Salary is paid within the range approved by the shareholders. Effective 1st April each year, annual increments as recommended by the Remuneration Committee, are approved by the Board of Directors. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors on the recommendations by the Remuneration Committee, within the overall ceilings stipulated in Section 198 and 309 of the Companies Act, 1956. Sitting fees is paid to only Non-whole time and Non-executive Directors. No severance fees is payable to Whole-time Directors.

Remuneration of Directors, Sitting fees, salary, perquisites

Remuneration payable to the managerial personnel is approved by the members at the General Meeting of the Company. Remuneration consists of a fixed salary, perquisites, contribution to Provident Fund. Commission is calculated on the net profits of the company.

The Board of Directors decide the remuneration of Non-Executive Directors which consists of a sitting fee.

Table set below explain the details:

Name of Director	Rs. In lakhs				
	Sitting fees	Salary	Contn. to P.F,	Perks	Total
Mr. Madan Lal Patodia	0.15	Nil	Nil	Nil	0.15
Mr. Purushottam Patodia	Nil	32.68	3.92	3.36	39.96
Mr. Manojkumar Patodia	Nil	21.60	2.59	0.29	24.48
Mr. Anuj K. Patodia	Nil	13.63	1.64	0.25	15.52
Mrs. Minnu Thomas	0.40	Nil	Nil	Nil	0.40
Mr. Chandulal D. Thakker	0.25	Nil	Nil	Nil	0.25
Mr. N.K. Bafna	0.65	Nil	Nil	Nil	0.65
Mr. Banwarilal Singhal	0.95	Nil	Nil	Nil	0.95

Investors' Grievance Committee

The Investors' Grievance Committee is constituted to address and redress investors' complaints such as transfer of shares, non-receipt of annual accounts, non-receipt of dividend warrants and to ensure expeditious share transfer process. The Committee comprises of Mr.N.K.Bafna as the Chairman and Mr.Banwarilal Singhal, Mr.Purushottam Patodia and Mr.Manojkumar Patodia as its Members. The Company Secretary acts as the Secretary of the Committee.

The Committee met 4 times during the year 2005-06 on 17th June 2005, 27th July 2005, 29th October 2005 and 31st January 2006

The composition of the Investors' Grievance Committee and details of the meetings attended by the Directors are as under:-

Names of Members	Category	Number of meetings attended
Mr.N.K.Bafna Committee Chairman	Independent, Non-Executive	4
Mr.Banwarilal Singhal	Independent, Non-Executive	4
Mr.Purushottam Patodia	Non-Independent, Executive	3
Mr.Manojkumar Patodia	Non-Independent, Executive	4

Finance Committee

The Board has constituted a Finance Committee with the terms of reference of to approve capital expenditure schemes, exercise Budgetary Controls, connote acceptance and contract for term debts from financial institutions/banks in respect of such capital expenditure schemes, approve and contract on proposals for swapping/syndication of term debts with a view to curtail cost of finance, grant donations within the stipulated limits, oversee banking operations, transact routine matters such as opening and closing of banking accounts, to grant limited power of attorney to the officers of the Company, and to recommend to the Board, revenue budgets, capital budgets, projects and other major capital schemes, to consider expansion/new businesses, divestments, changes in organisational structure and also periodically review the business plans and strategies of the Company. The Finance Committee also affects share transfers subject to approval/ratification by the Board.

The Finance Committee comprises Mr.Purushottam Patodia, Vice Chairman & Managing Director (Committee Chairman), Mr.Manojkumar Patodia, Managing Director and Mr. Anuj K. Patodia, Executive Director as its Members.

Name, designation & address of Compliance Officer:

Mr.S.Rengasamy, Company Secretary,
Prime Textiles Limited,
110, Avinashi Road, Gandhinagar P.O., Tirupur 641 603 (T.N.)
Phone:0421-2470198/2470065 Fax:0421-2471463

Number of complaints received from investors from 1.04.2005 to 31.03.2006, comprising revalidation of dividend warrants, asking for procedure to get refund of dividend amounts transferred to General Revenue Account of Central Government, Non-receipt of dividend warrants, , Requisition for copies of annual accounts, queries on Demat/Remat of shares, etc. :

10

Out of above, not solved to the satisfaction of investors :

Nil

Number of pending share transfers as on 31.03.2006 :

Nil

Management

a.Management Discussion and Analysis

The Directors' Report includes details of Management Discussion and Analysis of business of the company.

b.Disclosures by mangement to the Board

All details relating to financial and commercial transactions where Directors may have pecuniary interest are provided to the Board and the interested Directors neither participate in the discussion nor do they vote on such matters.

PRIME TEXTILES LIMITED

General Body Meetings

Location of General Body Meetings : **Registered Office, 110, Avinashi Road, Tirupur 641 603 Tamil Nadu.**

General Body Meetings during last three years:-

Date of holding and on Time	20.09.2003 4.00 P.M.	25.09.2004 4.00 P.M.	17.09.2005 4.00 P.M.
Nature of Meeting Special Resolutions Put through Postal Ballot Voting Pattern	AGM Tabled Not applicable Not applicable	AGM Tabled Not applicable Not applicable	AGM Tabled Yes 32,05,626 polled 3,650 rejection 20,561 against 31,81,415 favouring resolution
Person who conducted postal ballot	NA	NA	Mr.G.Chandrasekar Chartered Accountant Bangalore

Postal Ballots

At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

Disclosures

- a) **Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with the promoters, the directors or the management, their subsidiaries or relatives, etc that may have potential conflict with the interests of the company at large :**

None of the transactions with any related parties were having any potential conflict with the interests of the company. The Register of Contracts containing transactions in which the Directors are interested, maintained pursuant to Section 301 of the Companies Act, 1956, is placed before the Board Meetings regularly.

- b) **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years:**

None

Details of shareholdings of Non-Executive Directors

Name of Director	No. of shares held
Mr. Banwarilal Singhal	6700
Mr. Chandulal D.Thakker	7445

INSIDER TRADING

Code of Conduct for Prevention of Insider Trading

The Company has adopted a "Code of Conduct for Prevention of Insider Trading", meeting the requirements of the Securities and Exchange Board of India (SEBI). The Company Secretary has been appointed as the Compliance Officer for the purpose. The Code is applicable to all those employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company as well as all the Directors. The Company has also adopted Disclosure Practices meeting the SEBI Regulations.

Means of communication

The quarterly and half-yearly unaudited financial results during the year were published through widely circulated news media. Apart from this, all vital information relating to the Company and its performance, official press releases, and presentation to analysts are posted on the website. The website also contains various downloadable forms for usage by the shareholders is available on the website. The Company's website address is : www.ptlonline.com.

General Shareholder Information

- 1.1. Annual General Meeting
 Date and Time : SATURDAY, 29th July 2006 10.45 A.M.
 Venue : Registered Office at 110, Avinashi Road, Gandhinagar P.O., Tirupur 541 603 (T.N.)
- 1.2. Financial Calendar for 2006-07 (tentative)
 First Quarter : Last week of July 2006
 Second Quarter/ Half-yearly : Last week of October 2006
 Third Quarter : Last week of January 2007
 Audited Annual Results : Last week of May 2007
 Annual General Meeting : August 2007
- 1.3. Date of Book Closure: The Book Closure for payment of dividend, if any, is from Monday, 17th July 2006 to Saturday, 29th July 2006.
- 1.4. Dividend payment date: On or after 29th August 2006.
- 1.5. Listing: The Company's equity shares are listed and traded on the stock exchanges at Coimbatore, and Mumbai. The Company has delisted from the Madras Stock Exchange and Ahmedabad Stock Exchange with effect from June 7, 2004 and July 8, 2004 respectively. Its application for delisting from the Stock Exchange at Kolkata is awaiting approval from the Calcutta Stock Exchange. The company has paid the listing fees to these Stock Exchanges for the year 2006-07.
- 1.6. Stock-codes:

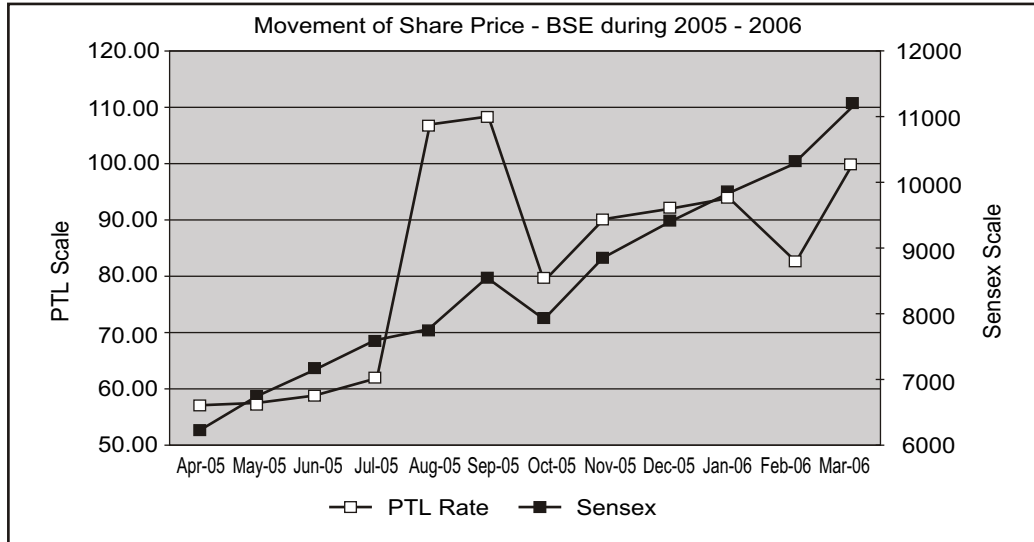
Name of Stock Exchange	Stock Code
The Stock Exchange, Mumbai	521149
Coimbatore Stock Exchange	21006
ISIN Number (Demat Number)	INE419E01016

1.7. Market Price Data Figures Rs.P.

Month	Month's High	Month's Low
April 2005	75.60	56.35
May 2005	63.00	50.40
June 2005	68.60	53.50
July 2005	74.00	57.00
August 2005	115.30	59.65
September 2005	172.90	107.60
October 2005	125.00	78.60
November 2005	108.40	75.00
December 2005	111.35	87.30
January 2006	96.90	87.00
February 2006	103.95	76.00
March 2006	104.55	67.50

PRIME TEXTILES LIMITED

1.8. Relative Performance of Company's Share Price vs BSE Sensex



1.9. Distribution of Shareholding as on 31st March 2006

Shares	Shareholders	Percentage	Shares held	Percentage
Upto 5000	5,182	94.27%	55,46,980	12.19%
5001-10000	160	2.91%	12,42,730	2.73%
10001-20000	50	0.91%	7,46,340	1.64%
20001-30000	37	0.67%	9,63,950	2.12%
30001-40000	11	0.20%	3,86,520	0.85%
40001-50000	10	0.18%	4,52,440	0.99%
50001-100000	16	0.29%	12,14,030	2.67%
100001 above	31	0.56%	3,49,34,210	76.80%
Grant Total	5,497	100.00%	4,54,87,200	100.00%

1.10. Shareholding Pattern as on 31st March 2006

Description of Investors	Number of Shares held	Percentage of holding
1.Promoters	28,33,045	62.28%
2.Directors and Relatives	32,077	0.71%
3.Financial Institutions/Banks	5,000	0.11%
4.Corporate Bodies	2,95,300	6.49%
5.NRI and OCBs	4,677	0.10%
6.Indian Public	13,78,621	30.31%
Total	45,48,720	100.00%

1.11. Share price performance in comparison to broad-based indices (BSE Sensex) (Based on share price as at 31st March 2006)

Period	Percentage of changes in		
	PTL Share price	Sensex	PTL relative to Sensex
2005-06	(+)48.01	((+)73.73	(-)25.92
Past 3 years	(+)1158.13	(+)269.99	(+)888.13
Past 5 years	(+)1448.46	(+)212.95	(+)1235.51

- 1.12. **Registrar and Transfer Agents**
Shareholders may please note change in the Registrar and Transfer Agents. All share transfers and communication regarding share certificates, dividends and change of address may be addressed to:
M/s. S.K.D.C. Consultants Limited
No.2979, No.11, Seth Narayandoss Layout
Street No.1, West Power House Road,
Coimbatore 641 012, Tamilnadu
Phones:(0422)5549995, Fax:(0422) 2499574
Email address:info@skdc-consultants.com
- 1.13. **Share Transfer System**
The Finance-cum-Share Transfer Committee approves the transfer and transmission of shares, issue of duplicate share certificates and allied matters. The Investors' Grievance Committee monitors redressing of investors' grievances. The Company's Registrar and Transfer Agents have adequate infrastructure to process speedy share transfers. The share transfers received are processed within 15 days from the date of receipt, provided the instrument of transfer is valid and complete in all respects. In compliance of with the Listing Guidelines, a practicing Company Secretary conducts quarterly audits of the system of transfer and issues a certificate to that effect.
- 1.14. **Dematerialization of Shares and Liquidity**
42.49% (19,32,836 equity shares) of the Company's paid-up Equity capital has been dematerialised up to 31st March 2006. Trading in Equity Shares is permitted only in dematerialised form as notified by SEBI. The volumes traded in stock exchanges not high.
- 1.15. **Plant Locations :**
Spinning Unit
110, Avinashi Road, Gandhinagar, Tirupur-641 603 (T.N.)
Garments Division
SRC Buildings, B.S.Sundaram Road, Tirupur-641 602 (T.N.)
TFOT Unit
Chikkarasan Palayam, Sathyamangalam, Erode District (T.N.)
- 1.16. **Address for correspondence**
❖ For Shares held in physical/Demat form
M/s. S.K.D.C. Consultants Limited
PB No.2979, No.11, Seth Narayandoss Layout
Street No.1, West Power House Road,
Coimbatore 641 012, Tamilnadu

❖ For any other query/matter
The Company Secretary
Prime Textiles Limited
Registered Office
110, Gandhinagar P.O., Avinashi Road,
Tirupur 641 603 (T.N.)
- B. Non-Mandatory Requirements**
1. Chairman of the Board
The Company has Non-Executive Chairman.
 2. The Company has adopted guidelines for composition of the Board of Directors
 3. The Company has set up the Remuneration Committee as per the provisions of Clause 49 of the Listing Agreement.
 4. The financial statements of the Company are unqualified by the Statutory Auditors.

The above report was adopted by the Board of Directors at their meeting held on 31st May 2006.

PRIME TEXTILES LIMITED

To
The Members of Prime Textiles Limited

Declaration by the Managing Director under Clause 49 of the Listing Agreement

I, Purushottam Patodia, Vice Chairman and Managing Director of Prime Textiles Limited declare that to the best of my knowledge and belief, all the members of the Board of Directors and senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March; 2006

Place : Tirupur
Date : 31.05.2006

Purushottam Patodia
Vice Chairman and Managing Director

Certificate of Compliance with the Corporate Governance requirements under Clause 49 of the Listing Agreement

AUDITORS' CERTIFICATE

The Members of
M/s. Prime Textiles Limited
Tirupur

We have read the Report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by M/s. Prime Textiles Limited ('the Company') for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company in ensuring the compliance of conditions of Corporate Governance as stipulated in the abovementioned Clause. 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, subject to:

1. Our reliance upon the certificate received by the Company from its Registrar and Transfer Agent for the number of complaints received from the shareholders and the number of complaints resolved during the financial year and that there are no share transfers pending as at 31st March 2006;
2. Our having relied on the representation of the management that there were no transactions of material nature with the management or their relatives that may have a potential conflict with the interest of the Company at large as stated in the disclosure of the Company's report on Corporate Governance.

We certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

For M.S.Jagannathan & Visvanathan
Chartered Accountants

M.J.Vijayaraaghavan
Partner

Membership Number : 7534

Place : Tirupur
Date : 31.05.2006

AUDITOR'S REPORT TO THE MEMBERS OF M/s. PRIME TEXTILES LIMITED

1. We have audited the attached Balance Sheet of M/s.**PRIME TEXTILES LIMITED** as at **31st March 2006** and also the Profit and Loss Account and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies [Auditor's Report] Order, 2003 and as amended by the companies (Auditor's Report) Amendment order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that;
 - i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books (and proper returns adequate for the purpose of our audit have been received from the Branches not visited by us. The Branch Auditor's Report(s) have been forwarded to us and have been appropriately dealt with);
 - iii) The Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report are in agreement with the books of account (and with the audited returns from the Branches);
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors, as on **31st March, 2006** and taken on record by the Board of Directors, we report that none of the directors is disqualified as on **31st March 2006** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
5. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together Significant Accounting Policies and Notes to Accounts in Schedule "19" and those appearing elsewhere in the accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the company as at **31st March 2006**
 - b) In the case of Profit and Loss account **PROFIT** of the company for the year ended on that date; and
 - c) In case of the cash flow statement, of the cash flows for the year ended on that date;

For M.S.JAGANNATHAN & VISVANATHAN
Chartered Accountants

Place: Tirupur
Date : 31.05. 2006

M.J.VIJAYARAAGHAVAN
Partner.
Membership No.7534

PRIME TEXTILES LIMITED

Annexure referred in our report of even date of the accounts for the year ended 31st March 2006 of M/s. PRIME TEXTILES LIMITED.

On the basis of such checks as we considered appropriate during the course of audit, we state that:

- i)
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, the fixed assets are physically verified in a phased manner which, in our opinion, is reasonable, having regard to the size of the Company and the nature of its assets and no material discrepancies were noted on such verification during the year.
 - c) During the year, there was no sale of substantial part of fixed assets and hence the going concern of the Company is not affected.
- ii)
 - a) The Inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations 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) The company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii)
 - a) The Company has not granted any loans secured or unsecured to firms, companies or other parties covered in the register maintained under section 301 and hence sub clauses b, c, & d are not applicable.
 - b) The company has received an advance from M/s. ATL Textile Processors Limited, the Subsidiary company amounting to Rs.538.20 lacs during the previous year and the amount outstanding at the year end was Rs. 523.00 lacs. Maximum outstanding during the year was Rs.538.20 lacs.
 - c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the unsecured loans taken earlier by the company are not prima facie prejudicial to the interest of the company;
- iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our Audit no major weakness has been noticed in the internal controls.
- v)
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees Five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 and the companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the public. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the Books of Account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, at the year end for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are following dues of which have not been deposited on account of dispute and the same is being contested by the Company.

Sl. No.	Name of the Statute	Nature of the Dues	Amount Rs. lacs	Period to which the amount relates	Forum where dispute is pending
1.	Income Tax Act 1961	Fringe Benefit Tax	10.00	2005 - 06	Hon'ble High Court, Chennai

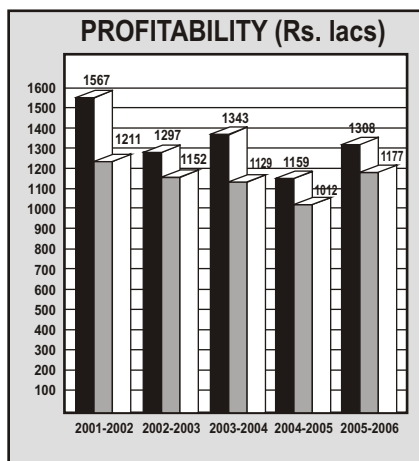
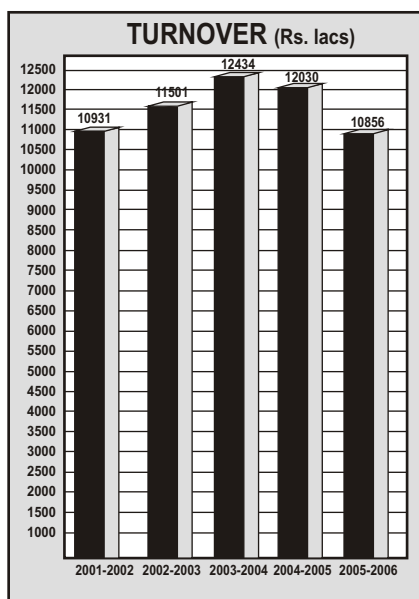
- x) The Company does not have any accumulated losses as at 31st March 2006. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) Based on our audit procedures and according to the information, the company has not defaulted in repayment of dues to Financial Institutions, Banks.
- xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a Nidhi/Mutual Benefit Fund/ Society. Hence, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Hence, the provisions of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- xv) The Company has given guarantees for loans taken from banks by a firm in which Company is a partner. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prejudicial to the interest of the Company.
- xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the company, we report that no funds raised on short time basis have been used for long term investments.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any Debentures during the year.
- xx) The Company has not raised any monies by way of public issues during the year.
- xxi) According to the information and explanations given to us, based upon the audit procedures performed and representations made by the management, we report that no fraud on/or by the Company has been noticed or reported during the course of our Audit.

Place: Tirupur
Date : 31.05.2006

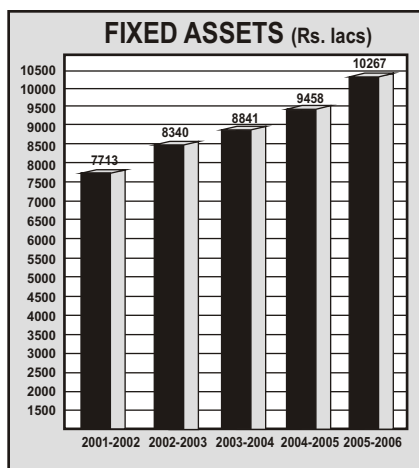
For M.S.JAGANNATHAN & VISVANATHAN
Chartered Accountants

M.J.VIJAYARAAGHAVAN
Partner.
Membership No.7534

PRIME TEXTILES LIMITED



■ Profit before interest and depreciation
 ■ Interest and Depreciation



Effect of revaluation of Assets is not considered

FIVE YEAR SUMMARY

PARTICULARS	Rs. lacs				
	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
RESULTS FOR THE YEAR					
Sales and other income	11165	12074	12478	11549	10977
Profit before interst & Deprn.	1308	1159	1343	1297	1567
Profit before tax	131	147	215	145	356
Profit after tax	197	257	153	58	248
Dividend paid / payable	46	46	46	37	32
YEAR END POSITION-CAPITAL EMPLOYED					
Fixed Assets (net)	6623	6191	5961	5814	5547
Other Assets (Net)	6015	6114	5598	5056	4335
Capital employed	12638	12305	11559	10870	9882
SOURCES OF FUNDS					
Share Capital	605	605	603	603	453
Free Reserves	3076	3006	2919	2757	2637
Shareholders' Funds	3681	3611	3622	3360	3090
Borrowed Funds	8957	8694	8037	7510	6792
Souces of Funds	12638	12305	11559	10870	9882
EQUITY SHARES STATICS					
Face Value per share (Rs.)	10.00	10.00	10.00	10.00	10.00
Earnings per share (Rs.)	4.04	5.35	3.06	1.04	5.44
Dividend per share (Rs.)	0.75	0.75	0.75	0.60	0.70
Dividend Cover (No. of times)	4.72	6.25	5.22	4.37	7.77
Book value per share (Rs.)	54.43	46.47	47.51	45.52	38.53

Note : Effect of revaluation of assets is not considered.

BALANCE SHEET AS AT 31st MARCH 2006

	Schedule	As at 31.03.2006 Rs. lacs	As at 31.03.2005 Rs. lacs
Sources of Funds			
(1) Shareholders' Funds			
Share Capital	1	604.87	604.87
Reserves and Surplus	2	<u>2,784.30</u>	<u>2,687.01</u>
		<u>3,389.17</u>	<u>3,291.88</u>
(2) Loan Funds			
Secured Loans	3	7,463.22	7,177.10
Unsecured Loans	4	<u>1,494.23</u>	<u>1,517.38</u>
		<u>8,957.45</u>	<u>8,694.48</u>
(3) Deferred Tax Liability			
		878.64	953.29
Total		<u>13,225.26</u>	<u>12,939.65</u>
Application of Funds			
(1) Fixed Assets			
5			
Gross Block		11,495.48	10,681.40
Less: Depreciation		<u>4,432.81</u>	<u>4,054.23</u>
		<u>7,062.67</u>	<u>6,627.17</u>
Capital Work - in - Progress		147.10	198.38
Net Block		<u>7,209.77</u>	<u>6,825.55</u>
(2) Investments			
	6	535.76	535.26
(3)(i) Current Assets, Loans and Advances			
7			
(a) Inventories		4,877.01	3,774.46
(b) Sundry Debtors		597.82	537.93
(c) Cash and Bank Balances		431.16	274.83
(d) Other Current Assets		128.93	100.25
(e) Loans and Advances		<u>1,615.16</u>	<u>1,765.34</u>
		<u>7,650.08</u>	<u>6,452.81</u>
(ii) Current Liabilities and Provisions			
8			
(a) Liabilities		2,440.99	1,359.51
(b) Provisions		<u>55.83</u>	<u>56.98</u>
		<u>2,496.82</u>	<u>1,416.49</u>
Net Current Assets (i-ii)			
		<u>5,153.26</u>	<u>5,036.32</u>
(4) Miscellaneous Expenditure			
(to the extent not written off/adjusted)			
(i) Voluntary Retirement Scheme Compensation		322.04	526.90
(ii) Others		4.43	15.62
Total		<u>13,225.26</u>	<u>12,939.65</u>
Cash Flow Statement			
Significant Accounting Policies and notes on accounts	18		
	19		

Schedule 1 to 8, 18 and 19 form part of this Balance Sheet
As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

M.J.Vijayaaraghavan
Partner : M.No.7534
Place: Tirupur
Date : 31.05.2006

Manojkumar Patodia
Managing Director
Anuj K. Patodia
Executive Director
Banwarilal Singhal
Director

For & on behalf of the Board
Purushottam Patodia
Vice Chairman & Managing Director
S.Rengasamy
Company Secretary

PRIME TEXTILES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

		31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
INCOME			
Turnover	9	10,856.48	12,128.26
Less: Excise Duty		0.06	98.08
		<u>10,856.42</u>	<u>12,030.18</u>
Other Income	10	308.32	43.68
Increase / (Decrease) in Stocks	11	231.87	345.02
		<u>11,396.61</u>	<u>12,418.88</u>
EXPENDITURE			
Cost of Materials	12	5,535.58	6,397.39
Personnel Expenses	13	664.36	695.89
Power and Fuel Consumed		1,221.96	918.44
Stores, Spares & Packing Materials Consumed		531.21	522.41
Processing Charges		753.40	1,138.71
Repairs and Maintenance	14	166.92	167.26
Selling & Distribution Expenses	15	501.14	796.30
Administrative & Other Expenses	16	498.00	430.81
Interest	17	724.11	583.40
Amortisation of Miscellaneous Expenditure		216.05	192.26
		<u>10,812.73</u>	<u>11,842.87</u>
Gross Profit after interest before depreciation		583.88	576.01
Depreciation	498.94		475.27
Less: Transfer from Revaluation Reserve	<u>46.44</u>		<u>46.48</u>
		<u>452.50</u>	<u>428.79</u>
Profit for the year before tax		131.38	147.22
Provision for - Current tax	(7.15)		(7.90)
Provision for Deferred Tax Asset / (Liability)	74.66		117.66
Fringe benefit tax	(8.61)		(0.00)
Minimum Alternate Tax Credit entitlement	7.15		(0.00)
		<u>66.05</u>	<u>109.76</u>
Profit after tax		197.43	256.98
Surplus brought forward from previous year		<u>141.51</u>	<u>137.12</u>
Amount available for appropriations		338.94	394.10
APPROPRIATIONS			
Proposed Dividend - Equity Shares		34.12	34.12
Dividend - Preference Shares		12.00	12.00
Tax on distributed profits		6.47	6.47
Transfer to General Reserve		200.00	200.00
Surplus carried over		<u>86.35</u>	<u>141.51</u>
		<u>338.94</u>	<u>394.10</u>
Earnings Per Equity Share of Rs.10 each (Ref . Note: Part B 10 in Schedule 19)			
Basic /Diluted		4.04	5.35
Cash Flow Statement	18		
Significant Accounting Policies and notes on accounts	19		

Schedule 9 to 19 form part of this Profit and Loss account

As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

M.J.Vijayaraaghavan
Partner : M.No.7534
Place: Tirupur
Date : 31.05.2006

Manojkumar Patodia
Managing Director
Anuj K. Patodia
Executive Director
Banwarilal Singhal
Director

For & on behalf of the Board
Purushottam Patodia
Vice Chairman & Managing Director
S.Rengasamy
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
1,25,00,000 Equity shares of Rs. 10 each	1,250.00	1,250.00
7,50,000 Preference shares of Rs.100 each	750.00	750.00
	<u>2,000.00</u>	<u>2,000.00</u>
Issued :		
45,48,860 Equity shares of Rs. 10 each	454.89	454.89
1,50,000 8% Cumulative Preference Shares of Rs.100 each	150.00	150.00
	<u>604.89</u>	<u>604.89</u>
Subscribed and paid up:		
45,48,720 Equity Shares of Rs. 10 each fully paid up	454.87	454.87
1,50,000, 8% Cumulative Redeemable Preference Shares of Rs.100 each fully paid up	<u>150.00</u>	<u>150.00</u>
Total	604.87	604.87
1) Subscribed and Paid-up Equity Shares includes 2,68,920 shares of Rs.10 each allotted during the previous years as fully paid bonus shares by capitalisation of general reserve		
2) Preference Shares are redeemable at par on 21.2.2007		
SCHEDULE 2 : RESERVES AND SURPLUS		
General Reserve:		
As per Last Balance Sheet	871.15	671.15
Transfer from Profit and Loss Account	200.00	200.00
	<u>1,071.15</u>	<u>871.15</u>
Securities Premium Account :		
As per Last Balance Sheet	540.00	540.00
Capital Redemption Reserve :		
As per Last Balance Sheet	500.00	500.00
Revaluation Reserve :		
As per Last Balance Sheet	634.35	680.89
Transfer to Profit & Loss account	(46.44)	(46.48)
Withdrawals on assets sold	(1.11)	(0.06)
	<u>586.80</u>	<u>634.35</u>
Surplus from Profit and Loss Account	86.35	141.51
Total	<u>2,784.30</u>	<u>2,687.01</u>

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 3 : SECURED LOANS		
(1) Loans and Advances from		
(a) Banks		
(i) Term Loans	2,093.68	1,620.25
(ii) Working Capital Advances	3,522.18	3,305.56
(b) Financial Institutions		
Term Loans	1,832.22	2,231.66
(c) From others	15.14	19.63
Total	<u>7,463.22</u>	<u>7,177.10</u>

(For details of security-refer -notes,Part B-2 in Schedule 19)

SCHEDULE 4 : UNSECURED LOANS & ADVANCES

i) LOANS

1. Fixed Deposits - from Public (Repayable within one year Rs. 126.51 lacs : previous year Rs. 105.55 lacs)	132.44	133.68
2. Intercorporate Deposits (short term)	838.50	845.50

ii) ADVANCES

From Subsidiary Company-(short term)	523.29	538.20
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Total 1,494.23 1,517.38

SCHEDULE - 5 : FIXED ASSETS

Rs. lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2005	Additions during the Year	Deductions during the Year	As at 31.03.2006	Upto 31.03.2005	For the Year	Withdrawn	Upto 31.03.2006	As on 31.03.2006	As on 31.03.2005
Land-Free hold	529.75	---	0.24	529.51	---	---	---	---	529.51	529.75
Buildings	1,609.36	35.00	---	1,644.36	606.71	36.51	---	643.22	1,001.14	1,002.65
Plant & Machinery	8,247.48	952.45	176.83	9,023.10	3,336.46	446.36	116.67	3,666.15	5,356.95	4,911.02
Furniture & Office Equipments	189.10	0.59	---	189.69	76.92	6.99	---	83.91	105.78	112.18
Vehicles	105.67	8.24	5.13	108.78	34.14	9.08	3.69	39.53	69.23	71.53
Livestock	0.04	---	---	0.04	---	---	---	---	0.04	0.04
Total	10,681.40	996.28	182.20	11,495.48	4,054.23	498.94	120.36	4,432.81	7,062.67	6,627.17
Corresponding previous year	10,084.88	703.29	106.77	10,681.40	3,621.90	475.28	42.95	4,054.23	6,627.17	

Note: i) Out of 121.83 acres of Land, 5.96 acres is currently under property development.

ii) Buildings - Office Premises include 5 shares of Rs. 50/= each in a Co-operative Society.

iii) Additions includes capitalisation of borrowing costs aggregatng to Rs.2.79 lacs (previous year Rs.10.09 lacs)

iv) Vehicles include cars costing Rs.51.49 lacs (previous year Rs.48.88 lacs) purchased on Hire-purchase basis.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 6 : INVESTMENTS AT COST- LONG TERM		
Trade - Unquoted		
YS Spinners Limited 129,000 Equity Shares of Rs.10 each	12.90	12.90
Prime Processors Limited 70,000 Equity Shares of Rs.10 each	7.00	7.00
ATL-Selina Innerwear Pvt. Limited 15,000 Equity Shares of Rs.10 each	1.50	1.50
Tirupur Infrastructure Development Company Ltd 500 Equity Shares of Rs.1000 each	5.00	5.00
Wholly Owned Subsidiary:-		
ATL Textile Processors Limited 10,37,450 Equity Shares of Rs.10 each	514.45	514.45
Manoj Yarn Processors Limited 50,900 Equity Shares of Rs.10 each	5.09	5.09
Peedee Yarn Processors Limited 10,900 Equity Shares of Rs.10 each	1.09	1.09
Non Trade - Quoted		
Velan Hotels Limited 2,000 Equity Shares of Rs.10 each	0.20	0.20
Non Trade - Unquoted		
Metal Industries Limited 800 Equity Shares of Rs.10 each	0.08	0.08
Asher Textiles Mills Co-operative Stores Ltd 200 Equity Shares of Rs.5 each	0.01	0.01
Capital in Partnership Firm : (Ref. Note Part B4 in Schedule 19)		
Prime Developers	1.00	1.00
Government Securities		
National Savings Certificate	0.50	0.00
	<u>548.82</u>	<u>548.32</u>
Less: Provision for diminution in value	13.06	13.06
	<u>535.76</u>	<u>535.26</u>
Total		
Aggregate book value of quoted investments	0.20	0.20
Aggregate market value of quoted investments	0.04	0.04
Aggregate book value of unquoted investments	548.62	548.12
SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES:		
A. Current Assets:		
(a) Inventories :		
As valued and certified by the Management Stores,spares & packing materials	173.22	192.32
Stock in Trade :		
Raw materials	2,290.90	1,401.12
Stocks in Process	355.87	273.59
Finished goods	2,047.96	1,895.52
Waste	9.06	11.91
	<u>4,877.01</u>	<u>3,774.46</u>
(b) Sundry Debtors :		
Unsecured, considered good-unless otherwise stated		
(i) Debts outstanding for a period exceeding six months Considered good	123.72	129.67
Considered doubtful	24.19	24.19
Less: Provision for doubtful debts	(24.19)	(24.19)
(ii) Other debts	474.10	408.26
	<u>597.82</u>	<u>537.93</u>
Total		

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES: (Contd..)		
(c) Cash and Bank Balances:		
(i) Cash on hand	7.67	8.00
(ii) With scheduled banks		
a) In Current Accounts	233.68	30.88
b) In Margin money Deposits	183.14	156.70
c) In Fixed Deposit Accounts	0.00	60.00
d) In Unpaid Dividend Account	6.46	6.17
(iii) Post Office savings account	0.21	0.21
(iv) Cheques on Hand	0.00	12.87
	<u>431.16</u>	<u>274.83</u>
(d) Other Current Assets		
Interest accrued on deposits/Investments	14.93	18.74
Income and other receivables	114.00	81.51
	<u>128.93</u>	<u>100.25</u>
Sub-Total (A)	<u>6,034.92</u>	<u>4,687.47</u>
B. Loans and Advances		
Unsecured-considered good, unless stated otherwise		
a) Advances recoverable in cash or in kind or for value to be received	1,291.71	1,450.99
b) Advance to Subsidiary Companies	51.65	55.27
c) Prepaid expenses	42.40	73.31
d) Advance Tax including tax deducted at source {net of provisions of Rs.18.82 lacs ; previous year Rs.15.47 lacs}	22.23	8.41
e) Income Tax Refund Receivable	28.44	28.04
f) Demand Deposits	107.90	55.45
g) Balance with Customs, Excise etc.,	70.83	93.87
	<u>1,615.16</u>	<u>1,765.34</u>
Sub-total (B)	<u>1,615.16</u>	<u>1,765.34</u>
Total (A + B)	<u>7,650.08</u>	<u>6,452.81</u>
SCHEDULE 8:CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors		
Due to Small Scale Industrial units	1.34	3.43
Due to others	1,189.53	901.24
Other current liabilities	318.83	407.34
Partnership firm in which company is a partner	900.00	0.00
Unclaimed Dividends **	6.46	6.17
Interest accrued but not due on loans	24.83	41.33
	<u>2,440.99</u>	<u>1,359.51</u>
B. Provisions		
For Dividend	46.12	46.12
For Tax on distributed profits	6.47	6.47
For Pension, Gratuity & Superannuation Fund	3.24	4.39
	<u>55.83</u>	<u>56.98</u>
Total (A & B)	<u>2,496.82</u>	<u>1,416.49</u>
(** There are no amounts due and outstanding to be credited to Investors Education and Protection Fund)		

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 9 : TURNOVER		
Cotton Yarn	9,930.51	10,082.42
Knitted Garments	530.96	1,254.45
Waste	290.58	253.98
Export Incentives	104.43	537.41
Total	<u>10,856.48</u>	<u>12,128.26</u>
SCHEDULE 10 : OTHER INCOME		
Rent received	1.22	1.07
Miscellaneous Income	38.54	27.26
Interest receipts (TDS Rs. 2.99 lacs previous year Rs.0.54 lacs)	18.64	10.39
Profit on sale of assets (net)	243.61	0.00
Insurance claim received	6.31	4.96
Total	<u>308.32</u>	<u>43.68</u>
SCHEDULE: 11: INCREASE /(DECREASE) IN STOCKS		
Stock at closing:		
Finished Goods	2,047.96	1,895.52
Stocks in Process	355.87	273.59
Waste	9.06	11.91
(A)	<u>2,412.89</u>	<u>2,181.02</u>
Less:		
Stock at Commencement:		
Finished Goods	1,895.52	1,567.12
Stocks in Process	273.59	264.80
Waste	11.91	4.08
(B)	<u>2,181.02</u>	<u>1,836.00</u>
Net Value	(A)-(B) <u>231.87</u>	<u>345.02</u>
SCHEDULE 12: COST OF MATERIALS		
Opening Stock of Materials	1,401.12	1,702.12
Add: Purchases	6,425.37	6,096.39
	<u>7,826.49</u>	<u>7,798.51</u>
Less: Closing stock of Materials	2,290.91	1,401.12
Rawmaterials consumed	<u>5,535.58</u>	<u>6,397.39</u>

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 13: PERSONNEL EXPENSES		
Salaries, Wages, Bonus and others	466.05	500.71
Managerial Remuneration	90.29	75.29
Contribution to Provident and other Funds	41.57	43.20
Welfare Expenses	<u>66.45</u>	<u>76.69</u>
Total	<u>664.36</u>	<u>695.89</u>
SCHEDULE 14: REPAIRS & MAINTENANCE		
Buildings	27.71	33.97
Machinery	129.28	121.63
Others	<u>9.93</u>	<u>11.66</u>
Total	<u>166.92</u>	<u>167.26</u>
SCHEDULE 15: SALES & DISTRIBUTION EXPENSES		
Brokerage and Commission	209.69	212.92
Freight, Forwarding & Other Expenses	<u>291.45</u>	<u>583.38</u>
Total	<u>501.14</u>	<u>796.30</u>
SCHEDULE 16: ADMINISTRATIVE & OTHER EXPENSES		
Insurance	44.27	40.35
Postage, Telephone, Printing & Stationery	49.33	64.53
Travelling, Motor Vehicle maintenance	138.75	162.77
Bank Charges, Filing Fees, Subscription & Advertisement	154.90	108.51
Rent	41.99	40.41
Rates & Taxes	28.75	23.01
Excise duty on stocks (net)	1.17	(92.65)
Directors' Sitting Fees	2.40	1.29
Auditors' Remuneration and Expenses	1.58	1.76
Miscellaneous Expenses	34.86	52.38
Loss on sale of assets (net)	0.00	21.71
Provision for Bad and doubtful debts	<u>0.00</u>	<u>6.74</u>
Total	<u>498.00</u>	<u>430.81</u>
SCHEDULE 17: INTEREST		
On Fixed Loans	270.97	243.81
On Others	<u>453.14</u>	<u>339.59</u>
Total	<u>724.11</u>	<u>583.40</u>

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 18 : CASH FLOW STATEMENT		
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	131.38	147.22
Adjustments for:		
Depreciation	452.50	428.79
(Profit) / Loss on sale of assets	(243.61)	21.71
Interest received	(18.64)	(10.39)
Interest charged	724.11	583.40
	<u>914.36</u>	<u>1,023.51</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,045.74	1,170.73
Adjustments for:-		
Trade receivables	(59.87)	181.66
Other receivable	108.87	(519.11)
Inventories	(1,102.55)	(61.56)
Trade payables	1,090.06	86.45
	<u>36.51</u>	<u>(312.56)</u>
CASH GENERATED FROM OPERATIONS	1,082.25	858.17
Deferred Revenue Expenditure & Preliminary Expenses	216.06	(224.81)
Direct taxes paid	(22.42)	26.14
Interest paid	(740.62)	(561.89)
	<u>(546.98)</u>	<u>(760.56)</u>
NET CASH FROM OPERATING ACTIVITIES	535.27	97.61
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(996.28)	(703.30)
Purchase of Investments	(0.50)	(1.00)
Sale of Fixed assets	304.33	42.06
Acquisition of Subsidiary	0.00	(4.00)
(Increase)\Decrease in Capital Work-in-Progress	51.28	(19.67)
Interest received	18.64	10.39
	<u>(622.53)</u>	<u>(675.52)</u>
NET CASH USED IN INVESTING ACTIVITIES		
C. CASH FLOW FROM FINANCING ACTIVITIES		
Reduction In calls in arrears	0.00	1.23
Proceeds from Long term borrowings	69.50	252.84
Proceeds from Short term borrowings	193.48	404.72
Dividend paid	(45.83)	(46.95)
	<u>217.15</u>	<u>611.84</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE\DECREASE IN CASH AND CASH EQUIVALENTS	129.89	33.93
Cash and cash Equivalents as at 1.4.2005 and 1.4.2003(Op.Bal)	118.13	84.20
Cash and cash Equivalents as at 31.03.2006 and 31.3.2005(Cl.Bal)	248.02	118.13

Note:- Margin Money Deposits have been included under "Trade and other receivables"

PRIME TEXTILES LIMITED

19. NOTES FORMING PART OF ACCOUNTS: PART A: SIGNIFICANT ACCOUNTING POLICIES

1. General:

Accounts are prepared on historical cost (except for certain fixed assets which have been revalued) and on the accounting principles of a going concern.

The mercantile system of accounting is followed and income and expenditure are recognized on accrual basis except those with significant uncertainties.

2. Fixed Asset:

a. Fixed Assets are stated at cost of acquisition or construction (net of Cenvat Credits) less depreciation. All costs relating to the acquisition and installation of fixed assets are capitalized and include borrowing costs directly attributable to construction or acquisition of fixed assets, up to the date the asset is put to use and adjustments arising out of exchange rate variation relating to borrowings attributable to those fixed assets.

b. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to recoverable amount and the impairment loss is charged to Profit and Loss Account. If, at Balance Sheet date, there is any deduction that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

3. Investments:

Long-term investments are stated at cost less provisions, if any, for permanent diminution in value.

4. Valuation of Inventories:

- Inventories are valued at lower of cost and net realizable value.
- Cost of raw materials is determined on specific identification method
- Stock of stores, spares and packing materials is determined on weighted average method.
- Finished goods and work in progress include conversion and other costs incurred in bringing the inventories to their present location and condition.

5. Sales:

Sales are exclusive of the excise duty, sales tax, insurance and trade discounts. Sales for exports are accounted on the date of issue of the Mate Receipt.

6. Borrowing costs:

Borrowing costs related to acquisition and construction of qualifying assets is capitalized as part of the cost of such asset up to the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit and Loss Account.

7. Depreciation:

Depreciation on fixed assets acquired prior to 1.4.90 has been provided on written down value method and on additions thereafter have been provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

- Spinning as a process of manufacture has been considered on technical assessment as a continuous process plant as defined in Schedule XIV to the Companies Act, 1956 and depreciation has been provided accordingly.
- Depreciation on assets revalued is calculated on their respective book values on straight-line method. The additional charge of depreciation on account of revaluation is deducted from the Revaluation Reserve and credited to the Profit and Loss Account.
- No depreciation is provided on assets sold during the year.

8. Retirement benefits:

- a. Contribution to Provident Fund and other funds are accounted on actual liability basis.
- b. The gratuity benefits to the employees are administered through a Trust formed for the purpose under the Group Gratuity Scheme of the Life Insurance Corporation of India. The annual contribution on the incremental liability is charged to the revenue.
- c. The Superannuation benefit to the executives is administered through a trust formed for the purpose under the Group Superannuation Scheme of the Life Insurance Corporation of India. The annual contribution is charged to the revenue.
- d. Leave salary of employees has been provided in the accounts as per the Company's Rules.

9. Foreign Currency Transactions:

- Export sales in foreign currency are accounted for at the exchange rate prevailing on the date of negotiation, where such sales are not covered by forward contracts. Outstanding export documents pending negotiation when not covered by foreign exchange forward contracts are accounted for at the prevailing conversion rates at the close of the year and the difference in actual realization of such documents is accounted for in foreign exchange fluctuation account to be credited/charged to the profit & loss account in the year of realization.
- Foreign currency loans availed for acquiring fixed assets are translated at the exchange rates prevailing at the end of the year. Gains or losses on translation are adjusted to the cost of such fixed assets.
- Foreign currency assets and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year-end and resultant gains/losses are recognized in the Profit and Loss account. Exchange difference in respect of foreign exchange forward contracts (other than for acquisition of fixed assets) is recognized as income or expense over the life of the contract.

10 Taxation:

- Provision for current tax is made on the basis of estimated taxable income for the year or computed in accordance with the Income-Tax Act, 1961.
- Deferred tax on account of timing differences, between taxable income and accounting income is recognized using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets are recognized to the extent there is reasonable certainty that these would be realized in future.

11. Lease Rentals:

Lease payments under an operating lease are recognized as an expense in the statement of profit and loss account on the basis of time pattern of the Company's benefit.

12. Contingent Liabilities:

Contingent Liabilities are disclosed in the Notes to Accounts and are determined based on the perception of the Management on the eventuality of the liability, materiality, contingent thereto.

13. Research and Development Expenditure:

Capital expenditure on Research and Development is treated in the same manner of treatment in respect of fixed assets. Revenue expenses are charged to the profit and loss account in the year in which they are incurred.

14. Miscellaneous expenditure:

- Deferred expenses are written off over the period of expected benefits there from.
- Compensation to employees opting for retirement under the Voluntary Retirement Schemes of the Company is amortized over 60 months from the month of incurrence.

PART B: NOTES ON ACCOUNTS:

	Rs.lacs	Rs.lacs
	31.03.2006	31.03.2005
1) A) Contingent liabilities not provided for in respect of		
(a) Disputed tax demands		
i) Other tax, cess etc.	68	55
ii) Incometax	60	76
iii) Fringe Benefit Tax	10	Nil
Total	<u>138</u>	<u>131</u>
(b) Export documentary bills discounted with Bank (since realized Rs. 435.65 lacs : previous year Rs. 828.68 lacs)	849	1295
(c) Corporate Guarantee (Loan outstanding at the year end including interest is Rs.1055.12 lacs)	3100	Nil

Disclosure in respect of provisions pursuant to Accounting Standard-29

Particulars	Opening Balance as on 1.4.2005	Provided during the year	Utilised during the year	Closing Balance as on 31.3.2006
Diminution in the value of investments	13.06	Nil	Nil	13.06
Doubtful Debts	24.19	Nil	Nil	24.19
Income Tax	16.61	7.15	Nil	23.76
Dividend	46.12	46.12	46.12	46.12
Corporate dividend tax	6.47	6.47	6.47	6.47
Pension, Gratuity & Superannuation	4.39	2.99	4.39	2.99
Total	110.84	62.73	56.98	116.59

B) Capital Commitments

Capital Commitments outstanding (net of advances) **62** 182

C) Licensed and installed Capacity:

Licensed Capacity			
Cotton yarn	Ring spindles	Not applicable	Not applicable
Knitted Fabrics	Metric Tonnes	402	402
Knitted Garments	Numbers	6,90,000	6,90,000

PRIME TEXTILES LIMITED

Installed Capacity		31.03.2006	31.03.2005
Cotton yarn	Ring spindles	48,504	45,840
Knitted Fabrics	Metric Tonnes	Nil	Nil
Knitted Garments	Numbers	6,50,000	6,50,000

D) Production:

Cotton yarn	Manufactured	Kgs.	25,13,585	22,78,433
Cotton yarn	Processed outside	Kgs	NIL	1,24,231
Cotton yarn	Outsourced	Kgs	14,03,038	14,37,669
Knitted Garments -	Manufactured	(numbers)	3,47,072	10,25,629
Knitted Garments -	Job Processed			
	& purchased	(numbers)	2,34,458	37,677

Closing stock of yarn is nett of process loss of 0.95 lacs kgs. (previous year 1.06 lacs kgs)

E) Turnover:

		31.03.2006		31.03.2005	
		Quantity	Value Rs.lacs *	Quantity	Value Rs.lacs *
Yarn Division	kgs	37,94,986	9931	37,24,827	9,985
Knitted Garments	numbers	6,02,932	531	9,78,241	1,254

* Turnover reported net of excise duty.

F) Stock of Finished Goods.

Opening Stock - Yarn	kgs	3,14,758	3,08,868
- Garments	numbers	4,33,017	3,13,865
Closing Stock - Yarn	kgs	3,40,260	3,14,758
- Garments	numbers	3,99,325	4,33,017

G) Raw material consumed:

		Quantity Kgs.	Value Rs.lacs	Quantity Kgs	Value Rs.lacs
Cotton		37,24,090	2,774	34,70,264	3,288
Cotton Yarn (outsourced)		13,61,044	2,559	14,61,850	2,725
Garments-Fabrics & Yarn			203		384
	Total		5,536		6,397

H) Value of Imports on CIF Basis:

a) Raw Materials-Cotton	2,085	2,218
b) Components & spare parts	75	41
c) Capital goods	455	306

I) Value of Raw materials, spares, consumables and components consumed

	31.03.2006		31.03.2005	
	Rs.lacs	% of consumption	Rs.lacs	% of consumption
i) Raw Materials:				
a) Imported	2,795	50.49	2,484	38.83
b) Indigenous	2,741	49.51	3,913	61.17
Total	5,536	100.00	6,397	100.00
ii) Stores, spares & packing materials consumed:				
a) Imported	33	6.21	37	7.09
b) Indigenous	498	93.79	485	92.91
Total	531	100.00	522	100.00

J) Expenditure in foreign currency:

	31.03.2006 Rs. lacs	31.03.2005 Rs.lacs.
Sales commission, traveling, Interest etc.	226	270

K) Earnings in foreign currency:

	31.03.2006 Rs. lacs	31.03.2005 Rs.lacs.
Exports in FOB value	5,650	6,435

2) Secured loans dealt in Schedule 3 of the Balance Sheet are secured as under: -

- a. Term loans (other than a short term loan from a bank) secured by a first *pari-passu* charge by way of equitable mortgage on all immovable properties, both present and future, excluding land admeasuring 4.69 acres and buildings appurtenant thereto, and the said loans are further secured by hypothecation of movable assets of the Company (except book debts) subject to prior charges in favour of banks against working capital advances. By way of collateral security, the wholly owned subsidiary of the Company has extended a corporate guarantee to the term lending institutions.
 - b. Hire purchase loans for purchase of vehicles are secured by hypothecation of respective assets.
 - c. Short-term loan and working capital loans from banks are secured by hypothecation of current assets and further secured by way of second charge over the assets mentioned in para (a) and (b) above and guaranteed by three of the Directors of the Company to the extent of Rs. 6,750 lacs (previous year Rs.6,750 lacs)
- 3) a. The land, buildings and machineries were revalued as on 31.03.1992 on the basis of reports of approved valuers on market value/replacement cost basis using standard indices after assessing the obsolescence and the age of the respective assets. Accordingly, a sum of Rs. 2,323.26 lacs being the increase in the value of said assets was credited to the Revaluation Reserve Account.

PRIME TEXTILES LIMITED

- b) The revalued amounts (net of withdrawals) remaining substituted for the historical cost in the Gross Block of Fixed Assets at the close of the year was:

	31.03.2006	31.03.2005
	Rs.lacs	Rs.lacs
Assets Revalued		
Land	410.64	411.17
Road and Buildings	449.10	449.10
Plant and Machinery	515.36	561.09
Total	<u>1,375.10</u>	<u>1,421.36</u>

- 4) Firm in which the Company is a Partner: M/s.Prime Developers

Name of Partners	Capital invested Rs.lacs	Share in Profits	Share in Losses
PrimeTextiles Limited	1.00	50.00%	66.66%
Pudumjee Agro Industries Limited	1.00	12.50%	16.67%
Hallan Properties Limited	--	25.00%	0.00%
Suma Commercial Private.Limited	--	12.50%	16.67%

- 5) Managerial Remuneration under section 198 of the Companies Act, 1956:

Remuneration /Perquisites		
Salary	67.92	56.35
House Rent Allowance	0.78	0.78
Contribution to Provident Fund	8.15	6.76
Contribution to Superannuation	8.83	7.83
Perquisites	3.12	2.82
Gratuity	1.49	1.25
Total	<u>90.29</u>	<u>75.29</u>

Note:

Since no commission is being paid to the Managerial personnel, computation of net profit under section 349 of the Companies Act, 1956 has not been given.

- 6) Auditors' Remuneration and expenses:

a) Audit Fees:		
Statutory Auditors	0.90	0.75
Branch Auditors	0.14	0.11
b) Tax Audit Fees:		
Statutory Auditors	0.11	0.07
Branch Auditors	0.01	0.01
c) Other Fees to Auditors:		
Taxation representation	0.13	0.17
Out of pocket expenses	0.10	0.28
Certification fees	0.07	0.29
Service Tax	0.12	0.09
Total	<u>1.58</u>	<u>1.76</u>

- 7) a) Amount of Foreign Exchange difference (net) credited in the Profit and Loss Account Rs (1.99) lacs [previous year Rs.23.95 lacs]
b) Foreign exchange difference (net) on capital account added /(reduced) to the cost of respective fixed assets Rs. 3.46 lacs [previous year Rs.(15.22) lacs]
- 8) Disclosure in respect of related parties pursuant to Accounting Standard 18 (AS 18):-
List of Related Parties and nature of relationships:
i) Where control exists: (Wholly owned subsidiary companies):
ATL Textile Processors Limited
Manoj Yarn Processors Limited
Pee Dee Yarn Processors Limited
ii) Other Parties with whom the Company has entered into transactions during the year:
a) Associates:-
Prime Processors Limited
ATL Selina Innerwear Private Limited
Prime Developers
b) Key Managerial Personnel
Mr. Madan Lal Patodia, father of Mr. Purushottam Patodia
Mr. Purushottam Patodia, Vice Chairman & Managing Director
Mr. Manojkumar Patodia, Managing Director
Mr. Anuj K. Patodia, Executive Director
c) Enterprises having Common Key Management Personnel
Prachi Credit Limited
Pat Credit Limited
Ankur Credit Limited
Manoj Credit Limited
Aarkay Credit Limited
Patod Syntex Limited
Anjana Syntex Company Limited
Prabha Syntex Company Limited
d) Relatives of Key Managerial Personnel
Mrs. Indiradevi Patodia, wife of Mr. Purushottam Patodia
Mrs. Nandita Patodia, wife of Mr. Manojkumar Patodia
Mrs. Meenal Patodia, wife of Mr. Anuj K. Patodia

iii) Transactions with related parties in the ordinary course of business:

Rs.in lacs

Sl. No.	Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel	Enterprises/ Relatives of Key Managerial Personnel	Total
1.	Purchase of goods		2.17 (25.49)	Nil (Nil)	Nil (Nil)	2.17 (25.49)
2.	Sale of goods		Nil (27.94)	Nil (Nil)	Nil (Nil)	Nil (27.94)
3.	Sale of Fixed Assets		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4.	Job charges paid		202.31 (237.55)	Nil (Nil)	Nil (Nil)	202.31 (237.55)
5.	Rent received		0.24 (0.24)	Nil (Nil)	Nil (Nil)	0.24 (0.24)
6.	Rent paid		Nil (0.39)	Nil (Nil)	Nil (Nil)	Nil (0.39)
7.	Job charges received		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8.	Expenses reimbursed	1.48 (24.80)	2.84 (65.12)	Nil (Nil)	Nil (Nil)	4.32 (89.92)
9.	Interest paid	Nil (27.82)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (27.82)
10.	Directors' Remuneration paid/ sitting fees		Nil	79.97 (66.71)	1.49 (1.39)	81.45 (68.11)
11.	Balance as on 31.3.2006	471.64Cr. (482.93)		Nil	Nil	471.64Cr. (482.93)
	ATL Selina Innerwear Private Limited		240.04 Dr. (189.30 Dr)	Nil	Nil	240.04Dr (189.30Dr)
	Prime Developers		900.00 Cr (23.36 Dr)			900.00Cr (23.36Dr)
	Prime Processors Limited		66.53 Cr (13.36)			66.53Cr (13.36)

Figures in brackets represents previous year's figures.

Note : No amount in respect of above related parties has been written off, provided for / written back.

PRIME TEXTILES LIMITED

9) Advances in the nature of loans to associates/employees (Disclosure pursuant to clause 32 of the Listing Agreement):

Name	Rate of Interest	Amount outstanding (Rs. in lakhs)	
		As on 31.03.2006	Maximum outstanding during the year.
Subsidiary Companies			
1)Manoj Yarn Processors Limited	Nil	49.90 (49.83)	49.90 (53.84)
2)Pee Dee Yarn Processors Limited	Nil	1.74 (5.44)	5.44 (5.44)

Note : Figures in brackets represents previous year figure.

10) Basic and diluted Earnings per share (EPS) of face value of Rs.10 each is calculated as under:-

For the year ended on	31 st March 2006	31 st March 2005
a) Numerator:		
Net Profit as disclosed in Profit & Loss account after tax & Preference Dividend	Rs.183.75 lacs	Rs. 243.31 lacs
b) Denominator:		
Equity shares outstanding (in numbers)	45,48,720	45,48,720
c) Basic Earnings Per Share (in Rs.)	4.04	5.35

11) Accounting for taxes on income-Accounting Standard 22 (AS 22) Net deferred tax liability comprises of:

Deferred Tax Assets	31.03.2006	31.03.2005
1. Expenses covered by 43B	3.51	3.73
2. Carry forward Unabsorbed Depreciation	202.64	117.59
3. Others	--	6.66
Total	<u>206.15</u>	<u>127.98</u>

Deferred Tax Liabilities	31.03.2006	31.03.2005
1. Depreciation	1,035.75	1,027.42
2. Deferred Revenue expenses	49.04	53.85
Total	<u>1,084.79</u>	<u>1,081.27</u>
Net Deferred Tax Liability	878.64	953.29

12) Names of SSIs to whom amounts outstanding for more than 30 days are as under:

Sriman Packing , Welcome Textiles, Abhishek Packing Inds, Reliance Industries, Texspin Engineers, Sree Abirami Packing, Sree Vani Entps, Balaji Syndicate

13) Provision has been made for unpaid liability in respect of excise duty on stocks held at the Mill and in the bonded warehouses amounting to Rs. Nil (Previous year Rs.1.15 lacs). There will, however, be no impact on the profits of the current year.

14) Provision for current tax is as estimated under section 115JB of the Income Tax Act 1961 and also resulting estimated MAT Tax credit under section 115JAA of the Income Tax Act 1961 at the year end amounts to Rs.7.15 lacs.

15) As per Accounting Standard 21 on " Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the company has presented consolidated financial statements separately, in this annual report.

- 16) The Company is engaged in the business of manufacturing and selling yarn and knitted garments forming under one segment i.e. Textile Business and hence no segment wise reporting is required.
- 17) Previous year's figures are regrouped/rearranged, wherever necessary to conform to this year's presentation.
- 18) As per notification dated 15.5.1995 issued by the Department of Company Affairs, the additional information under para IV as under :-

This is the Balance Sheet referred to in our report of even date

For & on behalf of the Board

For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

Manojkumar Patodia
Managing Director

M.J.Vijayaaraghavan
Partner : M.No.7534

Anuj K. Patodia
Executive Director

Purushottam Patodia
Vice Chairman & Managing Director

Place: Tirupur
Date : 31.05.2006

Banwarilal Singhal
Director

S.Rengasamy
Company Secretary

Part IV of Schedule VI of the Companies Act 1956 (As amended) Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:			
Registration No.	181-00001		
Balance Sheet Date	31-03-2006		
II. Capital rose during the year			
		(Figures rupees in thousands)	
Public Issue	Nil	Rights Issue	Nil
Bonus Public issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds			
Total Liabilities	1322526	Total Assets	1322526
Sources of Funds:			
Paid up Capital	60487	Reserves & Surplus	278430
Secured Loans	746322	Unsecured Loans	149423
Deferred Tax Liability	87864	Others	---
Application of Funds:			
Net Fixed Assets	720977	Investments	53576
Net Current Assets	515326	Misc. Expenditure.	32647
IV. Performance of the Company			
Turnover (including stock			
Adjustment & other Income	1139661	Total Expenditure	1126523
Profit (+)/Loss (-) Before tax	13138	Profit (+)/Loss (-) after tax	19743
Earning per share in Rs.	4.04	Dividend Rate : Equity	7.50 %
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms):			
Item Code No (ITC code)	520420.09		
Product Description	Cotton Yarn		
Item Code No (ITC code)	610910.00		
Product Description	Knitted Garments		

PRIME TEXTILES LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 Related to Subsidiary Companies

Sl. No.	Particulars	Name of Subsidiary Companies		
		ATL Textile Processors Limited	Manoj Yarn Processors Limited	Pee Dee Yarn Processors Limited
1.	Financial Year ended 31st March.	2006	2006	2006
2.	No. of shares held by holding Company	10,37,450	50,900	10,900
3.	Face value of shares in. Rs.	10	10	10
4.	Extent of Holding (%) Held by Manoj Yarn Processors Limited	100	100	21.41% 78.59%
5.	Net aggregate amount of profits of the subsidiary for the above financial year so far as it concerns members of the Holding Company which are not dealt within the company's account.	Rs.(0.56) lacs	Not applicable. Operation not yet commenced	Not applicable. Operation not yet commenced
6.	- do - For the previous financial year	Rs. 8.21 lacs	- do -	- do -
7.	Net aggregate amount of profits [losses] of the subsidiary for the above financial year so far as it concerns members of the Holding Company which are dealt within the company's account (Rs.in lacs)	Rs 12.42 lacs	Not applicable	Not applicable
8.	Holding company's interest as at 31st March, 2006 incorporating changes since the close of the financial year of the subsidiary company.	No change	No change	No change

For & on behalf of the Board

Purushottam Patodia
Vice Chairman & Managing Director

Manojkumar Patodia
Managing Director

Banwarilal Singhal
Director

Place: Tirupur
Date : 31.05.2006

Anuj K.Patodia
Executive Director

S.Rengasamy
Company Secretary

AUDITORS' REPORT

Report of the auditors to the Board of Directors of PRIME TEXTILES LIMITED

We have audited the attached consolidated Balance Sheet of M/s. PRIME TEXTILES LIMITED, and its subsidiaries as at 31st March 2006, and also the related Profit and Loss account and the Cash Flow Statement for the year ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of ATL TEXTILE PROCESSORS LIMITED, MANOJ YARN PROCESSORS LIMITED and PEE DEE YARN PROCESSORS LIMITED subsidiaries, for the year ended 31st March 2006. These statements were audited by other auditors whose reports have been furnished to us, and in our opinion, so far as it relates to these companies is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 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 and the reports of other auditors provide a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard-21 "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of M/s. PRIME TEXTILES LIMITED and its subsidiary companies included in the aforesaid consolidation.

On the basis of the information and explanations given to us and on consideration of the separate Audit Reports on individual audited financial statement of M/s. PRIME TEXTILES LIMITED and its subsidiary, In our opinion the consolidated financial statements give a true and fair view in conformity with the Accounting Principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of M/s. PRIME TEXTILES LIMITED and its subsidiary as at 31st March 2006
- b) in the case of the consolidated Profit and Loss account, of the consolidated results of operations of M/s. PRIME TEXTILES LIMITED and its subsidiaries for the year ended on that date, and
- c) in the case of the consolidated cash flow statement of the consolidated cash flows of M/s. PRIME TEXTILES LIMITED and its subsidiaries for the year ended on that date.

In our opinion, based on our audits and the reports of other audits, the consolidated financial statements referred to above give a true and fair view of the financial position of M/s. PRIME TEXTILES LIMITED, and subsidiaries as at 31st March 2006 and of the results of consolidated cash flows for the year ended are in conformity with generally accepted accounting principles in India.

For M.S.Jagannathan & Visvanathan
Chartered Accountants

Place: Tirupur
Date : 31.05.2006

M.J. Vijayaraaghavan
Partner
Membership No. : 7534

PRIME TEXTILES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2006

	Schedule	As at 31.03.2006 Rs.lacs	As at 31.03.2005 Rs.lacs
Sources of Funds			
(1) Shareholders' Funds			
Capital	1	604.87	604.87
Reserves and Surplus	2	2,796.71	2,699.99
		<u>3,401.58</u>	<u>3,304.86</u>
(2) Loan Funds			
Secured Loans	3	7,463.22	7,177.10
Unsecured Loans	4	970.94	979.18
		<u>8,434.16</u>	<u>8,156.28</u>
(3) Deferred Tax Liability			
		878.64	953.29
	Total	<u>12,714.38</u>	<u>12,414.43</u>
Application of Funds			
(1) Fixed Assets			
Gross Block	5	11,551.76	10,737.68
Less: Depreciation		4,432.82	4,054.24
		<u>7,118.94</u>	<u>6,683.44</u>
Capital Work - in - Progress		147.10	198.38
Net Block		<u>7,266.04</u>	<u>6,881.82</u>
(2) Investments			
	6	15.13	14.63
(3)(i) Current Assets, Loans & Advances			
(a) Inventories	7	4,891.79	3,789.23
(b) Sundry Debtors		597.82	537.93
(c) Cash and Bank Balances		432.98	279.51
(d) Other Current Assets		128.93	100.25
(e) Loans and Advances		1,565.68	1,712.24
	8	<u>7,617.20</u>	<u>6,419.16</u>
(ii) Current Liabilities & Provisions			
(a) Liabilities		2,456.28	1,388.58
(b) Provisions		55.83	56.98
		<u>2,512.11</u>	<u>1,445.56</u>
Net Current Assets (i-ii)			
		<u>5,105.09</u>	<u>4,973.60</u>
(4) Miscellaneous Expenditure			
(to the extent not written off/adjusted)			
(i) Voluntary Retirement Scheme Compensation		322.04	526.90
(ii) Others		6.08	17.48
	Total	<u>12,714.38</u>	<u>12,414.43</u>
Cash Flow Statement			
	18		
Significant Accounting Policies and notes on accounts	19		

Schedule 1 to 8, 18 and 19 form part of this Balance Sheet

For & on behalf of the Board

As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

Manojkumar Patodia
Managing Director

Anuj K. Patodia
Executive Director

Banwarilal Singhal
Director

Purushottam Patodia
Vice Chairman & Managing Director

S.Rengasamy
Company Secretary

M.J.Vijayaraaghavan
Partner : M.No.7534
Place: Tirupur
Date : 31.05.2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	Schedule	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
INCOME			
Turnover	9	10,856.48	12,344.11
Less: Excise Duty		0.06	98.08
		<u>10,856.42</u>	<u>12,246.03</u>
Other Income	10	308.32	145.96
Increase / (Decrease) in Stocks	11	231.87	345.02
		<u>11,396.61</u>	<u>12,737.01</u>
EXPENDITURE			
Cost of Materials	12	5,535.58	6,665.91
Personnel Expenses	13	664.36	695.89
Power and Fuel Consumed		1,221.96	918.44
Stores, Spares & Packing Materials Consumed		531.21	522.41
Processing Charges		753.40	1,138.71
Repairs and Maintenance	14	166.92	167.26
Selling & Distribution Expenses	15	501.14	807.63
Administrative & Other Expenses	16	498.21	455.79
Interest	17	724.11	583.40
Amortisation of Miscellaneous Expenditure		216.40	192.62
		<u>10,813.29</u>	<u>12,148.06</u>
Gross Profit after interest before depreciation		583.32	588.95
Depreciation	498.93		
Less: Transfer from Revaluation Reserve	46.43	452.50	428.79
Profit for the year before tax		130.82	160.16
Provision for - Current tax	(7.15)		(12.63)
Provision for Deferred Tax Asset / (Liability)	74.66		117.66
Minimum Alternate Tax Credit entitlement	7.15		-
Fringe benefit tax paid	(8.61)	66.05	-
Profit after tax		196.87	265.19
Surplus brought forward from previous year		154.48	141.88
Amount available for appropriations		351.35	407.07
APPROPRIATIONS			
Proposed Dividend - Equity Shares		34.12	34.12
Dividend - Preference Shares		12.00	12.00
Tax on distributed profits		6.47	6.47
Transfer to General Reserve		200.00	200.00
Surplus carried over		98.76	154.48
		<u>351.35</u>	<u>407.07</u>
Earnings Per Equity share of Rs. 10/- each			
Basic		4.02	5.53
(Ref. note B8 in schedule 19)			
Cash Flow Statement	18		
Significant Accounting Policies and notes on accounts	19		

Schedule 9 to 19 form part of this Profit and Loss Account

For & on behalf of the Board

As per our report of even date annexed
For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

Manojkumar Patodia
Managing Director

Anuj K. Patodia
Executive Director

Banwarilal Singhal
Director

Purushottam Patodia
Vice Chairman & Managing Director

S.Rengasamy
Company Secretary

M.J.Vijayaraaghavan
Partner : M.No.7534
Place: Tirupur
Date : 31.05.2006

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
1,25,00,000 Equity shares of Rs. 10 each	1,250.00	1,250.00
7,50,000 Preference shares of Rs.100 each	750.00	750.00
	<u>2,000.00</u>	<u>2,000.00</u>
Issued		
45,48,860 Equity shares of Rs. 10 each	454.89	454.89
1,50,000 8% Cumulative Preference Shares of Rs.100 each	<u>150.00</u>	<u>150.00</u>
	<u>604.89</u>	<u>604.89</u>
Subscribed and paid up:		
45,48,720 Equity Shares of Rs. 10 each fully paid up	454.87	454.87
1,50,000 8% Cumulative Preference Shares of Rs.100 each	<u>150.00</u>	<u>150.00</u>
	<u>604.87</u>	<u>604.87</u>
1) Subscribed and Paid-up Equity Shares includes 2,68,920 shares of Rs.10/- each allotted during previous years as fully paid bonus shares by capitalisation of general reserve		
2) Preference Shares are redeemable at par on 21-02-2007		
SCHEDULE 2 : RESERVES AND SURPLUS		
General Reserve:		
As per last balance sheet	871.15	671.15
Transfer from Profit and Loss Account	<u>200.00</u>	<u>200.00</u>
	1,071.15	1,071.15
Securities Premium Account-as per last balance sheet	540.00	540.00
Capital Redemption Reserve-as per last balance sheet	500.00	500.00
Revaluation Reserve :		
As per last balance sheet	634.35	680.90
Transfer to Profit & Loss account	(46.44)	(46.48)
Withdrawals on assets sold	<u>(1.11)</u>	<u>(0.06)</u>
	586.80	634.36
Profit and Loss Account - Surplus	98.76	154.48
Total	<u>2,796.71</u>	<u>2,699.99</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 3 : SECURED LOANS		
Loans and Advances from		
(a) Banks		
(i) Term Loans	2,093.68	1,620.25
(ii) Working Capital Advances	3,522.18	3,305.56
(b) From Financial Institutions		
Term Loans	1,832.22	2,231.66
(c) From others	15.14	19.63
Total	<u>7,463.22</u>	<u>7,177.10</u>
SCHEDULE 4 : UNSECURED LOANS		
1. Fixed Deposits - from Public (Repayable within one year Rs.126.51 lacs :previous year Rs. 105.55 lacs)	132.44	133.68
2. Intercompany Deposits (short term)	838.50	845.50
Total	<u>970.94</u>	<u>979.18</u>

SCHEDULE - 5 : FIXED ASSETS

Rs. in lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2005	Additions during the year	Deductions during the year	As at 31.03.2006	Upto 31.03.2005	For the year	Withdrawn	Upto 31.03.2006	As on 31.03.2006	As on 31.03.2005
Land-Free hold	586.02	---	0.24	585.78	---	---	---	---	585.78	586.02
Buildings	1,609.35	35.00	---	1,644.35	606.70	36.51	---	643.21	1,001.14	1,002.65
Plant & Machinery	8,247.49	952.45	176.83	9,023.11	3,336.47	446.36	116.67	3,666.16	5,356.95	4,911.02
Furniture & Office Equipments	189.11	0.59	---	189.70	76.92	6.99	---	83.91	105.79	112.19
Vehicles	105.67	8.24	5.13	108.78	34.15	9.08	3.69	39.54	69.24	71.52
Livestock	0.04	---	---	0.04	---	---	---	---	0.04	0.04
Total	10,737.68	996.28	182.20	11,551.76	4,054.24	498.94	120.36	4,432.82	7,118.94	6,683.44
Corresponding Previous year	10,141.15	703.30	106.77	10,737.68	3,621.41	475.27	42.94	4,054.24	6,683.44	

Note: i) Out of 121.83 acres of Land, 5.96 acres is currently under property development.

ii) Buildings - Office Premises include 5 shares of Rs. 50/= each in a Co-operative Society.

iii) Additions includes capitalisation of borrowing costs aggregating to Rs.2.79 lacs (previous year Rs.10.09 lacs)

iv) Vehicles include cars costing Rs.51.49 lacs (previous year Rs.48.88 lacs) purchased on Hire-purchase basis.

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 6 : INVESTMENTS AT COST - LONG TERM		
Trade - Unquoted		
YS Spinners Limited		
129,000 Equity Shares of Rs.10 each	12.90	12.90
Prime Processors Limited		
70,000 Equity Shares of Rs.10 each	7.00	7.00
ATL-Selina Innerwear Pvt. Limited		
15,000 Equity Shares of Rs.10 each	1.50	1.50
Tirupur Infrastructure Development Company Ltd		
500 Equity Shares of Rs.1000 each	5.00	5.00
Non Trade - Quoted		
Velan Hotels Limited		
2,000 Equity Shares of Rs.10 each	0.20	0.20
Non Trade - Unquoted		
Metal Industries Limited		
800 Equity Shares of Rs.10 each	0.08	0.08
Asher Textiles Mills Co-operative Stores Ltd		
200 Equity Shares of Rs.5 each	0.01	0.01
Capital in Partnership Firm : (Ref Note No. B3 Schedule19)		
Prime Developers	1.00	1.00
Government Securities		
National Savings Certificate	0.50	0.00
	<u>28.19</u>	<u>27.69</u>
Less : Provision for diminution in value	13.06	13.06
	<u>15.13</u>	<u>14.63</u>
	Total	
Aggregate of quoted investments : At book value	0.20	0.20
Aggregate of quoted investments : Market price	0.04	0.04
Aggregate of unquoted investments : At book value	27.99	27.49
SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES:		
A. Current Assets:		
(a) Inventories :		
As valued and certified by the Management	173.22	192.32
Stores,spares & packing materials		
Stock in Trade :		
Raw materials	2,290.90	1,401.11
Stocks in Process	355.87	273.59
Finished goods	2,047.96	1,895.52
Waste	9.06	11.91
Land	14.78	14.78
	<u>4,891.79</u>	<u>3,789.23</u>
(b) Sundry Debtors :		
Unsecured, considered good-unless otherwise stated		
(i) Debts outstanding for a period exceeding six months		
Considered good	123.72	129.67
Considered doubtful	24.19	24.19
Less: Provision for doubtful debts	(24.19)	(24.19)
(ii) Other debts	474.10	408.26
	<u>597.82</u>	<u>537.93</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES: (Contd..)		
(c) Cash and Bank Balances:		
(i) Cash on hand	8.01	8.07
(ii) With scheduled banks		
a) In Current Accounts	235.16	35.50
b) In Fixed Deposit Accounts - Margin money	183.14	156.69
c) In Fixed Deposit Accounts	0.00	60.00
d) In Unpaid Dividend Account	6.46	6.17
(iii) Post Office savings account (maximum amount outstanding Rs.0.21 lacs)	0.21	0.21
(iv) Cheques on Hand	0.00	12.87
	<u>432.98</u>	<u>279.51</u>
(d) Other Current Assets		
Interest accrued on deposits/investments	14.93	18.74
Income and other receivables	114.00	81.51
	<u>128.93</u>	<u>100.25</u>
Sub-Total (A)	<u>6,051.52</u>	<u>4,706.92</u>
B. Loans and Advances		
Unsecured-considered good, unless stated otherwise		
a) Advances recoverable in cash or in kind or for value to be received	1,291.71	1,450.98
b) Prepaid expenses	42.40	73.31
c) Advance Tax including tax deducted at source {net of provisions of Rs. 24.53 lacs ; previous year Rs.21.34 lacs}	24.40	10.59
e) Income Tax Refund Receivable	28.44	28.04
f) Demand Deposits	107.90	55.45
g) Balance with Customs, Excise etc.,	70.83	93.87
Sub-total (B)	<u>1,565.68</u>	<u>1,712.24</u>
Total (A + B)	<u>7,617.20</u>	<u>6,419.16</u>
SCHEDULE 8:CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors		
Due to Small Scale Industrial units	1.34	3.43
Due to others	1,189.54	901.24
Other current liabilities	334.11	436.41
Partnership firm in which company is a partner	900.00	0.00
Unclaimed Dividends *	6.46	6.17
Interest accrued but not due on loans	24.83	41.33
	<u>2,456.28</u>	<u>1,388.58</u>
B. Provisions		
For Proposed Dividend	46.12	46.12
Provision for Dividend Tax	6.47	6.47
For Pension, Gratuity & Superannuation Fund	3.24	4.39
	<u>55.83</u>	<u>56.98</u>
(* There are no amounts due and outstanding to be credited to Investors Education and Protection Fund)		
Total	<u>2,512.11</u>	<u>1,445.56</u>

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 9 : TURNOVER		
Cotton Yarn	9,930.51	10,082.43
Knitted Garments	530.96	1,254.45
Waste	290.58	253.98
Export Incentives	104.43	537.41
Sub-Total	<u>10,856.48</u>	<u>12,128.27</u>
Sale value of Land	0.00	215.84
Total	<u>10,856.48</u>	<u>12,344.11</u>
SCHEDULE 10 : OTHER INCOME		
Rent received	1.22	1.07
Miscellaneous Income	38.54	27.26
Interest receipts (TDS Rs.2.99 lacs previous year Rs.7.47 lacs)	18.64	38.73
Insurance claim received	6.31	4.96
Land Development Charges Received	0.00	73.94
Profit on sale of assets (net)	243.61	0.00
	<u>308.32</u>	<u>145.96</u>
SCHEDULE: 11: INCREASE /(DECREASE) IN STOCKS		
Stock at closing:		
Finished Goods	2,047.96	1,895.52
Stocks in Process	355.87	273.59
Waste	9.06	11.91
	<u>2,412.89</u>	<u>2,181.02</u>
Less:		
Stock at Commencement:		
Finished Goods	1,895.52	1,567.12
Stocks in Process	273.59	264.80
Waste	11.91	4.08
	<u>2,181.02</u>	<u>1,836.00</u>
Net Total	<u>231.87</u>	<u>345.02</u>
SCHEDULE 12: COST OF MATERIALS		
Opening Stock of Materials	1,401.12	1,702.12
Add: Purchases	6,425.37	6,096.39
	<u>7,826.49</u>	<u>7,798.51</u>
Less: Closing stock of Materials	2,290.91	1,401.12
Sub-total	<u>5,535.58</u>	<u>6,397.39</u>
Add: Cost of Land	0.00	268.52
Total	<u>5,535.58</u>	<u>6,665.91</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 13: PERSONNEL EXPENSES		
Salaries, Wages, Bonus and others	466.05	500.71
Managerial Remuneration	90.29	75.29
Contribution to Provident and other Funds	41.57	43.20
Welfare Expenses	66.45	76.69
Total	<u>664.36</u>	<u>695.89</u>
SCHEDULE 14: REPAIRS & MAINTENANCE		
Buildings	27.71	33.97
Machinery	129.28	121.63
Others	9.93	11.66
Total	<u>166.92</u>	<u>167.26</u>
SCHEDULE 15: SALES & DISTRIBUTION EXPENSES		
Brokerage and Commission	209.69	224.25
Freight, Forwarding & Other Expenses	291.45	583.38
Total	<u>501.14</u>	<u>807.63</u>
SCHEDULE 16: ADMINISTRATIVE & OTHER EXPENSES		
Insurance	44.27	40.35
Postage, Telephone, Printing & Stationery	49.33	82.79
Travelling, Motor Vehicle maintenance	138.75	169.32
Bank Charges, Filing Fees, Subscription & Advertisement	154.97	108.54
Rent	41.99	40.41
Rates & Taxes	28.75	23.01
Excise duty on stocks (net)	1.17	(92.65)
Directors' Sitting Fees	2.40	1.29
Auditors' Remuneration and Expenses	1.67	1.86
Miscellaneous Expenses	34.91	52.42
Loss on sale of assets (net)	0.00	21.71
Provision for Bad and doubtful debts	0.00	6.74
Total	<u>498.21</u>	<u>455.79</u>
SCHEDULE 17: INTEREST		
On Fixed Loans	270.97	243.81
On Others	453.14	339.59
Total	<u>724.11</u>	<u>583.40</u>

PRIME TEXTILES LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 Rs.lacs	31.03.2005 Rs.lacs
SCHEDULE 18: CONSOLIDATED CASH FLOW		
A. NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	130.82	160.16
Adjustments for:		
Depreciation	452.50	428.79
(Profit) / Loss on sale of assets	(243.61)	21.70
Interest received	(18.64)	(38.73)
Interest charged	724.11	583.40
	<u>914.36</u>	<u>995.16</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,045.18	1,155.32
Adjustments for:-		
Trade receivables	(59.87)	181.66
Other receivable	105.24	(318.86)
Inventories	(1,102.56)	206.96
Trade payables	1,076.29	57.91
CASH GENERATED FROM OPERATIONS	<u>1,064.28</u>	<u>1,282.99</u>
Deferred Revenue Expenditure & Preliminary Expenses	216.26	(224.65)
Direct taxes paid	(22.42)	18.98
Interest paid	(740.62)	(561.88)
	<u>(546.78)</u>	<u>(767.55)</u>
NET CASH FROM OPERATING ACTIVITIES	Sub-total 517.50	515.44
B.CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(996.28)	(703.29)
Purchase of Investments	(0.50)	(1.00)
Sale / Transfer value of Fixed assets	304.34	42.06
(Increase)\Decrease in Capital Work-in-Progress	51.28	(19.67)
Interest received	18.64	38.73
NET CASH USED IN INVESTING ACTIVITIES	<u>(622.52)</u>	<u>(643.17)</u>
C.CASH FLOW FROM FINANCING ACTIVITIES		
Reduction in calls in arrears	0.00	1.23
Proceeds from Long term borrowings	69.50	60.98
Proceeds from Short term borrowings	208.38	113.74
Dividend paid	(45.83)	(46.95)
NET CASH USED IN FINANCING ACTIVITIES	<u>232.05</u>	<u>129.00</u>
NET INCREASE\DECREASE IN CASH AND CASH EQUIVALENTS	127.02	1.27
Cash and cash Equivalents as at 1.4.2005 and 1.4.2004(Op.Bal)	122.82	121.55
Cash and cash Equivalents as at 31.3.2006 and 31.3.2005(CI.Bal)	249.84	122.82

Note:- Margin Money Deposits have been included under "Trade and other receivables"

Schedules forming part of the Consolidated Balance Sheet as at 31st March,2006 and Profit and Loss Account for the year ended on that date:

19. NOTES TO ACCOUNTS

Part A. SIGNIFICANT ACCOUNTING POLICIES

1) General:

Accounts are prepared on historical cost (except for certain fixed assets which have been revalued) and on the accounting principles of a going concern

2) The mercantile system of accounting is followed and income and expenditure are recognized on accrual basis except those with significant uncertainties.

3) Principles of Consolidation: The consolidated financial statements relate to Prime Textiles Limited ("the company") and its wholly-owned subsidiary companies, all incorporated in India, viz., ATL Textile Processors Limited (formerly known as ATL Patodia Finance Limited), Manoj Yarn Processors Limited and Pee Dee Yarn Processors Limited. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary companies have been combined on a line-by line basis by adding together the book value of like items of assets and liabilities after fully eliminating intra-group balances and intra-group transaction resulting in unrealized profits or losses.

b) Financial statements of both parent company and subsidiary companies have been drawn up to 31st March 2006, the reporting date.

4) Contingent Liabilities:

Contingent Liabilities are disclosed to the Notes to Accounts and are determined based on the perception of the Management on the eventuality of the liability, materiality and contingent thereto.

5) Other Significant Accounting Policies

These are set out in the Notes to Accounts under Significant Accounting Policies for financial statements of the Company and its subsidiary companies.

PART B: NOTES ON ACCOUNTS:

	31.03.2006	31.03.2005
1) A) Contingent liabilities not provided for in respect of		
(a) Disputed tax demands		
i) Other tax, cess etc.	68	55
ii) Incometax	60	76
iii) Fringe Benefit Tax	10	Nil
Total	<u>138</u>	<u>131</u>
(b) Export documentary bills discounted with Banks (since realized Rs. 435.65 lacs : previous year Rs. 828.68 lacs)	849	1295
(c) Corporate Guarantee (Loan outstanding at the year end including interest is Rs.1055.12 lacs)	3100	Nil
(d) ATL Textile Processors Limited, subsidiary of the Company has given corporate guarantee to the lending institutions of the Company	1815	1,815

Disclosure in respect of provisions pursuant to Accounting Standard-29

Particulars	Opening Balance As on 1.4.2005	Provided during the year	Utilised during the year	Closing Balance as On 31.3.2006
Diminution in the value of investments	13.06	Nil	Nil	13.06
Doubtful Debts	24.19	Nil	Nil	24.19
Income Tax	21.34	7.15	Nil	28.49
Dividend	46.12	46.12	46.12	46.12
Corporate dividend tax	6.47	6.47	6.47	6.47
Pension, Gratuity & Superannuation	4.39	2.99	4.39	2.99
Total	115.57	62.73	56.98	121.32

PRIME TEXTILES LIMITED

SCHEDULES 19. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS (contd.)

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
B. Capital Commitments:		
Capital commitments outstanding (net of advances)	62	182
2. (a) The land, buildings and machineries were revalued as on 31.03.1992 on the basis of reports of approved valuers on market value/ replacement value / replacement cost basis using standard indices after assessing the obsolescence and the age of the respective assets. Accordingly, a sum of Rs.2,323.26 lacs being the increase in the value of said assets was credited to the Revaluation Reserve Account.		
(b) The revalued amounts (net of withdrawals) remaining substituted for the historical cost in the Gross Block of Fixed Assets at the close of the year was:		
Land	410.64	411.17
Roads and Buildings	449.10	449.10
Plant and Machinery	515.36	561.09
Total	<u>1375.10</u>	<u>1,421.36</u>

3. Firm in which the Company is a Partner: M/s.Prime Developers

Name of Partners	Capital invested Rs.lacs	Share in Profits	Share in Losses
PrimeTextiles Limited	1.00	50.00%	66.66%
Pudumjee Agro Industries Limited	1.00	12.50%	16.67%
Hallan Properties Private Limited	--	25.00%	0.00%
Suma Commercial Private Limited	--	12.50%	16.67%

4. Managerial Remuneration under section 198 of the Companies Act, 1956:

Salary	67.92	56.35
House Rent Allowance	0.78	0.78
Contribution to Provident Fund	8.15	6.76
Contribution to Superannuation	8.83	7.83
Perquisites	3.12	2.82
Gratuity	1.49	1.25
Total	<u>90.29</u>	<u>75.29</u>

5. Auditors' Remuneration and expenses:

a) Audit Fees:		
Statutory Auditors (including service tax)	0.90	0.75
Branch Auditors	0.14	0.11
Subsidiary Company**	0.09	0.09
b) Tax Audit Fees:		
Statutory Auditors (including service tax)	0.11	0.07
Branch Auditors	0.01	0.01
c) Other Fees to Auditors:		
Taxation representation	0.13	0.17
Out of pocket expenses	0.10	0.28
Certification fees	0.07	0.29
Service Tax	0.12	0.09
Total	<u>1.67</u>	<u>1.86</u>

** Audit fees Rs.6,000 (Rs.5000) paid by other two subsidiary companies is grouped in Preliminary expenses as they have not yet commenced their operation.

6. Foreign Exchange transactions:

- a) Amount of Foreign Exchange difference (net) credited in the Profit and Loss Account Rs 1.99 lacs [previous year Rs.23.95 lacs]
- b) Foreign exchange difference (net) on capital account added /(reduced) to the cost of respective fixed assets Rs. 3.46 lacs [previous year Rs.(15.22) lacs]

SCHEDULES 19. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS (contd.)

7. Disclosure in respect of related parties pursuant to Accounting Standard 18 (AS 18):-

List of Related Parties and nature of relationships:

- i) Where control exists: (Wholly owned subsidiary companies):
 - a) ATL Textile Processors Limited (formerly known as ATL Patodia Finance Limited)
 - b) Manoj Yarn Processors Limited
 - c) Pee Dee Yarn Processors Limited
- ii) Other Parties with whom the Company has entered into transactions during the year:
 - (a) Associates: -
 - i) Prime Processors Limited
 - ii) ATL Selina Innerwear Private Limited
 - iii) Prime Developers
 - b) Key Management Personnel and their relatives
 - i) Mr. Madan Lal Patodia, father of Mr. Purushottam Patodia
 - ii) Mr. Purushottam Patodia, Vice Chairman & Managing Director
 - iii) Mr. Maojjkumar Patodia, Managing Director
 - iv) Mr. Anujj K. Patodia, Executive Director
 - c) Enterprises having Common Key Management Personnel
 - i) Prachi Credit Limited
 - ii) Pat Credit Limited
 - iii) Ankur Credit Limited
 - iv) Manoj Credit Limited
 - v) Aarkay Credit Limited
 - vi) Patod Syntex limited
 - vii) Anjana Syntex Company Limited
 - viii) Prabha Syntex Company Limited
 - d) Relatives of Key Managerial Personnel:
 - i) Mrs. Indiradevi Patodia, wife of Mr. Purushottam Patodia
 - ii) Mrs. Nandita Patodia, wife of Mr. Manojkumar Patodia
 - iii) Mrs. Meenal Patodia, wife of Mr. Anujj K. Patodia

iii) Transactions carried out with related parties referred above, in the ordinary course of business:

Rs. in lacs

Sl. No.	Nature of Transaction	Associates	Key Managerial Personnel	Enterprises/ Relatives of Key Managerial Personnel	Total
1.	Purchase of goods	2.17 (25.49)	Nil (Nil)	Nil (Nil)	2.17 (25.49)
2.	Sale of goods	Nil (27.94)	Nil (Nil)	Nil (Nil)	nil (27.94)
3.	Sale of Fixed Assets	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4.	Job charges paid	202.31 (237.55)	Nil (Nil)	Nil (Nil)	202.31 (237.55)
5.	Rent received	0.24 (0.24)	Nil (Nil)	Nil (Nil)	0.24 (0.24)
6.	Rent paid	Nil (0.39)	Nil (Nil)	Nil (Nil)	nil (0.39)
7.	Job charges received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8.	Expenses reimbursed	2.84 (65.12)	Nil (Nil)	Nil (Nil)	2.84 (65.12)
9.	Interest paid	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
10.	Directors' Remuneration paid/ sitting fees	Nil	79.97 (66.71)	1.49 (1.39)	81.45 (68.11)
11.	Balance as on 31.3.2006		Nil	Nil	471.64Cr (482.93)
	ATL Selina Innerwear Private Limited	240.04 Dr. (189.30 Dr)	Nil	Nil	240.04Dr (189.30Dr)
	Prime Developers	900.00 Cr (23.36 Dr)			900.00Cr (23.36Dr)
	Prime Processors Limited	66.53 Cr (13.36)			66.53Cr (13.36)

Figures in brackets represents previous year's figures.

Note : No amount in respect of above related parties has been written off, provided for / written back.

PRIME TEXTILES LIMITED

SCHEDULES 19. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS (contd.)

8.	Basic and diluted Earnings per share (EPS) of face value of Rs. 10 each is calculated as under:-		
		2005-06	2004-05
a)	Numerator:		
	Net Profit as disclosed in Profit & Loss account after tax & Preference Dividend (Rs. in lacs)	183.19	251.51
b)	Denominator:		
	Equity shares outstanding (in numbers)	45,48,720	45,48,720
c)	Basic Earnings Per Share (in Rs.)	4.02	5.53

9. "Accounting for taxes on income-Accounting Standard 22 (AS 22)"
Net deferred tax liability as at 31st March, 2006 comprises:

	Rs.in lacs	
	31.03.2006	31.03.2005
DEFERRED TAX ASSET		
1) Expenses allowable	3.51	3.73
2) Carry forward unabsorbed Depreciation	202.64	117.59
3) Others	--	6.66
Total	<u>206.15</u>	<u>127.98</u>
DEFERRED TAX LIABILITIES		
1) Depreciation	1,035.75	1,027.42
2) Deferred Revenue Expenses	49.04	53.85
Total	<u>1,084.79</u>	<u>1,081.27</u>
Net Deferred Tax Liability	<u>878.64</u>	<u>953.29</u>

10. Cotton yarn and Garments are coming under one segment viz. 'Textiles' and hence segment wise reporting has not been given.
11. Previous year's figures are regrouped/rearranged, wherever necessary to conform to this year's presentation.

For & on behalf of the Board

For **M.S.Jagannathan & Visvanathan**
Chartered Accountants

Purushottam Patodia
Vice Chairman & Managing Director

M.J.Vijayaraaghavan
Partner
M.No. : 7534

Manojkumar Patodia
Managing Director

Banwarilal Singhal
Director

Place: Tirupur
Date : 31.05.2006

Anujj K.Patodia
Executive Director

S.Rengasamy
Company Secretary

ATL TEXTILE PROCESSORS LIMITED
(Formerly known as ATL Patodia Finance Limited)

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Statement of Accounts for the year ending 31st March 2006.

Status

The Company is continuing as a wholly owned subsidiary company of M/s. Prime Textiles Limited.

Operations

Your Directors are contemplating ways and means to attain its main objectives. With an intention to further the business of the company it has proposed to invest in certain strategic properties during the ensuing year.

Public Deposits

The Company has not accepted any deposits from the public or others during the year under Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of the provisions of Section 217(2AA) of the Companies Act 1956, your Directors wish to place on record that:

- a. in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and considered prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2006 and of the Profit and Loss Account for the year ended on that date;
- c. the Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting any incidence of frauds and other irregularities; and,
- d. the Annual Accounts have been prepared on a going concern basis.
- e. Since the Company does not have any employees attracting the disclosure particulars under section 217(2A) has not been given.
- f. Since the Company has not started any manufacturing or service activities particulars u/s.217(1)(e) have not been given.

Auditors

Shareholders are requested to appoint the Auditors of the Company. Messrs Chandra Gupta & Co., Chartered Accountants, Bangalore, retire as the Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment.

Directors

Mr. Anuj K. Patodia, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Compliance Certificate

Secretarial Compliance Certificate issued by a Practicing Company Secretary under section 383(A) of the Companies Act, 1956 is enclosed by way of Annexure to this Directors' Report.

Acknowledgements

Your Directors record their gratitude for the continued support received from the holding company.

For and on behalf of the Board

Manojkumar Patodia
Anuj K.Patodia
B.K.Srinivasa Ragavan
Directors

Place: Tirupur
Date : 31.05.2006

PRIME TEXTILES LIMITED

COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH 2006

CIN : U65910TZ1996PLC007068
Registration No. of the Company: 181-007068
Nominal Capital: Rs.1,25,00,000/-

To
The Members
ATL TEXTILE PROCESSORS LIMITED
110, Avanashi Road,
TIRUPUR 641 603.

Sirs,

I have examined the registers, records, books and papers of **ATL TEXTILE PROCESSORS LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March 2006 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder except as stated in Annexure-B.
3. The Company, being a public limited company has a paid up capital of Rs. 1,03,74,500/-
4. The Board of Directors duly met five times respectively on 18.4.2005, 18.6.2005, 27.7.2005, 29.10.2005, and 31.1.2006 and in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2005 was held on 17.9.2005 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act. However the Company has advanced to its Holding company Prime Textiles Limited a sum of Rs.520.30 lacs.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13.
 - i) The Company has delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Act. However there was no allotment/ transmission of securities during the financial year
 - ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - iii) The Company was not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - iv) The Company has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to be transferred to Investor Education and Protection Fund.
 - v) Duly complied with the requirements of section 217 of the Act.

14. The Board of Directors of the Company is duly constituted and the appointment of Additional Director have been duly made. However there was no appointment of Directors, alternative Director and Directors to fill casual vacancies during the financial year.
15. The Company's paid up capital being less than the prescribed 5 crores, it is not required to appoint a Managing Director/Whole Time Director/Manager and accordingly the Company has not appointed any Managing Director/Whole Time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares/debentures and hence the question of redemption of preference shares/debentures does not arise during the financial year under review.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A/58AA during the financial year.
24. The Company has not made any borrowings during the financial year ended 31.3.2006.
25. The Company has not made any investments in other bodies corporate and consequently no entries have been made in the register kept for the purpose. The Company has made advances, provided securities and issued Corporate Guarantee to the holding Company, collaterally securing term loans availed by latter and has made necessary entries in the Register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The Company did not have any employee during the said referred financial year and hence the provisions of section 417(1) of the Act were not applicable.
33. The Company did not have any employee during the said referred financial year and hence the provisions of section 418 of the Act were not applicable.

Place: Tirupur
Date : 27.05.2006

Sd/-
Name of the Company Secretary: **M.R.L.NARASIMHA**
C.P.No.799

PRIME TEXTILES LIMITED

ANNEXURE 'A'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH 2006

M/s. ATL TEXTILE PROCESSORS LIMITED
CIN : U65910TZ1996PLC007068
Registration No. of the Company: 181-007068
Nominal Capital: Rs.1,25,00,000/-.

Registers as maintained by the Company:

- 1) Board Meeting minutes u/s 193
- 2) Annual General Meeting Minutes u/s 193
- 3) Register of Members u/s 150
- 4) Register of Share Transfer
- 5) Register of Directors u/s 303
- 6) Register of Directors Share Holding u/s 307
- 7) Register of Contracts in which Directors are Interested u/s 301 and 301(3)
- 8) Directors' Attendance Register
- 9) Register of investments, loans and guarantees

Place: Tirupur
Date: 27.05.2006

Sd/
Name of the Company Secretary: **M.R.L.NARASIMHA**
C.P.No.799

ANNEXURE 'B'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH 2006

M/s. ATL TEXTILE PROCESSORS LIMITED
CIN : U65910TZ1996PLC007068
Registration No. of the Company: 181-007068
Nominal Capital: Rs.1,25,00,000/-.

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year ending 31st March, 2006:

S.No.	Form No. Return	Filed u/s	For	Date of Filing Rec.No.	Whether filed within prescribed time	If delay in filing whether requisite additional fees paid
1	Schedule-VI	220	Balance Sheet as at 31.3.2005	3.10.2005 161778	Yes	Not applicable
2	Schedule-V	159	Annual Return made upto 17.9.2005	3.10.2005 161778	Yes	Not Applicable
3	Secretarial Compliance Certificate	383A(1)	Secretarial Compliance Certificate for the year ended 31.3.2005	3.10.2005 161778	Yes	Not applicable
4	Form III	187-C	Declaration of beneficial interest in the shares	19.9.2005 160996 Additional fee paid on 3.10.2005 vide receipt No.161779	No	Yes
5	Form 32	302(2)	Appointment of Sri B.L.Singhal as Additional Director	28.11.2005 166130	Yes	Not Applicable
6	Form 29	264(2)	Consent to act as director by Sri B.L.Singhal	28.11.2005 166130	Yes	Not applicable

Regional Director : Nil
Central Government & Other Authorities : Nil

Place: Tirupur
Date : 27.05.2006

Sd/-
Name of the Company Secretary: **M.R.L.NARASIMHA**
C.P.No.799

AUDITORS' REPORT

Auditors' Report to the members of M/s. ATL TEXTILE PROCESSORS LIMITED, TIRUPUR

1. We have audited the attached Balance Sheet of M/s **ATL TEXTILE PROCESSORS LIMITED, TIRUPUR** as at 31st March, 2006 and its Profit and Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003, issued by the Department of Company Affairs on 12th June, 2003, in terms of Section 224 (4-A) of the Companies Act, 1956 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (A) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (B) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of such books.
 - (C) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (D) In our opinion the balance sheet and the profit and loss account comply with Accounting Standards, referred to in subsection (3c) of section 211 of the Companies Act, 1956, to the extent applicable.
 - (E) On the basis of written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - (F) In our opinion and to the best of our information and according to the explanations given to us, the said balance sheet and profit and loss account read together with the notes on accounts appended thereon, 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 accounting principles generally accepted in India.
 - (i) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2006 and
 - (ii) In the case of Profit and Loss Account, loss of the Company for the year ended on that date

For **CHANDRA GUPTA & CO.**,
Chartered Accountants

G CHANDRASEKHAR
Partner
Membership No. : 24941

Place : Tirupur
Dated: 31.05.2006

PRIME TEXTILES LIMITED

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT DATED 31.05.2006, TO THE ACCOUNTS OF M/S. ATL TEXTILE PROCESSORS LIMITED FOR THE YEAR ENDED 31st MARCH 2006.

- (i) a. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets i.e. Land & Buildings.
- b. Since there are no fixed assets, the verification of the same does not arise.
- c. During the year Company had converted Land into Stock in Trade and the value of the Land and Building had been taken as the value of the stock in trade of land. There are no fixed assets during the year with the Company.
- (ii) a. The Stock-in-trade i.e., Land has been physically verified by the Management during the year at reasonable intervals.
- b. In our opinion and according to the information given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The company is maintaining proper records of inventory. The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not significant.
- (iii) a. The Company has not granted any loans secured or unsecured to companies, firms and other parties listed in the register maintained u/s301 of the Companies Act, 1956 and hence subclauses b, c and d are not applicable.
- b. The Company has not taken any loans secured or unsecured to companies, firms and other parties listed in the register maintained u/s301 of the Companies Act, 1956.
- (iv) In our opinion, the internal control procedure of the Company relating to purchase of inventory and fixed assets and sale of goods and services are commensurate with the size and nature of its business. There are no continuing failures in internal control.
- (i) In our opinion, there are no transactions to be entered in to a register in pursuance of Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public and hence the provisions of Sections 58A and 58AA of the Act and the rules framed there under are not applicable.
- (vii) The company do not have the internal audit.
- (viii) As informed by the Management the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 are not prescribed.
- (ix) (a) According to the information and explanations given to us there are no employees and hence no Provident Fund and the Employees State Insurance dues. The Company is regular in depositing undisputed statutory dues i.e. Income tax, Other Taxes i.e. Sales Tax, Wealth Tax, Service Tax, Customs duty Excise Duty, Cess are not applicable to the company.
- b) In respect of undisputed Income tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other statutory dues, there are no amounts, which were due for a period of more than six months from the date they become payable.
- (x) The Company does not have any accumulated Loss at the year end, and also the company has not incurred cash loss during the financial year under audit and immediately preceding financial year.
- (xi) The Company had given corporate guarantee to the term lending institutions of the holding company, collaterally securing, term loans of Rs. 1,815 lacs availed by the Holding Company.
- xii) Based on the representation given by the management, no fraud has been noticed or reported on or by the company during the course of audit.
- (xiii) The clauses (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of the said order are not applicable for the year under audit.

For **CHANDRA GUPTA & CO.**,
Chartered Accountants

Place : Tirupur
Dated: 31.05.2006

G.CHANDRASEKHAR
Partner
Membership No. : 24941

ATL TEXTILE PROCESSORS LIMITED
(Formerly known as ATL Patodia Finance Limited)

BALANCE SHEET AS AT 31st MARCH 2006

	Schedule	As at 31.03.2006 Rs. lacs	As at 31.3.2005 Rs. lacs
Sources of Funds			
Shareholders' Funds			
Share Capital	1	103.75	103.75
Reserves and Surplus	2	<u>423.12</u>	<u>423.68</u>
Total		<u>526.87</u>	<u>527.43</u>
Application of Funds			
Current Assets, Loans and Advances	3		
(a) Inventories		14.78	14.78
(b) Cash and Bank Balances		1.49	0.60
(c) Loans and Advances		<u>531.00</u>	<u>545.90</u>
		<u>547.27</u>	<u>561.28</u>
Less: Current Liabilities and Provisions	4		
(a) Liabilities		15.21	29.01
(b) Provisions		5.53	5.53
		<u>20.74</u>	<u>34.54</u>
Net Current Assets		<u>526.53</u>	<u>526.74</u>
Miscellaneous Expenditure			
Preliminary and Pre-operative Expenses (to the extent not written off or adjusted)		0.34	0.69
Total		<u>526.87</u>	<u>527.43</u>
Significant Accounting Policies and notes on accounts	6		
Schedule 1 to 4 & 6 form part of this Balance Sheet			

As per our report of even date annexed
For **Chandra Gupta & Co.**
Chartered Accountants

For & on behalf of the Board

G. Chandrasekhar
Partner
M.No. : 24941

Manojkumar Patodia
Director

Anuj K.Patodia
Director

Place: Tirupur
Date : 31.05.2006

B.K.Srinivasa Ragavan
Director

PRIME TEXTILES LIMITED

ATL TEXTILE PROCESSORS LIMITED
(Formerly known as ATL Patodia Finance Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	Schedule	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
INCOME			
Sale of stock in trade		--	215.85
Land Development charges received namely Land		--	73.94
Interest Receipts(TDS Rs Nil lacs-P.Yr.6.93)		--	28.34
		<u>--</u>	<u>318.13</u>
EXPENDITURE			
Cost of stock in trade sold		--	268.52
Administrative Expenses	5	0.22	24.99
Brokerage		--	11.33
Amortisation of Preliminary Expenses 1/5th written off		0.34	0.35
		<u>0.56</u>	<u>305.19</u>
Net Profit for the year		(0.56)	12.94
Provision for Tax		--	(4.73)
Profit after Tax		(0.56)	8.21
Brought forward Profit from previous year		12.98	4.77
Balance of Profit carried over		<u>12.42</u>	<u>12.98</u>
Significant Accounting Policies and notes on accounts	6		
Schedule 5 & 6 form part of this Profit and Loss account			

As per our report of even date annexed
For **Chandra Gupta & Co.**
Chartered Accountants

For & on behalf of the Board

G. Chandrasekhar
Partner
M. No. : 24941

Manojkumar Patodia
Director

Anuj K.Patodia
Director

Place: Tirupur
Date : 31.05.2006

B.K.Srinivasa Ragavan
Director

ATL TEXTILE PROCESSORS LIMITED
(Formerly known as ATL Patodia Finance Limited)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 1: SHARE CAPITAL		
Authorised:		
12,50,000 Equity shares of Rs.10 each	125.00	125.00
Issued, subscribed and paid up:		
10,37,450 Equity share of Rs.10 each fully paid up held by M/s. Prime Textiles Limited, the holding company	103.75	103.75
(Out of the above, 10,26,750 Equity shares of Rs.10 each were allotted as fully paid-up for Consideration other than cash against the value of immovable properties conveyed)		
Total	<u>103.75</u>	<u>103.75</u>
SCHEDULE 2: RESERVES AND SURPLUS		
Securities Premium Account	410.70	410.70
Surplus in Profit and Loss Account	<u>12.42</u>	<u>12.98</u>
Total	<u>423.12</u>	<u>423.68</u>
SCHEDULE 3 CURRENT ASSETS, LOANS AND ADVANCES		
A. Inventories		
Stock in Trade at Cost		
Land	14.78	283.30
Less: Transferred to Profit & Loss account - Cost of stock in trade	<u>—</u>	<u>268.52</u>
Closing stock in trade	<u>14.78</u>	<u>14.78</u>
B. Cash and Bank Balances:		
Cash on hand	—	0.07
Balance with Scheduled Banks	<u>1.49</u>	<u>0.53</u>
	<u>1.49</u>	<u>0.60</u>
C. Loans and Advances:		
(Unsecured consider good-Recoverable in cash or in kind for value to be received)		
Advance to Holding company	523.30	538.20
Advance tax	<u>7.70</u>	<u>7.70</u>
	<u>531.00</u>	<u>545.90</u>
Total	<u>547.27</u>	<u>561.28</u>
SCHEDULE 4: CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities:		
Advance against sale of land	15.10	15.10
Liability for expenses	<u>0.11</u>	<u>13.91</u>
	15.21	29.01
b) Provisions		
Provision for Tax	<u>5.53</u>	<u>5.53</u>
Total	<u>20.74</u>	<u>34.54</u>

PRIME TEXTILES LIMITED

ATL TEXTILE PROCESSORS LIMITED (Formerly known as ATL Patodia Finance Limited)

SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE 5: ADMINISTRATIVE EXPENSES		
Bank Charges	0.03	0.01
Filing Fees	0.05	0.03
Establishment Expenses	--	10.61
Audit Fees	0.09	0.09
Travelling & Conveyance expenses	--	6.55
Printing and Stationery	--	1.96
Miscellaneous Expenses	--	5.69
Legal & Professional Charges	0.05	0.05
Total	<u>0.22</u>	<u>24.99</u>

6: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Part A: Significant Accounting Policies

- 1) General:
 - i) Accounts are prepared on historical cost and on the accounting principles of going concern.
 - ii) The mercantile system of accounting is followed and income and expenditure are recognized on accrual basis except those with significant uncertainties.
 - iii) Accounting Standards are adopted to the extent the same are applicable.
- 2) Stock in Trade:
Land is stated at cost.
- 3) Miscellaneous expenditure:
One fifth of the preliminary and pre-operative expenses are amortised to the Profit & Loss account.

4) Contingent Liabilities:

Contingent Liabilities are disclosed to the Notes to Accounts and are determined based on the perception of the Management on the eventuality of the liability materiality, and contingent thereto.

PART B: NOTES ON ACCOUNTS:

1. Contingent Liability:
The Company has issued corporate guarantee to the term lending institutions of the holding company, collaterally securing, term loans of Rs. 1,815 lacs availed by the latter.
2. a) During the year 2003-04 the company has converted its land at cost and the building at written-down value into stock-in-trade. Accordingly, the same have been transferred to stock-in-trade, after demolition of building.
b) Quantitative Details: Land

	31.03.2006		31.03.2005	
	No. of Sq.ft.	Rs. in lacs	No. of sq.ft.	Rs. in lacs
Opening Stock	4,940.00	14.78	94,754.75	283.30
Sales during the year	-	-	67,274.25	201.14
Used for amenities	-	-	22,540.50	67.38
Closing Stock	4,940.00	14.78	4,940.00	14.78
Sale value during the year	-	-	67,274.25	215.85

ATL TEXTILE PROCESSORS LIMITED (Formerly known as ATL Patodia Finance Limited)

3. The company has decided to acquire specified commercial properties and rights thereon from the holding company. The advances lying in its credit would thereby be treated a advance towards proposed acquisitions.
4. There are no dues to any small-scale industry.
5. Capital Commitments outstanding at the end of the year : Net of advance : Rs.257 lacs (Nil)
6. Audit fees includes Rs.2,000(Rs.2,000) paid towards Income tax representation.
7. Deferred Tax Asset/Liability :- Nil
8. Previous year figures have been regrouped wherever required.

This is the Balance Sheet referred to in our report of even date

For **Chandra Gupta & Co.**
Chartered Accountants

For & on behalf of the Board

G. Chandrasekhar
Partner
M. No. : 24941

Manojkumar Patodia
Director

Anuj K.Patodia
Director

B.K.Srinivasa Ragavan
Director

Place: Tirupur
Date : 31.05.2006

Part IV of Schedule VI of the Companies Act 1956 (As amended)

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:			
Registration No.	181-7068		
Balance Sheet Date	31-03-2006		
II. Capital rose during the year (Figures rupees in thousands):			
Public Issue	Nil	Rights Issue	Nil
Bonus Public issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds (Figures rupees in thousands):			
Total Liabilities	54760	Total Assets	54760
Sources of Funds:			
Paid up Capital	10375	Reserves & Surplus	42312
Secured Loans	Nil	Unsecured Loans	Nil
Current Liabilities	2073	Others	Nil
Application of Funds:			
Net Fixed Assets	Nil	Investments	Nil
Current Assets	54727	Misc.Expenditure.	34
IV. Performance of the Company (Figures rupees in thousands):			
Turnover (including stock			
Adjustment & other Income	Nil	Total Expenditure	56
Profit (+)/Loss (-) Before tax	(56)	Profit (+)/Loss (-) after tax	(56)
Earning per share in Rs.	Nil	Dividend Rate:Equity	Nil
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms):			
Item Code No (ITC code)	520420.09		
Product Description	Cotton Yarn		

PRIME TEXTILES LIMITED

PEE DEE YARN PROCESSORS LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Statement of Accounts for the year ending 31st March 2006.

Status

The Company is continuing as a wholly owned subsidiary company of M/s Prime Textiles Limited.

Operations

The Company is contemplating ways and means to attain its main objectives. The Company has not yet started its commercial operation during the year.

Public Deposits

The Company has not accepted any deposits from the public or others during the year under Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of the provisions of Section 217(2AA) of the Companies Act 1956, your Directors wish to place on record that:

- i) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and considered prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2006
- iii) the Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting any incidence of frauds and other irregularities; and,
- iv) the Annual Accounts have been prepared on a going concern basis.
- v) Since the company does not have any employees attracting the disclosure particulars under section 217(2A) has not been given.
- vi) Since the Company has not started any manufacturing or service activities particulars under section 217(1)(e) have not been given.

Auditors

Shareholders are requested to appoint the Auditors of the Company. Messrs Chandra Gupta & Co., Chartered Accountants, Bangalore, retire as the Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment.

Directors

Mr. A.B. Maloo, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Acknowledgements

Your Directors record their gratitude for the continued support received from the holding company.

For and on behalf of the Board

Place: Tirupur
Dated: 31.05.2006

Anuji K. Patodia
Rajkumar Chaturvedi
Directors

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of **M/s PEE DEE YARN PROCESSORS LIMITED, TIRUPUR** as at **31st March 2006**. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
4. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of such books.
5. The Balance Sheet dealt with, by this report is in agreement with the books of account.
6. In our opinion, there is no need for Profit and Loss account since there were no commercial operations.
7. In our opinion, the Balance Sheet comply with the Accounting Standards, referred to in sub section (3c) of section 211 of the Companies act, 1956, to the extent applicable.
8. On the basis of the written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
9. In our opinion and to the best of our information and according to the explanations given to us;

The said accounts read together with the notes appended thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in the case of Balance Sheet of the state of affairs of the Company as at 31st March 2006.
10. In our opinion, the report under statement on the Companies (Auditor's Report) Order 2003 is not applicable.

For CHANDRA GUPTA & CO
Chartered Accountants

G.CHANDRASEKHAR
PARTNER
M.No. 24941

Place: Tirupur
Dated: 31.05.2006

PRIME TEXTILES LIMITED

PEE DEE YARN PROCESSORS LIMITED BALANCE SHEET AS AT 31st MARCH 2006

	Schedule	As at 31.03.2006 Rs. lacs	As at 31.3.2005 Rs. lacs
Sources of Funds			
Shareholders' Funds			
Share Capital	1	5.09	5.09
Loan Funds - Un secured		1.74	5.44
	Total	<u>6.83</u>	<u>10.53</u>
Application of Funds			
Fixed Assets			
Free hold Land		5.91	5.91
Net Block		<u>5.91</u>	<u>5.91</u>
Current Assets, Loans & Advances			
Cash with Bank		0.30	4.05
Less: Current Liabilities	2	<u>0.03</u>	<u>0.03</u>
Net Current Assets		0.27	4.02
Miscellaneous Expenditure			
Preliminary and Pre-operative Expenses	3	0.65	0.60
	Total	<u>6.83</u>	<u>10.53</u>
Significant Accounting Policies and Notes on Accounts Schedules 1 to 4 form part of this Balance Sheet.	4		

As per our report of even date annexed

For & on behalf of the Board

For **Chandra Gupta & Co.**

Chartered Accountants

G. Chandrasekhar

Anuj K.Patodia

Rajkumar Chaturvedi

Partner

Director

Director

M.No. : 24941

Place: Tirupur

Date : 31.05.2006

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
2,50,000 Equity shares of Rs. 10 each	25.00	25.00
Issued,subscribed and paid up:		
50,900 Equity Shares of Rs.10 each fully paid up held by M/s.Prime Textiles Limited the holding Company	5.09	5.09
	<u>5.09</u>	<u>5.09</u>
Total		
	<u>5.09</u>	<u>5.09</u>
SCHEDULE 2 : CURRENT LIABILITIES & PROVISIONS		
Outstanding Expenses - Audit Fees	0.03	0.03
	<u>0.03</u>	<u>0.03</u>
Total		
	<u>0.03</u>	<u>0.03</u>
SCHEDULE 3 : PRELIMINARY & PRE-OPERATIVE EXPS		
Brought forward from last year	0.60	0.51
Filing fees	0.01	0.04
Audit Fees	0.03	0.03
Audit fees-Income tax matters	0.01	0.02
	<u>0.65</u>	<u>0.60</u>
Total		
	<u>0.65</u>	<u>0.60</u>

PEE DEE YARN PROCESSORS LIMITED

SCHEDULE 4 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Part A: Significant Accounting Policies

- 1 General:
 - a) Accounts are prepared on historical cost and on the accounting principles of going concern.
 - b) The mercantile system of accounting is followed and income and expenditure are recognized on accrual basis except those with significant uncertainties.
 - c) Accounting Standards are adapted to the extent the same are applicable.
- 2 Fixed Asset:

Land is stated at cost.
- 3 Miscellaneous expenditure:

Preliminary expenses and pre-operative expenses are to be amortized after the commercial production/activities over a period of ten years thereafter.
- 4 Contingent Liabilities:

Contingent Liabilities are disclosed to the Notes to Accounts and are determined based on the perception of the Management on the eventuality of the liability materiality and contingent thereto.

PART B: NOTES ON ACCOUNTS:

- 1 The Company has become a wholly owned subsidiary company of M/s.Prime Textiles Limited, Tirupur during the year 2002-03
- 2 The company has not accepted any fixed deposit during the year.
- 3 The Company has not yet started its commercial operation and hence profit & loss account has not been prepared and quantitative particulars are not given. Provision for Deferred Tax Asset/Liability is not applicable.
- 4 There are no dues to any small-scale industry.
- 5 Capital commitments outstanding at the end of the year: Nil
- 6 Previous year figures have been regrouped wherever required.

This is the Balance Sheet referred to in our report of even date

For & on behalf of the Board

For **Chandra Gupta & Co.**
Chartered Accountants

Anuj K.Patodia
Director

Rajkumar Chaturvedi
Director

G. Chandrasekhar
Partner
M. No. : 24941

Place: Tirupur
Date : 31.05.2006

PRIME TEXTILES LIMITED

PEE DEE YARN PROCESSORS LIMITED

Part IV of Schedule VI of the Companies Act 1956 (As amended)

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:			
Registration No.	181-6750		
Balance Sheet Date	31-03-2006		
			(Figures rupees in thousands)
II. Capital rose during the year			
Public Issue	Nil	Rights Issue	Nil
Bonus Public issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds			
Total Liabilities	686	Total Assets	686
Sources of Funds:			
Paid up Capital	509	Reserves & Surplus	0
Secured Loans	0	Unsecured Loans	174
Current Liabilities	3	Others	0
Application of Funds:			
Net Fixed Assets	591	Investments	0
Current Assets	30	Misc.Expenditure.	65
IV. Performance of the Company			
Turnover (including stock			
Adjustment & other income	Nil	Total Expenditure	Nil
Profit (+)/Loss (-) Before tax	Nil	Profit (+)/Loss (-) after tax	Nil
Earning per share in Rs.	Nil	Dividend Rate:Equity	Nil
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms):			
Item Code No (ITC code)	Commercial activities not started		
Product Description	--		

This is the Balance Sheet referred to in our report of even date

For & on behalf of the Board

Anujj K.Patodia
Director

Rajkumar Chaturvedi
Director

Place: Tirupur
Date : 31.05.2006

MANOJ YARN PROCESSORS LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Statement of Accounts for the year ending 31st March 2006.

Status

The Company is continuing as a wholly owned subsidiary company of M/s Prime Textiles Limited.

Operations

There has been no operation during the year under review.

Public Deposits

The Company has not accepted any deposits from the public or others during the year under Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of the provisions of Section 217(2AA) of the Companies Act 1956, your Directors wish to place on record that:

- a) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and considered prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2006
- c) the Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting any incidence of frauds and other irregularities; and,
- d) the Annual Accounts have been prepared on a going concern basis.
- e) Since the company does not have any employees attracting the disclosure particulars under section 2107(2A) has not been given
- f) Since the company has not started any manufacturing or service activities particulars under section 217(1)(e) have not been given.

Auditors

Shareholders are requested to appoint the Auditors of the Company. Messrs Chandra Gupta & Co., Chartered Accountants, Bangalore, retire as the Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment.

Directors

Mr. Rajkumar Chaturvedi, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Acknowledgements

Your Directors record their gratitude for the continued support received from the holding company.

For and on behalf of the Board

Place: Tirupur
Dated: 31.05.2006

Manojkumar Patodia
Rajkumar Chaturvedi
Directors

PRIME TEXTILES LIMITED

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of **M/s MANOJ YARN PROCESSORS LIMITED, TIRUPUR** as at **31st March 2006**. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
4. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of such books.
5. The Balance Sheet dealt with, by this report is in agreement with the books of account.
6. In our opinion, there is no need for Profit and Loss account since there were no commercial operations.
7. In our opinion, the Balance Sheet comply with the Accounting Standards, referred to in sub section (3c) of section 211 of the Companies act, 1956, to the extent applicable.
8. On the basis of the written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
9. In our opinion and to the best of our information and according to the explanations given to us;

The said accounts read together with the notes appended thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in the case of Balance Sheet of the state of affairs of the Company as at 31st March 2006
10. In our opinion, the report under statement on the Companies (Auditors' Report) Order, 2003 is not applicable.

For **CHANDRA GUPTA & CO**
Chartered Accountants

G.CHANDRASEKHAR
PARTNER
Membership No. : 24941

Place: Tirupur
Dated: 31.05.2006

MANOJ YARN PROCESSORS LIMITED
BALANCE SHEET AS AT 31st MARCH 2006

	Schedule	As at 31.03.2006 Rs. lacs	As at 31.3.2005 Rs. lacs
Sources of Funds			
Shareholders' Funds			
Share Capital	1	5.09	5.09
Loan Funds - Un secured		49.91	49.84
Total		<u>55.00</u>	<u>54.93</u>
Application of Funds			
Fixed Assets			
Free hold Land		50.33	50.33
Net Block		50.33	50.33
Investments	2	4.00	4.00
Current Assets, Loans & Advances			
Cash with Bank		0.04	0.05
Less: Current Liabilities	3	0.03	0.03
Net Current Assets		0.01	0.02
Miscellaneous Expenditure			
Preliminary and Pre-operative Expenses	4	0.66	0.58
Total		<u>55.00</u>	<u>54.93</u>
Significant Accounting Policies and Notes on Accounts Schedules 1 to 5 forming part of this Balance Sheet.	5		

As per our report of even date annexed

For **Chandra Gupta & Co.**

Chartered Accountants

G. Chandrasekhar

Partner

M.No. : 24941

Place: Tirupur

Date : 31.05.2006

For & on behalf of the Board

Manojkumar Patodia

Director

Rajkumar Chaturvedi

Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2006

	31.03.2006 Rs. lacs	31.03.2005 Rs. lacs
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
2,50,000 Equity shares of Rs. 10 each	25.00	25.00
Issued, subscribed and paid up:		
50,900 Equity shares of Rs.10 each fully paid up held by M/s.Prime Textiles Limited the holding Company	5.09	5.09
Total	<u>5.09</u>	<u>5.09</u>
SCHEDULE 2 : INVESTMENTS		
Pee Dee Yarn Processors Ltd		
40,000 Equity Shares of Rs.10 each	4.00	4.00
Total	<u>4.00</u>	<u>4.00</u>
SCHEDULE 3 : CURRENT LIABILITIES & PROVISIONS		
Outstanding Expenses - Audit Fees	0.03	0.03
Total	<u>0.03</u>	<u>0.03</u>
SCHEDULE 4 : PRELIMINARY & PRE-OPERATIVE EXPENSES		
Brought forward from last year	0.58	0.49
Filing fees	0.03	0.04
Audit Fees	0.03	0.03
Audit fees-Income tax matters	0.01	0.01
Miscellaneous Expenses	---	0.01
Bank Charges	0.01	---
Total	<u>0.66</u>	<u>0.58</u>

PRIME TEXTILES LIMITED

MANOJ YARN PROCESSORS LIMITED

5: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Part A: Significant Accounting Policies

- 1 General:
 - a) Accounts are prepared on historical cost and on the accounting principles of going concern.
 - b) The mercantile system of accounting is followed and income and expenditure are recognized on accrual basis except those with significant uncertainties.
 - c) Accounting Standards are adapted to the extent the same are applicable.
- 2 Fixed Asset:

Land is stated at cost.
- 3 Investments:

Investments valued at cost
- 4 Miscellaneous expenditure:

Preliminary expenses and pre-operative expenses are to be amortized after the commercial production/activities over a period of ten years thereafter.
- 5 Contingent Liabilities:

Contingent Liabilities are disclosed to the Notes to Accounts and are determined based on the perception of the Management on the eventuality of the liability materiality and contingent thereto.

PART B: NOTES ON ACCOUNTS:

- 1 The Company has become a wholly owned subsidiary company of M/s.Prime Textiles Limited, Tirupur during the year 2002-03.
- 2 The company has not accepted any fixed deposit during the year.
- 3 The Company has not yet started its commercial operation and hence profit & loss account has not been prepared and quantitative particulars are not given. Provision for Deferred Tax Asset/Liability is not applicable.
- 4 There are no dues to any small-scale industry.
- 5 Capital commitments outstanding at the end of the year: Nil
- 6 Previous year figures have been regrouped wherever required.

This is the Profit and Loss referred to in our report of even date

For **Chandra Gupta & Co.**

Chartered Accountants

For & on behalf of the Board

G. Chandrasekhar

Partner

M. No. : 24941

Manojkumar Patodia

Director

Rajkumar Chaturvedi

Director

Place: Tirupur

Date : 31.05.2006

MANOJ YARN PROCESSORS LIMITED

Part IV of Schedule VI of the Companies Act 1956 (As amended) Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:			
Registration No.	181-6934		
Balance Sheet Date	31-03-2006		
(Figures rupees in thousands)			
II. Capital rose during the year			
Public Issue	Nil	Rights Issue	Nil
Bonus Public issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds			
Total Liabilities	5503	Total Assets	5503
Sources of Funds:			
Paid up Capital	509	Reserves & Surplus	0
Secured Loans	0	Unsecured Loans	4991
Current Liabilities	3	Others	0
Application of Funds:			
Net Fixed Assets	5033	Investments	400
Current Assets	4	Misc. Expenditure.	66
IV. Performance of the Company			
Turnover including stock			
Adjustment & other income	Nil	Total Expenditure	Nil
Profit (+)/Loss (-) Before tax	Nil	Profit (+)/Loss (-) after tax	Nil
Earning per share in Rs.	Nil	Dividend Rate:Equity	Nil
V. Generic Names of Three Principal Products/Services of Company (as per monetary terms):			
Item Code No (ITC code)	Commercial production activity not started		
Product Description	--		

 **PRIME TEXTILES LIMITED**

Registered Office : 110, Avinashi Road, Gandhi Nagar Post, Tirupur.- 641 603

PROXY FORM

Folio No. / Client ID No. :

No. of Shares :

I/We

of in the district of

Being a MEMBER/MEMBERS of the above-named company, hereby appoint

of in the district of

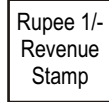
..... or failing him

of in the district of

..... as my/our proxy to attend and vote for me/us and on my/our behalf at the 69th Annual General Meeting of the company to be held on Saturday, the 29th July, 2006 at 10.45 a.m at the Registered office Company and at any adjournment thereof

Signed this day of 2006.

Signature



Note: The Proxy should be deposited at the Registered Office of the company not less than 48 hours before the time of holding the above meeting

 **PRIME TEXTILES LIMITED**

Registered Office : 110, Avinashi Road, Gandhi Nagar Post, Tirupur.- 641 603

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP BEFORE YOU COME TO THE MEETING AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

1. Name of the attending Member
(in Block letters)
2. Register Folio No. / Client ID No.
3. Name of Proxy (in Block Letters)
(to be filled if the proxy attends instead of the member)
4. No. of shares held

I hereby record my presence at the Sixty Ninth Annual General Meeting at No.110 Avinashi Road, Tirupur 641603 on Saturday, the 29th July 2006 at 10.45 a.m. at the Registered office of the Company.



.....
Members \Proxy's signature