

**PRIME TEXTILES LIMITED**

**Annual Report 2006-07**

**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 are presenting their Seventieth Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March 2007.

### FINANCIAL RESULTS AT A GLANCE

	Year ended March 31, 2007 Rs.lacs	Year ended March 31, 2006 Rs.lacs
Turnover and other Income	11,891	11,165
EBIDTA	<u>1,099</u>	<u>1,524</u>
Interest	648	724
Depreciation	481	453
Amortisation	110	216
Profit /(Loss) before taxes	(140)	131
Current Taxation	--	(7)
Deferred taxation	(57)	75
Fringe benefit tax	(25)	(9)
Minimum Alternate Tax Credit entitlement	--	7
Profit / (Loss) after tax	(222)	197
Surplus from previous year brought forward	86	142
Transfer from General Reserve	200	--
<b>Amount available for appropriation</b>	<b><u>64</u></b>	<b><u>339</u></b>
<b>Appropriations:</b>		
Proposed Dividends-		
On Equity Capital	27	34
On Preference Capital	12	12
Tax on Distributed Profits	7	7
Transfer to General Reserve	--	200
Surplus carried over to Balance Sheet	<u>18</u>	<u>86</u>
<b>Total Appropriations</b>	<b><u>64</u></b>	<b><u>339</u></b>

### DIVIDEND

Your Directors recommend a Dividend @6% on Equity Shares and @8% on Preference Shares for the year ended 31<sup>st</sup> March 2007. The dividends when declared would be tax free in the hands of the shareholders.

### REVIEW OF OPERATIONS

Your Company has three Divisions which are the Realty Division, the Yarn Division and the Garment Division.

#### I Realty Division

A report by CREDAI puts the country's combined commercial and residential real estate market valued at US\$12 billion, which is around 2% of the country's GDP and 2% of total market capitalization. As the country's appetite for shopping and entertainment grows, multiplexes and malls are forging new synergies, offering shoppers the option of watching movies in retail spaces. The realty market is growing at a rate of 30% annually. In the explosion of life-styles and youthful aspirations that has taken place, the real estate industry is reaching out to wider target audiences and is meeting new demands. Your Company foresees real estate in the coming years to emerge as a full-fledged investment option and leveraged for investment purposes. Real estate as an asset class has a natural hedge against inflation, experiences low volatility and hence can generate positive long-term returns.

Tirupur has undergone major transformation in the past decade in order to remain a driving force for exports business and growth and has developed substantial cluster economy. The city has a huge potential to contribute richly for the national economic growth. With the valuable landed properties in possession of your Company in and around Tirupur, it has initiated property development activities.

The Realty Division started in partnership for building "Prime Enclave" the flag ship activity offering residential flats with luxury at affordable costs. The project with total 432 residential apartments (built-up area at about 581,000 sft) is under implementation. The Phase-1 with 216 apartments is expected ready for delivery by July 2007. The Phase-2 with balance 216 apartments is expected ready for delivery by March 2009. It is expected that upon recognition of profits in due course, strong revenue growth and shareholder returns will be ensured when the different phases of constructions are completed within stipulated time.

## PRIME TEXTILES LIMITED

The Commercial Mall (built-up area at about 278,000 sft) is planned for launch by August 2007. The Mall matches world-class standards so far as amenities are concerned, offers amusement spots, convention centers, food courts, shopping and offices, multiplexes and star category hotel. The Mall will introduce organized retailing in Tirupur and is expected to attain a fast track growth catching up imagination of young retailers. For purposes of design, construction, development and marketing of the floors in the commercial complex, your company has entered into a partnership with experienced technocrats/financiers. The Mall will become operational by the year 2009.

Matching the Company's distinctive capabilities with the Realty Division is considered where profitable growth and increased shareholders' value are likely to occur. Your Company has also planned to widely position its Realty Division through strategic partnerships for joint development of other properties. This will cater to a strong demand foreseen for dwelling units and leisure needs.

### II Yarns Division

The textile industry is presently reeling under pressure on its margins with the strengthening of the Rupee against US\$. This combined with high tariff for power in Tamil Nadu State, unscheduled power failures, high cost of furnace oil rendering captive generation uneconomical, slump in local demands and declining market share have rendered the textile industry on a cross road. These factors have put pressure on the companies that have systematically lagged behind competition to look at other options available.

The Spinning Division having absorbed latest technological advancements had to face stiff pressure on its margins. It changed its product mix into coarser counts of yarns to cater to domestic markets also but has not been able to reach expected results.

### III Garments Division:

The Garments Division registered the anticipated growth in sales volume by adapting to changing business and market needs. Without the undercurrent of a strong margin in this segment owing to various extraneous factors the Division's capacity to capture opportunities has remained subdued. It has become very challenging for the management to deliver desired performance in the Division which faced a prolonged period of suboptimal performance and margin erosion.

### PROJECTS

As you are aware, in your Company, a number of parallel projects and initiatives were taken in the previous year relating to transitioning the development and expansion of capacities. Main among them was proposed project for manufacture of Home Textiles in Vijayawada, Andhra Pradesh. Unfortunately the project ran into rough waters with land acquisition measures coming to a stand still, with the result various alternates are under study.

### CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the year ended March 31, 2007 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 terms of sub-clause (v) of Clause 49 of Listing Agreement, certificate of the CEO/CFO, *inter alia*, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause is also annexed as part of the said Report. A certificate from the auditors to this effect is annexed as part of the Corporate Governance Report.

### 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. 1.69 lacs (Rs.1.00 lac) by four depositors.

### LISTING AT STOCK EXCHANGES

The Equity Shares of the Company are listed on the Bombay Stock Exchange, Mumbai. The Company has paid the listing fees to Bombay Stock Exchange upto 2007-08. The Company's application for delisting its equity shares from Coimbatore Stock Exchange is pending approval from the Coimbatore Stock Exchange.

During the year your Company redeemed the Preference Shares through the proceeds of a fresh issue of 7-years 8% Redeemable Preference Shares totaling to Rs.150 lacs.

#### 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 B.

#### DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

#### SUB DIVISION OF SHARES

During the year, the stock-split of the equity shares in your Company in the ratio of 5 equity shares of Rs.2 each in place of every one equity share of Rs.10 each has been completed. The demat account of the shareholders is automatically updated by the concerned Depositories after the Record date of the new sub divided shares. In respect of shareholders holding physical share certificates need not surrender the existing physical share certificates for their current holdings in the company and the new share certificates have been issued in lieu of the original share certificates. The shareholders holding physical share certificates may please note that the old share certificates are no longer tradable and will not be accepted by the DPs for dematerialization.

#### DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Banwarilal Singhal and Mr. N.K. Bafna 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 / (Loss) 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, 2007 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 bankers and business associates, and cooperation extended by the employees at all levels. The Directors thank the State and the Central government offices for various assistances rendered to the Company.

Place : Kolkata  
Date : 28.05.2007

For and on behalf of the Board of Directors  
Madan Lal Patodia  
Chairman

## PRIME TEXTILES LIMITED

### 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	Last employment held	Amount of Remuneration
Mr. Purushottam Patodia	67	Vice Chairman & Managing Director	Overall managerial supervision	B.Com (45 years)	20.10.1989	GTN Textiles Ltd.	Rs.46.94 lacs
Mr. Manojkumar Patodia	43	Managing Director	Overall managerial supervision	B.Com (20 years)	01.01.1995	Yarn Syndicate Ltd.	Rs. 31.62 lacs

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, Super Annuation Fund, 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 : 28.05.2007

Madan Lal Patodia  
Chairman

## ANNEXURE B Management's Discussion and Analysis

### Overview

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

The Realty Division of the company has been progressing with property development activities in full swing. The Division is expected to evolve a business model in achieving the overall goal of being the leading company in generating dependable returns over the long term. The Company plans to go the extra mile in creating and harvesting high quality properties to keep pace with a fast growing market. The Company has been imparting high level of professionalism in all its construction activities.

The year under report has been a period of mixed basket for the company. In order to remain competitive in its Yarns Division and the Garments Division, various measures such as change over to coarser counts to cater to local demands, assertive marketing efforts, focus on increasing efficiency levels and implementation of effective cost control measures were taken up. Due to factors such as high incidence of cost of power, frequent interruptions in power supplies, sluggish and un-remunerative market conditions and adverse impact of currency fluctuations, both the turnover and the profitability in these two Divisions are adversely impacted.

### TOWARDS ENHANCEMENT OF STAKEHOLDER VALUE

Corporate structures in the country are remodeling to remain competitive. Business designs that have outlived and rapidly become unsustainable and inconsistent are being discarded. Companies operating in perennially unprofitable and over competitive sectors need to take a re-look on alternatives for competition. Such companies require a changed focus looking for new, sustainable business modules. A module resulting in a high ROI alone can enhance stakeholder value year-on-year.

### Measures During The Year

#### 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 Phase-1 for 216 apartments will be ready for delivery by end-July 2007. The Phase-2 with further 216 residential apartments is in progress as per schedule. Revenue from the above two phases accruing to the Company from the partnership firm will be recognised only upon the said firm recognising the same.

The construction of the proposed Commercial Mall providing world-class amenities is expected to commence by August 2007 and to become operational in the year 2009. It offers amusement spots, convention centers, food courts, shopping and offices, multiplexes and 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.

#### Spinning Unit

The following measures were taken:

- Counts spun were made coarser with introduction of new products and product mixes.
- With the captive power-plant becoming uneconomical due to high cost of furnace oil, shift was made for SEB supply, despite the fact that the power tariff in the State is one of the highest in the country.
- In order to bring about a qualitative output, inconsistent and old ring frames were stopped. This brought about the possibility for the company to produce coarser counts using Indian varieties of cotton.
- Shift was made to new markets both international and domestic with a view to have better margins.

## PRIME TEXTILES LIMITED

### Garments Unit

The following measures were taken:

- Various value-added new products and product-mix were introduced.
- Outsourced production still could not be fully curtailed due to overall shortage of labour.
- The factory is recognized for bulk production to select US customers, a marked shift from the EU markets.
- With the location of various buying houses in Tirupur, better supply chain management is ensured.
- Cost of production was marginally reduced.

### BUSINESS ANALYSIS

#### Review of Operations

In the Realty Division, the Residential construction spanning to 581,000 sft is under implementation. Towards delivering enhanced value to shareholders in the years to come, Prime will reposition itself for reaping more opportunities in the Realty sector.

In the Yarns Division, the performance during the year under review has been badly affected due to depressed demands for the products, exports offering wafer thin margins and high holding of inventories. Another factor contributing to the operational loss in spinning was the unabated increase in cost of manufacturing. Even though various efforts were taken in the recent past, the labour cost has still remained high; the cost of power has dented profitability; and overly high fixed costs remain unabsorbed due to low product contributions. Sustained marketing efforts have been taken for penetrating new markets and these are yet to be fruitful.

In the Garments Division, sustained efforts were put in improving the scale of operations. The operations still have remained low resulting in suboptimal capacity utilization.

#### Financial Review And Analysis

##### Highlights

Year ended 31 <sup>st</sup> March	2007 Rs.lacs	2006 Rs.lacs
Net Turnover	11,704	10,856
Other Income	187	308
PBIDT	989	1,308
Interest	648	724
Depreciation	481	453
Profit/(Loss) before Taxes	(140)	131
Current tax	--	7
Fringe Benefit Tax	25	9
Profit/(Loss) after Current Tax	(165)	115
Deferred Tax	(57)	75
Minimum Alternate Tax Credit entitlement	--	7
Profit/(Loss) after tax	(222)	197

#### Income Tax

Deferred tax asset relating to the current year stands credited to the current revenues of the Company. There is no incidence for Minimum Alternate Tax liability.

#### Return on Capital Employed

Particulars for year ended 31 <sup>st</sup> March	2007 Rs.lacs	2006 Rs.lacs
Net Fixed Assets (sans Revaluation)	6,072	6,623
Net Current Assets	4,744	5,153
Capital Employed	10,816	11,776
PBIT	(222)	856
ROCE	NA	5.17%



#### 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.

# PRIME TEXTILES LIMITED

## 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

The Company has implemented so far four phases of modernization under the TUFSS Norms.

#### (B) BENEFITS

Modernization has led to improved efficiencies, cost competitiveness and enhanced product range offered to international markets.

#### (C) IMPORTED TECHNOLOGY/IMPORTS IN LAST FIVE YEARS: None

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

#### 1. Activity relating to Exports

Exports of value-added cotton yarns and cotton knitted garments continue to be 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 new markets.

#### 3. Export plans

a. Introduction of the spun yarn products to new markets.

b. Garments Manufacturing Unit is recognized for bulk production for select US buyers.

#### 4. Total Foreign Exchange earning and outgo

	Year ended on March 31st	
	2007 Rs.lacs	2006 Rs.lacs
Total Foreign Exchange earnings	7,497	5,650
Total Foreign Exchange outgo	1,494	2,841

FORM A

CONSERVATION OF ENERGY

		2007	2006
For the years ended on 31 <sup>st</sup> March			
<b>A Power and Fuel consumption</b>			
Electricity			
a	Purchased	KWHr	2,78,91,476
	Total amount	Rs.lacs	1,275.24
	Rate per Unit	Rs.P.	4.57
b	Generation for captive usage	KWHr	17,29,075
	Total amount	Rs.lacs	99.80
	Rate per Unit	Rs.P.	5.77
	Units generated per litre	KWHr	4.00
<b>B. Consumption per unit of Production</b>			
a	Electricity	KWHr	2,96,20,551
b	Consumption for production per Kg.	KWHr	10.54

For and on behalf of the Board of Directors

Place: Kolkata  
Date : 28.05.2007

Madan Lal Patodia  
Chairman

## PRIME TEXTILES LIMITED

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(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 interests 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.Madan Lal Patodia Chairman	Promoter Non Independent Non-Executive	1	No
Mr.Purushottam Patodia Vice Chairman and Managing Director	Promoter Non Independent Executive	4	No
Mr.Manojkkumar Patodia Managing Director	Promoter Non Independent Executive	5	Yes
Mr.Anujj K.Patodia Executive Director	Promoter Non Independent Executive	5	Yes
Mrs. Minnu Thomas Nominee of IDBI	Independent Non Executive	6	Yes
Mr. Chandulal D.Thakker	Non Independent Non Executive	5	Yes
Mr. N.K. Bafna	Independent Non Executive	6	Yes
Mr. Banwarilal Singhal	Independent Non Executive	6	Yes

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

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	4	Nil	Nil
Mr.Manojkumar Patodia	Nil	5	Nil	Nil
Mr.Anujj K.Patodia	Nil	7	Nil	Nil
Mrs. Minnu Thomas	Nil	Nil	Nil	Nil
Mr. Chandulal D.Thakker	Nil	1	Nil	1
Mr. N.K. Bafna	Nil	2	1	2
Mr. Banwarilal Singhal	Nil	5	6	9

The Company did not have any pecuniary relationship with any of the Non-Executive Directors during the year 2006-07.

d. Number of Board meetings held during the year

Six Board Meetings were held during the year 2006-07 and the gap between two consecutive meetings did not exceed four months. The dates on which the Board Meetings held were as follows:

31<sup>st</sup> May 2006, 29<sup>th</sup> July 2006, 31<sup>st</sup> August 2006, 27<sup>th</sup> October 2006, 30<sup>th</sup> January 2007 and 03<sup>rd</sup> March 2007

e. Information supplied to the Board

Among others, this includes

- review of annual operating plans of business, capital budgets
- quarterly results of the company and its operating divisions or business segments.
- minutes of meeting of audit committee and other committees
- minutes of meeting of the subsidiary companies
- 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 31<sup>st</sup> March 2007 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.

## PRIME TEXTILES LIMITED

### Appointment / Re-appointment of Directors

Mr. Banwarilal Singhal and Mr. N.K. Bafna retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. A brief profile of Mr. Banwarilal Singhal and Mr. N.K. Bafna as required in terms of Clause 49 VI A of the Listing Agreement is as under:-

Mr. Banwarilal Singhal has been a Director in the Board since 15.05.1988. Aged 60 years, Mr. Banwarilal Singhal is a Chartered Accountant and has vast and versatile experience stretching to over 3 decades in the fields of Taxation, Accounts, Auditing and Corporate Management. 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	Audit Committee Investors Grievance Committee	Chairman Chairman
GTN Industries Limited	Director	Audit Committee Investors Grievance Committee Finance Committee	Chairman Chairman Member
Patspin India Limited	Director	Remuneration Committee Audit Committee Investors Grievance Committee Remuneration Committee	Member Chairman Chairman Member

Mr. N.K. Bafna has been a Director in the Board since 26.08.1994. Aged 67 years, Mr.N.K. Bafna is a Chartered Accountant and has a rich experience stretching to over 4 decades in the field of Taxation, Accounts, Auditing and Corporate Management. 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
Patspin India Limited	Director	Audit Committee Investors Grievance Committee	Member Member
National Collateral Management Services Limited	Director	Audit Committee	Chairman

### 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 29<sup>th</sup> July 2006.

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 4 times during the year 2006-07 on 30<sup>th</sup> May 2006, 29<sup>th</sup> July 2006, 27<sup>th</sup> October 2006, and 30<sup>th</sup> January 2007.

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	4
Mr. Madan Lal Patodia	Promoter, Non-Independent, Non-Executive	1
Mr. N.K. Bafna, Member (Chartered Accountant)	Independent, Non-Executive	4
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 30<sup>th</sup> May 2006. 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	1
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 1<sup>st</sup> 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, Super Annuation 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:

Rs. In lakhs

Name of Director	Sitting fees	Salary	Contn. to P.F.	Perks	Total
Mr. Madan Lal Patodia	0.15	Nil	Nil	Nil	0.15
Mr. Purushottam Patodia	Nil	36.00	4.32	6.62	46.94
Mr. Manojkumar Patodia	Nil	25.02	3.00	3.60	31.62
Mr. Anuj K. Patodia	Nil	15.73	1.89	3.50	21.12
Mrs. Minnu Thomas	0.75	Nil	Nil	Nil	0.75
Mr. Chandulal D. Thakker	0.45	Nil	Nil	Nil	0.45
Mr. N.K. Bafna	1.13	Nil	Nil	Nil	1.13
Mr. Banwarilal Singhal	1.13	Nil	Nil	Nil	1.13

## PRIME TEXTILES LIMITED

### 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 2006-07 on 30<sup>th</sup> May 2006, 29<sup>th</sup> July 2006, 27<sup>th</sup> October 2006 and 30<sup>th</sup> January 2007

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	2
Mr.Manojkumar Patodia	Non-Independent, Executive	2

### Finance Committee

The Board has constituted a Finance Committee with the terms of reference 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 1.04.2006 to 31.03.2007, 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. :

4

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

Nil

Number of pending share transfers as on 31.03.2007 :

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 management 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.



#### 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	25.09.2004 4.00 P.M.	17.09.2005 4.00 P.M.	29.09.2006 4.00 P.M.	02.03.2007 2.30 P.M.
Nature of Meeting	AGM	AGM	AGM	EGM
Special Resolutions	Tabled	Tabled	Tabled	Tabled
Put through Postal Ballot	Not applicable	Yes	Not applicable	Not applicable
Voting Pattern	Not applicable	32,05,626 polled 3,650 rejection 20,561 against 31,81,415 favouring resolution	Not applicable	Not applicable
Person who conducted postal ballot	Does not arise	Mr.G.Chandrasekar Chartered Accountant Bangalore	Does not arise	Does not arise

#### Ensuing Annual General Meeting - 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	33500
Mr. Chandulal D.Thakker	42225

#### 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](http://www.ptlonline.com).

## PRIME TEXTILES LIMITED

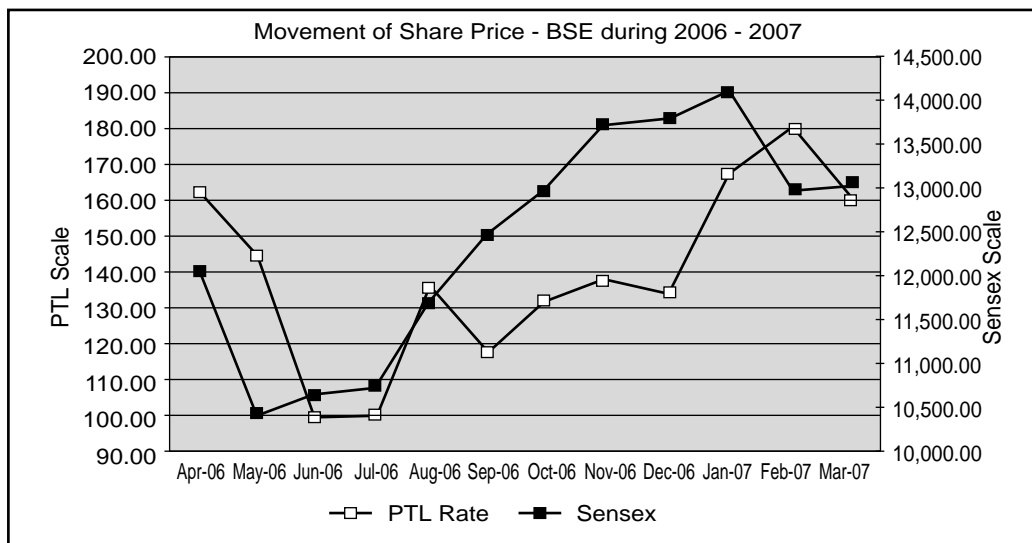
### General Shareholder Information

- 1.1. Annual General Meeting  
 Date and Time : FRIDAY, 27<sup>th</sup> July 2007 10.00 A.M.  
 Venue : Registered Office at 110, Avinashi Road, Gandhinagar P.O., Tirupur 541 603 (T.N.)
- 1.2. Financial Calendar for 2007-08 (tentative)  
 First Quarter : 27th July 2007  
 Second Quarter/ Half-yearly : Last week of October 2007  
 Third Quarter : Last week of January 2008  
 Audited Annual Results : Last week of May 2008  
 Annual General Meeting : July 2008
- 1.3. Date of Book Closure: The Book Closure for payment of dividend, if any, is from Tuesday, 17<sup>th</sup> July 2007 to Friday, 27<sup>th</sup> July 2007. (both days inclusive)
- 1.4. Dividend payment date: On or after 27<sup>th</sup> August 2007.
- 1.5. Listing : The Company's equity shares is continuously listed and traded on the stock exchange at Bombay Stock Exchange, Mumbai. The Company has delisted its equity shares from the Madras Stock Exchange, Ahmedabad Stock Exchange and Calcutta Stock Exchange with effect from June 7, 2004, July 8, 2004 and July 31, 2006 respectively. Its application for delisting from the Stock Exchange at Coimbatore is awaiting approval from the Coimbatore Stock Exchange. The company has paid the listing fees to The Bombay Stock Exchange upto 2007-08.
- 1.6. Stock-codes:  

Name of Stock Exchange	Stock Code
The Stock Exchange, Mumbai	521149
Coimbatore Stock Exchange	21006
ISIN Number (Demat Number)	INE419E01024
- 1.7. Market Price Data Figures Rs.P.

Month	Month's High	Month's Low
April 2006	168.90	99.75
May 2006	207.00	136.30
June 2006	149.00	82.20
July 2006	115.90	74.05
August 2006	140.70	86.80
September 2006	149.30	105.00
October 2006	135.00	110.00
November 2006	154.75	122.10
December 2006	155.35	126.05
January 2007	187.85	137.00
February 2007	198.10	157.30
March 2007	185.00	143.25

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



1.9. Distribution of Shareholding as on 31<sup>st</sup> March 2007

Shares	Shareholders	Percentage	Shares held	Percentage
Upto 5000	4,947	94.26%	26,68,797	11.73%
5001-10000	144	2.74%	5,52,145	2.43%
10001-20000	59	1.12%	4,40,423	1.94%
20001-30000	27	0.51%	3,44,860	1.51%
30001-40000	13	0.25%	2,22,425	0.98%
40001-50000	9	0.17%	2,03,980	0.90%
50001-100000	20	0.38%	7,22,950	3.18%
100001 above	29	0.55%	1,75,88,020	77.33%
<b>Grant Total</b>	<b>5,248</b>	<b>100.00%</b>	<b>2,27,43,600</b>	<b>100.00%</b>

1.10. Shareholding Pattern as on 31<sup>st</sup> March 2007

Description of Investors	Number of Shares held	Percentage of holding
1.Promoters	1,41,65,225	62.28
2.Directors and Relatives	1,67,430	0.74
3.Financial Institutions/Banks	25,000	0.11
4.Corporate Bodies	14,54,206	6.39
5.NRI and OCBs	56,250	0.25
6.Indian Public - individuals	68,75,489	30.23
<b>Total</b>	<b>2,27,43,600</b>	<b>100.00</b>

1.11. Share price performance in comparison to broad-based indices (BSE Sensex) (Based on share price as at 31<sup>st</sup> March 2007)

Period	Percentage of changes in		
	PTL Share price	Sensex	PTL relative to Sensex
2006-07	(+)58.72	(+)15.89	(+)42.83
Past 3 years	(+)1172.91	(+)133.82	(+)1039.09
Past 5 years	(+)2134.27	(+)276.79	(+)1857.48

## PRIME TEXTILES LIMITED

- 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)6549995, 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. Secretarial Audit Report  
As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit Report to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital of the company. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, interalia, confirms that the total listed and paid up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares held in physical form.
- 1.15. Dematerialisation of Shares and Liquidity  
43.78% (99,57,890 equity shares) of the Company's paid-up Equity capital has been dematerialised up to 31<sup>st</sup> March 2007. Trading in Equity Shares is permitted only in dematerialised form as notified by SEBI. The volumes traded in stock exchanges not high.
- 1.16. Exchange of shares of Rs.10/- with shares of Rs.2/-  
After the sub-division of Prime Textiles shares of Rs.10/- each into shares of Rs.2/- each in March 2007, the Company has sent a circular to all the shareholders intimating that the demat account of the shareholders is automatically updated by the concerned Depositories after the Record date for the new sub divided shares. In respect of shareholders holding physical share certificates need not surrender the existing physical share certificates for their current holdings in the company and the new share certificates would be issued in lieu of the original share certificates. The old share certificates are no longer tradeable and will not be accepted by the DPs for dematerialization.
- 1.17. Consolidation of Folios  
Members are requested to consolidate their shareholdings held under multiple folios. This will not only reduce the cost of servicing the shareholders but also save them from the burden of receiving multiple communications and corporate benefits.
- 1.18. Unclaimed Dividends  
Under the Companies Act 1956, dividends that are unclaimed for a period of seven years statutorily get transferred to the Investor Education and Protection Fund administered by the Central Government and thereafter cannot be claimed by the Investors. To ensure maximum disbursement of unclaimed dividend, the Company has sent a reminder to the relevant investors to encash the pending dividend amount from the company before transfer of dividend to Investor Education and Protection Fund. Shareholders who have so far not encashed the dividend warrants, are requested to immediately forward the same to the company for revalidation.
- 1.19. 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  
Chikkarasampalayam, Sathyamangalam, Erode District (T.N.)

1.20 Address for correspondence

v 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

v For any other query/matter  
The Company Secretary  
Prime Textiles Limited  
Registered Office  
110, Avinashi Road, Gandhinagar P.O.,  
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
4. The financial statements of the Company are unqualified by the Statutory Auditors
5. The financial results are published in leading news papers as well as displayed on Company's website.

The above report was adopted by the Board of Directors at their meeting held on 28<sup>th</sup> May 2007.

## PRIME TEXTILES LIMITED

### CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To  
The Members of Prime Textiles Limited

Declaration by the CEO and CFO under Clause 49 of the Listing Agreement

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Prime Textiles Limited ("the Company") to the best of our knowledge and belief certify that:

- a) We have received the financial statements and the cash flow statement for the year ended 31<sup>st</sup> March 2007 and based on our knowledge and belief, we state that:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards applicable laws and regulations.
- b) We, further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the company's code of conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the company.

- c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operational of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated, based on our most recent evaluation, wherever applicable to the Auditors and Audit Committee:
  - i) significant changes, if any, in the internal control over financial reporting during the year
  - ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system over financial reporting.

Purushottam Patodia  
Vice Chairman & Managing Director & CEO

B.K. Srinivasa Ragavan  
President (Finance) & CFO

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, 2007, 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 31<sup>st</sup> March 2007;
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.

Place : Tirupur  
Date : 28.05.2007

For M.S.Jagannathan & Visvanathan  
*Chartered Accountants*  
M.J.Vijayaraaghavan  
Partner  
Membership Number : 7534

## PRIME TEXTILES LIMITED

### AUDITOR'S REPORT TO THE MEMBERS OF PRIME TEXTILES LIMITED

1. We have audited the attached balance sheet of PRIME TEXTILES LIMITED as at 31<sup>st</sup> March 2007 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 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 purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books (and proper returns adequate for the purposes 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2007 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 31<sup>st</sup> March 2007
  - b) In the case of Profit and Loss account Loss 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 : 28.05.2007

M.J.VIJAYARAAGHAVAN  
Partner  
[Membership No.7534]



Annexure referred in our report of even date of the accounts for the year ended 31<sup>st</sup> March 2007 of 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.
  - 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) 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 granted unsecured advances to three subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 519.71 lacs and the year end balance was Rs. 69.71 lacs.
  - b) In our opinion, terms and conditions and rate of interest where ever applicable in respect of unsecured advances given by the Company are not prima facie prejudicial to the interest of the Company.
  - c) The payment of the principle amount and interest wherever applicable is regular.
  - d) There is no amount outstanding over due more than Rupees one lac.
  - e) The Company has received an interest free loan from ATL Textile Processors Limited, the Subsidiary Company amounting to Rs.538.20 lacs during 2004-05 and the amount outstanding at the year end was Rs.525.12 lacs. Maximum outstanding during the year was Rs.525.12 lacs.
  - f) In our opinion and according to the information and explanations given to us, other terms and conditions on which such loans have been taken from the Subsidiary Company covered in the Register maintained under section 301 of the Act are prima facie not prejudicial to the interest of the Company;
  - g) The principle amount and interest wherever applicable is received regularly.
- iv) In our opinion and according to the explanation and information given to us, there is an adequate internal control procedures 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 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.

## PRIME TEXTILES LIMITED

- 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	Incometax	80,82,498	2002 - 03	Commissioner of Incometax (Appeals) Coimbatore

- x) The Company does not have any accumulated losses as at 31<sup>st</sup> March 2007. The Company has not incurred any cash loss 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. Therefore, 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. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- xv) During the year, the Company has not given guarantees for loans taken by others from banks.
- 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 made any 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.

For M.S.JAGANNATHAN & VISVANATHAN  
Chartered Accountants

Place: Tirupur  
Date : 28.05.2007

M.J.VIJAYARAAGHAVAN  
Partner.  
[Membership No.7534]

### PERFORMANCE HIGHLIGHTS

PARTICULARS	31.03.07	31.03.06	31.03.05	31.03.04	Rs. lacs 31.03.03
<b>RESULTS FOR THE YEAR</b>					
Sales and other income	11891	11165	12074	12478	11549
Profit before interest & Depn.	988	1308	1159	1343	1297
Profit before tax	(140)	131	147	215	145
Profit after tax	(222)	197	257	153	58
Dividend paid / payable	39	46	46	46	37
<b>YEAR END POSITION- CAPITAL EMPLOYED</b>					
Fixed Assets (net)	6072	6623	6191	5961	5814
Other Assets (Net)	5951	6015	6114	5598	5056
Capital employed	12023	12638	12305	11559	10870
<b>SOURCES OF FUNDS</b>					
Share Capital	605	605	605	603	603
Free Reserves	2864	3076	3006	2919	2757
Shareholders' Funds	3469	3681	3611	3622	3360
Borrowed Funds	8554	8957	8694	8037	7510
Sources of Funds	12023	12638	12305	11559	10870
<b>EQUITY SHARES STATISTICS</b>					
Face Value per share (Rs.)	2.00	10.00	10.00	10.00	10.00
Earnings per share (Rs.)	(1.03)	4.04	5.35	3.06	1.04
Dividend per share (Rs.)	0.60	0.75	0.75	0.75	0.60
Dividend Cover (No. of times)	0.00	4.72	6.25	5.22	4.37
Book value per share (Rs.)	10.19	54.43	46.47	47.51	45.52

Note : Effect of revaluation of assets is not considered.

**PRIME TEXTILES LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2007**

	Schedule	As at 31.03.2007 Rs. lacs	As at 31.03.2006 Rs. lacs
<b>Sources of Funds</b>			
(1) Shareholders' Funds			
Share Capital	1	604.87	604.87
Reserves and Surplus	2	<u>2,466.70</u>	<u>2,784.30</u>
		<u>3,071.57</u>	<u>3,389.17</u>
(2) Loan Funds			
Secured Loans	3	6,892.64	7,463.22
Unsecured Loans	4	<u>1,658.92</u>	<u>1,493.23</u>
		<u>8,551.56</u>	<u>8,956.45</u>
(3) Deferred Tax Liability (net)		935.05	878.64
<b>Total</b>		<u>12,558.18</u>	<u>13,224.26</u>
<b>Application of Funds</b>			
(1) Fixed Assets	5		
Gross Block		11,424.33	11,495.48
Less: Depreciation		<u>4,815.52</u>	<u>4,432.81</u>
		<u>6,608.81</u>	<u>7,062.67</u>
Capital Work - in - Progress		0.00	147.10
Net Block		<u>6,608.81</u>	<u>7,209.77</u>
(2) Investments	6	990.76	535.76
(3)(i) Current Assets, Loans and Advances	7		
(a) Inventories		4,589.69	4,877.01
(b) Sundry Debtors		696.96	597.82
(c) Cash and Bank Balances		374.51	431.16
(d) Other Current Assets		164.45	128.93
(e) Loans and Advances		<u>1,603.73</u>	<u>1,615.16</u>
		<u>7,429.34</u>	<u>7,650.08</u>
(ii) Current Liabilities and Provisions	8		
(a) Liabilities		2,638.75	2,441.99
(b) Provisions		<u>48.81</u>	<u>55.83</u>
		<u>2,687.56</u>	<u>2,497.82</u>
Net Current Assets (i-ii)		<u>4,741.78</u>	<u>5,152.26</u>
(4) Miscellaneous Expenditure (to the extent not written off/adjusted)			
(i) Voluntary Retirement Scheme Compensation		216.83	322.04
(ii) Others		<u>0.00</u>	<u>4.43</u>
<b>Total</b>		<u>12,558.18</u>	<u>13,224.26</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  
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 : 28.05.2007

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

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

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007**

	Schedule	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>INCOME</b>			
Turnover	9	11,703.54	11,092.37
Less: Excise Duty		0.00	0.06
		<u>11,703.54</u>	<u>11,092.31</u>
Other Income	10	187.36	72.43
Increase / (Decrease) in Stocks	11	410.30	231.87
		<u>12,301.20</u>	<u>11,396.61</u>
<b>EXPENDITURE</b>			
Cost of Materials	12	6,471.23	5,535.58
Personnel Expenses	13	696.50	664.36
Power and Fuel Consumed		1,369.06	1,221.96
Stores, Spares and Packing Materials Consumed		565.27	531.21
Processing Charges		1,035.77	753.40
Repairs and Maintenance	14	120.57	166.92
Selling and Distribution Expenses	15	543.38	501.14
Administrative and Other Expenses	16	401.92	498.00
Interest	17	647.70	724.11
Amortisation of VRS compensation and others		109.65	216.05
		<u>11,961.05</u>	<u>10,812.73</u>
Profit after interest before depreciation		340.15	583.88
Depreciation	526.80		498.94
Less: Transfer from Revaluation Reserve	46.27		46.44
		<u>480.53</u>	<u>452.50</u>
Profit / (Loss) before Tax		(140.38)	131.38
Provision for Current Tax	0.00		(7.15)
Provision for Deferred Tax Asset / (Liability)	(56.41)		74.66
Provision for Fringe Benefit Tax - current year	(14.00)		(8.61)
Provision for Fringe Benefit Tax - previous year	(11.30)		0.00
Minimum Alternate Tax Credit entitlement	0.00	(81.71)	7.15
		<u>(222.09)</u>	<u>197.43</u>
Profit / (Loss) after Tax		(222.09)	197.43
Surplus brought forward from previous year		86.35	141.51
Transfer from General Reserve		200.00	0.00
Amount available for appropriations		<u>64.26</u>	<u>338.94</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend - Equity Shares		27.29	34.12
Dividend - Preference Shares		12.00	12.00
Tax on distributed profits		6.68	6.47
Transfer to General Reserve		0.00	200.00
Surplus carried over		18.29	86.35
		<u>64.26</u>	<u>338.94</u>
Earnings Per Equity Share of Rs.2 each (p.yr: Rs.10 each) (Ref . Note: B 10 in Schedule 19)			
Basic /Diluted		(1.03)	4.04
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 : 28.05.2007

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

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

## PRIME TEXTILES LIMITED

### SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2007

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
Authorised :		
6,25,00,000 Equity Shares of Rs. 2 each (P.Yr.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 :		
2,27,44,300 Equity Shares of Rs. 2 each (P.Yr.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:		
2,27,43,600 Equity Shares of Rs. 2 each fully paid up (P.Yr.45,48,720 Equity Shares 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	150.00	150.00
	<u>604.87</u>	<u>604.87</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 or before 20.2.2014		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
General Reserve:		
As per Last Balance Sheet	1,071.15	871.15
Transfer from / (to) Profit and Loss Account	(200.00)	200.00
	<u>871.15</u>	<u>1,071.15</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	586.80	634.35
Transfer to Profit and Loss account	(46.27)	(46.44)
Withdrawals on assets sold	(3.27)	(1.11)
	<u>537.26</u>	<u>586.80</u>
Surplus in Profit and Loss Account	18.29	86.35
	<u>2,466.70</u>	<u>2,784.30</u>
Total		

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2007**

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 3 : SECURED LOANS</b>		
(1) Loans and Advances from		
(a) Banks		
(i) Term Loans	2,741.60	3,225.90
(ii) Working Capital Advances	3,525.11	3,522.18
(b) Financial Institutions		
Term Loans	600.00	700.00
(c) Others	25.93	15.14
<b>Total</b>	<u>6,892.64</u>	<u>7,463.22</u>

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

**SCHEDULE 4 : UNSECURED LOANS**

i) Loans		
1. Fixed Deposits - from Public (Repayable within one year Rs. 136.37 lacs : previous year Rs. 126.51 lacs)	167.00	131.44
2. Intercorporate Deposits (short term)	966.80	838.50
ii) Advances		
From Subsidiary Company-(short term)	525.12	523.29
<b>Total</b>	<u>1,658.92</u>	<u>1,493.23</u>

**SCHEDULE - 5 : FIXED ASSETS**

Rs. lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions during the Year	Deductions during the Year	As at 31.03.2007	Upto 31.03.2006	For the Year	Withdrawn	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land-Free hold	529.51	15.25	5.36	539.40	---	---	---	---	539.40	529.51
Buildings	1,644.36	133.49	159.43	1,618.42	643.22	36.09	25.84	653.47	964.95	1,001.14
Plant & Machinery	9,023.10	66.99	139.14	8,950.95	3,666.15	472.58	103.48	4,035.25	4,915.70	5,356.95
Furniture & Office Equipments	189.69	1.55	11.19	180.05	83.91	7.18	7.56	83.53	96.52	105.78
Vehicles	108.78	39.29	12.60	135.47	39.53	10.95	7.21	43.27	92.20	69.25
Livestock	0.04	---	---	0.04	---	---	---	---	0.04	0.04
<b>Total</b>	11,495.48	256.57	327.72	11,424.33	4,432.81	526.80	144.09	4,815.52	6,608.81	7,062.67
Corresponding previous year	10,681.40	996.28	182.20	11,495.48	4,054.23	498.94	120.36	4,432.81	7,062.67	

Note: i) Out of 121.83 acres of Land, 5.91 acres is currently held for disposal

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

iii) Vehicles include cars costing Rs.56.63 lacs (previous year Rs.48.88 lacs ) purchased on Hire-purchase basis.

# PRIME TEXTILES LIMITED

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2007

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 6 : INVESTMENTS AT COST- LONG TERM</b>		
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 Limited		
500 Equity Shares of Rs.1000 each	5.00	5.00
Unquoted : 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
Prime Hometex Industries (India) Limited		
45,50,000 Equity Shares of Rs. 10 each	455.00	0.00
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 Limited		
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	0.50
	<u>1,003.82</u>	<u>548.82</u>
Less: Provision for diminution in value	13.06	13.06
Total	<u>990.76</u>	<u>535.76</u>
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	1,003.62	548.62
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES:</b>		
A. Current Assets:		
(a) Inventories :		
As valued and certified by the Management		
Stores,spares and packing materials	150.22	173.22
Stock in Trade :		
Raw materials	1,616.28	2,290.90
Stocks in Process	332.35	355.87
Finished goods	2,483.46	2,047.96
Waste	7.38	9.06
	<u>4,589.69</u>	<u>4,877.01</u>
(b) Sundry Debtors :		
Unsecured, considered good-unless otherwise stated		
(i) Debts outstanding for a period exceeding six months		
Considered good	136.11	123.72
Considered doubtful	24.19	24.19
Less: Provision for doubtful debts	(24.19)	(24.19)
(ii) Other debts	560.85	474.10
Total	<u>696.96</u>	<u>597.82</u>



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2007**

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES:CONTD</b>		
<b>(c) Cash and Bank Balances:</b>		
(i) Cash on hand	16.11	7.67
(ii) With Scheduled banks		
a) In Current Accounts	134.54	233.68
b) In Margin money and other Lien Deposits	216.38	183.14
c) In Unpaid Dividend Account	7.27	6.46
(iii) Post Office savings account	0.21	0.21
	<u>374.51</u>	<u>431.16</u>
<b>(d) Other Current Assets</b>		
Interest accrued on Deposits	9.83	14.93
Income and other receivables	<u>154.62</u>	<u>114.00</u>
	<u>164.45</u>	<u>128.93</u>
<b>Sub-Total (A)</b>	<u><b>5,825.61</b></u>	<u><b>6,034.92</b></u>
<b>B. Loans and Advances</b>		
Unsecured-considered good, unless stated otherwise		
a) Advances recoverable in cash or in kind or for value to be received	1,232.93	1,291.71
b) Advance to Subsidiary Companies	69.71	51.65
c) Prepaid expenses	45.37	42.40
d) Advance Tax including tax deducted at source (Net of provisions of Rs. 60.16 lacs ; previous year Rs.18.82 lacs)	45.26	22.23
e) Income Tax Refund Receivable	28.44	28.44
f) Deposits	151.34	107.90
g) Balance with Statutory authorities	30.68	70.83
<b>Sub-total (B)</b>	<u><b>1,603.73</b></u>	<u><b>1,615.16</b></u>
<b>Total (A + B)</b>	<u><b>7,429.34</b></u>	<u><b>7,650.08</b></u>
<b>SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors		
Due to Small Scale Industrial units (SSI)	1.47	1.34
Due to other than SSI	992.19	1,189.53
Other current liabilities	598.92	318.83
Due to Partnership Firm in which company is a partner	1,000.00	900.00
Unclaimed Dividends **	7.27	6.46
Unclaimed Fixed Deposits **	1.69	1.00
Interest accrued but not due on loans	37.21	24.83
	<u><b>2,638.75</b></u>	<u><b>2,441.99</b></u>
<b>B. Provisions</b>		
For Dividend	39.30	46.12
For Tax on distributed profits	6.68	6.47
For Gratuity, Superannuation and Other Funds	2.83	3.24
	<u><b>48.81</b></u>	<u><b>55.83</b></u>
<b>Total (A &amp; B)</b>	<u><b>2,687.56</b></u>	<u><b>2,497.82</b></u>

(\*\* There are no amounts due and outstanding to be credited to Investors Education and Protection Fund)

## PRIME TEXTILES LIMITED

### SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	Year ended 31.03.2007	Year ended 31.03.2006
<b>SCHEDULE 9 : TURNOVER</b>		
Cotton Yarn	9,504.19	9,930.51
Knitted Garments	1,447.39	530.96
Fabrics	119.17	0.00
Land - Reality Division (Net of Cost)	130.68	235.89
Waste	318.12	290.58
Export Incentives	183.99	104.43
Total	<u>11,703.54</u>	<u>11,092.37</u>
<b>SCHEDULE 10 : OTHER INCOME</b>		
Rent received	0.52	1.22
Miscellaneous Income	122.27	38.54
Interest receipts (TDS Rs. 2.47 lacs previous year Rs.2.99 lacs)	20.93	18.64
Profit on sale of assets (net)	38.59	7.72
Insurance claim received	5.05	6.31
Total	<u>187.36</u>	<u>72.43</u>
<b>SCHEDULE 11: INCREASE /(DECREASE) IN STOCKS</b>		
Stock at Closing:		
Finished Goods	2,483.46	2,047.96
Stocks in Process	332.35	355.87
Waste	7.38	9.06
(A)	<u>2,823.19</u>	<u>2,412.89</u>
Less:		
Stock at Commencement:		
Finished Goods	2,047.96	1,895.52
Stocks in Process	355.87	273.59
Waste	9.06	11.91
(B)	<u>2,412.89</u>	<u>2,181.02</u>
Net Value	(A)-(B) <u>410.30</u>	<u>231.87</u>
<b>SCHEDULE 12: COST OF MATERIALS</b>		
Opening Stock of Materials	2,290.91	1,401.12
Add: Purchases	5,796.60	6,425.37
	<u>8,087.51</u>	<u>7,826.49</u>
Less: Closing stock of Materials	1,616.28	2,290.91
Raw materials consumed	<u>6,471.23</u>	<u>5,535.58</u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	Year ended 31.03.2007	Year ended 31.03.2006
<b>SCHEDULE 13: PERSONNEL EXPENSES</b>		
Salaries, Wages, Bonus and others	562.19	539.37
Contribution to Provident and other Funds	65.74	58.54
Welfare Expenses	<u>68.57</u>	<u>66.45</u>
Total	<u>696.50</u>	<u>664.36</u>
<b>SCHEDULE 14: REPAIRS AND MAINTENANCE</b>		
Buildings	14.10	27.71
Machinery	96.97	129.28
Others	<u>9.50</u>	<u>9.93</u>
Total	<u>120.57</u>	<u>166.92</u>
<b>SCHEDULE 15: SALES AND DISTRIBUTION EXPENSES</b>		
Brokerage and Commission	172.41	209.69
Freight, Forwarding and Other Expenses	370.97	291.45
Total	<u>543.38</u>	<u>501.14</u>
<b>SCHEDULE 16: ADMINISTRATIVE AND OTHER EXPENSES</b>		
Insurance	52.07	44.27
Postage, Telephone, Printing and Stationery	48.77	49.33
Travelling and Motor Vehicle maintenance	113.39	138.75
Bank Charges, Filing Fees, Subscription and Advertisement	83.03	154.90
Rent	41.89	41.99
Rates and Taxes	19.74	28.75
Excise duty on stocks (net)	0.00	1.17
Directors' Sitting Fees	3.60	2.40
Auditors' Remuneration and Expenses	2.41	1.58
Miscellaneous Expenses	37.02	34.86
Total	<u>401.92</u>	<u>498.00</u>
<b>SCHEDULE 17: INTEREST</b>		
On Fixed Loans	225.35	270.97
On Others	422.35	453.14
Total	<u>647.70</u>	<u>724.11</u>

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	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
SCHDEDULE 18 : CASH FLOW STATEMENT		
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	(140.38)	131.38
Adjustments for:		
Depreciation	480.53	452.50
Amortisation of VRS compensation and others	109.65	216.06
(Profit) / Loss on sale of assets	(38.59)	(7.72)
Interest received	(20.93)	(18.64)
Interest charged	647.70	724.11
	<u>1,178.36</u>	<u>1,366.31</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,037.98	1,497.69
Adjustments for:-		
Trade and Other receivables	(133.43)	49.00
Inventories	287.32	(1,102.55)
Trade payables	175.99	329.88
	<u>329.88</u>	<u>1,090.06</u>
CASH GENERATED FROM OPERATIONS	1,367.86	1,534.20
Direct taxes paid	(48.33)	(22.42)
	<u>1,319.53</u>	<u>1,511.78</u>
NET CASH FROM OPERATING ACTIVITIES	1,319.53	1,511.78
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(109.47)	(945.00)
Purchase of Investments	(455.01)	(0.50)
Sale of Fixed assets	218.95	68.44
Interest received	20.93	18.64
	<u>20.93</u>	<u>18.64</u>
NET CASH USED IN INVESTING ACTIVITIES	(324.60)	(858.42)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds / (repayments) from / (to) Long term borrowings	(573.51)	69.50
Net Proceeds from Short term borrowings	169.30	193.48
Interest paid	(635.31)	(740.62)
Dividend paid	(45.31)	(45.83)
	<u>(45.31)</u>	<u>(45.83)</u>
NET CASH USED IN FINANCING ACTIVITIES	(1,084.83)	(523.47)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(89.90)	129.89
Cash and cash Equivalents - Opening Balances	248.02	118.13
Cash and cash Equivalents - Closing Balances	158.12	248.02

Note:- 1. Margin Money and Other lien Deposits have been included under "Trade and other receivables"

2. The above Cash Flow Statements prepared in indirect method as per AS-3 Cash Flow Statements issued by ICAI

19. NOTES ON 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, diminution in value, for other than temporary.
4. Valuation of Inventories:
  - a) Inventories are valued at lower of cost and net realizable value.
  - b) Cost of raw materials is determined on specific identification method
  - c) Stock of stores, spares and packing materials is determined on weighted average method.
  - d) Finished goods and work in progress include conversion and other costs incurred in bringing the inventories to their present location and condition.
5. Revenue Recognition :
  - i) Product 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's Receipt.
  - ii) Sale of undivided co-ownership lands under the Realty Division are net of cost
  - iii) Revenue recognition under the Realty Division will be based on corresponding recognition by the Partnership Firms in which the Company is a partner.
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 1.4.1990 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 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:
  - a) 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.
  - b) 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.

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- c) 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:
- a) Provision for Current Tax and Fringe Benefit Tax is made on the basis of estimated taxable income for the year or computed in accordance with the Income-Tax Act, 1961.
- b) 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:
- a) Deferred expenses are written off over the period of expected benefits there from.
- b) Compensation to employees opting for retirement under the Voluntary Retirement Schemes of the Company is amortized over 60 months from the month of incurrence.
15. Use of estimates :  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of the financial statement and reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to the estimates is recognised prospectively.

### PART B: NOTES ON ACCOUNTS:

	Rs.lacs 31.03.2007	Rs.lacs 31.03.2006
1) A) Contingent liabilities not provided for in respect of		
(a) Disputed tax demands		
i) Other tax, cess etc.	10	68
ii) Incometax	61	60
iii) Fringe Benefit Tax	--	10
	<u>71</u>	<u>138</u>
(b) Export documentary bills discounted with Bank (since realized Rs. 777.51 lacs : previous year Rs. 435.65 lacs)	1308	849
(c) Corporate Guarantee for loan borrowed from State Bank of Patiala by M/s. Prime Developers (in which Company is a partner) (Loan outstanding at the year end including interest is Rs.2,003.43 Lacs, previous year outstanding Rs.1,055.12 lacs)	3100	3100

### (d) Disclosure in respect of provisions pursuant to Accounting Standard-29

Particulars	Opening Balance as on 1.4.2006	Provided during the year	Utilised during the year	Closing Balance as on 31.3.2007
Diminution in the value of investments	13.06 (13.06)	Nil (Nil)	Nil (Nil)	13.06 (13.06)
Doubtful Debts	24.19 (24.19)	Nil (Nil)	-- --	24.19 (24.19)
Income Tax	23.76 (16.61)	Nil (7.15)	-- --	23.76 (23.76)
Dividend	46.12 (46.12)	39.29 (46.12)	46.12 (46.12)	39.29 (46.12)
Corporate dividend tax	6.47 (6.47)	6.68 (6.47)	6.47 (6.47)	6.68 (6.47)
Gratuity, Superannuation and Other Funds	2.99 (4.39)	3.57 (2.99)	2.99 (4.39)	3.57 (2.99)
<b>Total</b>	<b>116.59 (110.84)</b>	<b>49.54 (62.73)</b>	<b>55.58 (56.98)</b>	<b>110.55 (116.59)</b>

		31.03.2007		31.03.2006
B) Capital Commitments				
Capital Commitments outstanding (net of advances)		42		62
C) Licensed and installed Capacity:				
<u>Licensed Capacity</u>				
Cotton yarn	Ring spindles	NA		NA
Knitted Fabrics	Metric Tonnes	402		402
Knitted Garments	Numbers	6,90,000		6,90,000
Realty Division:				
Construction of				
a) Residential Blocks	BUA sq.mtrs.	48,288		48,288
b) Commercial Blocks	BUA sq.mtrs.	21,746		21,746
<u>Installed Capacity</u>				
Cotton yarn	Ring spindles	48504		48504
Knitted Fabrics	Metric Tonnes	Nil		Nil
Knitted Garments	Numbers	6,50,000		6,50,000
Realty Division	Sq.ft.	NA		NA
D) Production:				
Cotton yarn Manufactured	Kgs.	28,10,787		25,13,585
Cotton yarn Outsourced	Kgs	15,51,415		14,03,038
Knitted Garments - Manufactured	(Numbers)	11,21,312		3,47,072
Knitted Garments - Job Processed and purchased	(Numbers)	21,154		2,34,458
Closing stock of yarn is net of process loss of 0.76 lacs kgs. (previous year 0.95 lacs kgs)				
E) Turnover:				
		31.03.2007		31.03.2006
		Quantity	Value	Quantity
			Rs.lacs *	Value
				Rs.lacs *
Yarn Division	Kgs	40,17,457	9,504	37,94,986
Fabrics	Mtrs	1,02,299	119	Nil
Knitted Garments	Numbers	11,27,304	1,447	6,02,932
* Turnover reported net of excise duty.				
F) Stock of Finished Goods.				
Opening Stock - Yarn	Kgs	3,40,260		3,14,758
- Garments	Numbers	3,99,325		4,33,017
Closing Stock - Yarn	Kgs	6,02,795		3,40,260
- Garments	Numbers	4,03,841		3,99,325
G) Raw material consumed:				
		Quantity	Value	Quantity
		Kgs.	Rs.lacs	Kgs
				Value
				Rs.lacs
Cotton		42,55,758	3,228	37,24,090
Cotton Yarn (outsourced)		15,29,307	2,692	13,61,044
Garments-Fabrics & Yarn			551	203
	Total		6,471	5,536
H) Value of Imports on CIF Basis:				
a) Raw Materials-Cotton		1,240		2,085
b) Components and spare parts		45		75
c) Capital goods		25		455

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

	31.03.2007		31.03.2006	
	Rs.lacs	% of consumption	Rs.lacs	% of consumption
i) Raw Materials:				
a) Imported	1,388	21.45	1,862	33.64
b) Indigenous	5,083	78.55	3,674	66.36
Total	6,471	100.00	5,536	100.00
ii) Stores, spares and packing materials consumed:				
a) Imported	42	7.44	33	6.21
b) Indigenous	523	92.56	498	93.79
Total	565	100.00	531	100.00

	31.03.2007 Rs. lacs	31.03.2006 Rs.lacs.
J) Expenditure in foreign currency:		
Sales commission, traveling and Interest	184	226
K) Earnings in foreign currency:		
Exports in FOB value	7,497	5,650

### 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. 6,700 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.



- 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:

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
Assets Revalued		
Land	409.80	410.64
Road and Buildings	449.10	449.10
Plant and Machinery	469.10	515.36
<b>Total</b>	<b>1,328.00</b>	<b>1,375.10</b>

- 4) a) 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%

- b) Revenue recognition by M/s. Prime Developers will be upon completion of residential construction project as per proviso under section 80(IB)(10) of the Income Tax Act, 1961.

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

Remuneration /Perquisites		
Salary	69.12	67.92
House Rent Allowance	0.78	0.78
Contribution to Provident Fund	9.21	8.15
Contribution to Superannuation	9.98	8.83
Perquisites	2.29	3.12
Gratuity	1.73	1.49
<b>Total</b>	<b>93.11</b>	<b>90.29</b>
Allocation as under:		
For Prime Textiles Limited	76.91	90.29
For a subsidiary under new project	16.20	Nil

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	1.02	0.90
Branch Auditors	0.17	0.14
b) Tax Audit Fees:		
Statutory Auditors	0.13	0.11
Branch Auditors	0.01	0.01
c) Other Fees to Auditors:		
Taxation representation	0.17	0.13
Out of pocket expenses	0.26	0.10
Certification fees	0.51	0.07
Service Tax	0.14	0.12
<b>Total</b>	<b>2.41</b>	<b>1.58</b>

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- 7) a) Amount of Foreign Exchange difference (net) credited in the Profit and Loss Account Rs (2.32) lacs [previous year Rs.(1.99) lacs]  
 b) Foreign exchange difference (net) on capital account added /(reduced) to the cost of respective fixed assets Rs. Nil lacs [previous year Rs.(3.46) 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  
 Prime Hometex Industries (India) 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  
 Pat Credit Limited  
 Anjana 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		5.74 (2.17)	Nil (Nil)	Nil (Nil)	5.74 (2.17)
2.	Sale of goods		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
3.	Sale of Fixed Assets		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4.	Job charges paid		172.43 (202.31)	Nil (Nil)	Nil (Nil)	172.43 (202.31)
5.	Rent received		0.52 (0.24)	Nil (Nil)	Nil (Nil)	0.52 (0.24)
6.	Rent / Dividend paid		Nil (Nil)	Nil (Nil)	6.40 (6.40)	6.40 (6.40)
7.	Job charges received		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8.	Expenses reimbursed	0.27 (1.48)	2.58 (2.84)	Nil (Nil)	Nil (Nil)	2.85 (4.32)
9.	Interest paid	Nil (27.82)	2.75 (Nil)	Nil -	0.84 -	3.59 (27.82)
10.	Directors' Remuneration paid/ sitting fees	-	-	93.76 (90.44)	1.28 (1.34)	94.54 (91.78)
11.	Balance as on 31.3.2007			Nil	Nil	
	PeeDee Yarn Processors Limited	1.80 Cr (1.74)		Nil	Nil	1.80 Cr (1.74)
	Manoj Yarn Processors Limited	49.97 Cr (49.90 Dr)				49.97 Cr (49.90)
	ATL Textile Processor Limited	525.12 (523.30)				525.12 Dr (523.30)
	Prime Home Tex Industries (India) Limited	17.94 Dr Nil				(17.9 Dr) Nil
	ATL Selina Innerwear Private Limited		230.61Dr (240.04 Dr)			230.61Dr (240.04 Dr)
	Prime Developers		1,000.00 Cr (900.00 Cr)			1000.00 Cr (900.00 Cr)
	Prime Processors Limited		5.03 Cr (32.20 Cr)			5.03 Cr (32.20 Cr)

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.

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 31.03.2007	Maximum outstanding during the year.
Subsidiary Companies			
1)Manoj Yarn Processors Limited	Nil (Nil)	49.97 (49.90)	49.97 (49.90)
2)Pee Dee Yarn Processors Limited	Nil (Nil)	1.80 (1.74)	1.80 (5.44)
3)Prime Hometex Industries (India) Ltd	Nil	17.94 Nil	467.94 Nil

Note : Figures in brackets represents previous year figure.

10) Basic and diluted Earnings per share (EPS) of face value of Rs.2 each (Previous Year - Rs.10 each) calculated as under:-

	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
For the year ended		
a) Numerator:		
Net (Loss)/ Profit as disclosed in Profit & Loss account after tax and Preference Dividend	(Rs.234.09 lacs)	Rs. 183.75 lacs
b) Denominator:		
Number of equity shares outstanding	2,27,43,600	45,48,720
c) Basic / Diluted Earnings per share	(1.03)	4.04

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

Deferred Tax Assets	31.03.2007	31.03.2006
1. Expenses covered by 43B	0.24	3.51
2. Carry forward Unabsorbed Depreciation	279.57	202.64
3. Others	0.27	--
Total	<u>280.08</u>	<u>206.15</u>

Deferred Tax Liabilities	31.03.2007	31.03.2006
1. Depreciation	1,168.96	1,035.75
2. Deferred Revenue expenses	46.17	49.04
Total	<u>1,215.13</u>	<u>1,084.79</u>
Net Deferred Tax Liability	935.05	878.64

12) Based on the information available with the Company there are no amount outstanding exceeding thirty days to any small scale industrial undertaking as defined in Micro, Small and Medium Enterprise Development Act, 2006.

13) 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.

14) a) For reasons of overall efficiency improvements and taking into account the nature of activities and the nature of risks and returns, the activities of the company stand reclassified by way of identification of business segments from the current year. Comparatives for the previous period are stated in conformity with present classification.

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## b. Segment wise results

Particulars	31.03.2007	31.03.2006
Segment Revenue:-		
a. Segment-Yarn	10,066.77	10,308.49
b. Segment-Garments	1,506.09	547.93
c. Segment-Realty	130.68	235.89
Total	11,703.54	11,092.31
Segment Results:-		
(a) Profit/(Loss) before tax & interest from each segment		
a. Segment-Yarn	505.96	748.67
b. Segment-Garments	(34.08)	(51.98)
c. Segment-Realty	130.68	235.89
Total	602.55	932.58
(b) Interest		
Less: Interest -Segment Yarn	562.54	662.25
Interest - Segment Garments	85.17	61.86
Interest - Realty	0.00	0.00
Profit before tax-Yarn	(56.58)	86.42
Profit before tax-Garments	(119.25)	(113.84)
Profit before tax-Realty	130.68	235.89
Total (c)	(45.15)	208.47
d)Less:Other unallocable expenditure net of unallocable income	95.23	77.09
Less: Elimination of Profit due intersegment Revenue	0.00	0.00
Total Profit before tax (c-d)	(140.38)	131.38
Capital Employed		
a. Segment-Yarn	10,634.75	11,140.68
b. Segment-Garments	55.76	56.72
c. Segment-Realty	0.00	0.00
Total	10,690.52	11,197.40

15) Previous year's figures are regrouped/rearranged, wherever necessary to conform to this year's presentation.

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

For and on behalf of the Board

For M.S.Jagannathan & Visvanathan

Chartered Accountants

Manojkumar Patodia  
Managing Director

M.J.Vijayaraaghavan

Partner : M.No.7534

Anujj K. Patodia  
Executive Director

Purushottam Patodia  
Vice Chairman & Managing Director

Place: Tirupur

Date : 28.05.2007

Banwarilal Singhal  
Director

S.Rengasamy  
Company Secretary

As per notification dated 15.5.1995 issued by the Department of Company Affairs, the additional information under para IV as under :-

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 31-03-2007

### 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 1524574 Total Assets 1524574  
Sources of Funds:  
Paid up Capital 60487 Reserves & Surplus 246670  
Secured Loans 689264 Unsecured Loans 165892  
Deferred Tax Liability 93505 Others ---

### Application of Funds:

Net Fixed Assets 660881 Investments 99076  
Net Current Assets 474178 Misc. Expenditure. 21683

### IV. Performance of the Company

Turnover (including stock  
Adjustment & other Income 1230120 Total Expenditure 1244158  
Profit (+)/Loss (-) Before tax (14038) Profit (+)/Loss (-) after tax (22209)  
Earning per share in Rs. (1.03) Dividend Rate : Equity 6%

### 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

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	Prime Hometex Industries (India) Ltd.
1.	Financial Year ended 31st March.	2007	2007	2007	2007
2.	No. of shares held by holding Company	10,37,450	50,900	50,900	45,50,000
3.	Face value of shares in. Rs.	10	10	10	10
4.	Extent of Holding (%) Held by Manoj Yarn Processors Limited	100	100	21.41% 78.59%	100
5.	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 not dealt within the company's account.	Rs.0.42 Lacs	Not applicable. Operation not yet commenced	Not applicable. Operation not yet commenced	Not applicable. Operation not yet commenced
6.	- do - For the previous financial year	Rs.(0.56) lacs	-do-	-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.12.83 lacs	Not applicable	Not applicable	Not applicable
8.	Holding company's interest as at 31st March, 2007incorporating changes since the close of the financial year of the subsidiary company.	No change	No change	No change	No change

For and on behalf of the Board

Purushottam Patodia  
Vice Chairman & Managing Director

Manojkumar Patodia  
Managing Director

Banwarilal Singhal  
Director

Place: Tirupur  
Date : 28.05.2007

Anujj K.Patodia  
Executive Director

S.Rengasamy  
Company Secretary

## PRIME TEXTILES LIMITED

### 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 31<sup>st</sup> March 2007, 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, PEE DEE YARN PROCESSORS LIMITED AND PRIME HOMETEX INDUSTRIES (INDIA) LIMITED subsidiaries, for the year ended 31<sup>st</sup> March 2007. These statements were audited by other auditors whose reports have been furnished to us, and 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 31<sup>st</sup> March 2007
- 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 31<sup>st</sup> March 2007 and of the results of consolidated cash flows for the year ended conformity with generally accepted accounting principles in India.

For M.S.Jagannathan & Visvanathan  
Chartered Accountants

Place: Tirupur  
Date : 28.05.2007

M.J. Vijayaraaghavan  
Partner  
Membership No. : 7534

**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2007**

	Schedule	As at 31.03.2007 Rs.lacs	As at 31.03.2006 Rs.lacs
<b>Sources of Funds</b>			
<b>(1) Shareholders' Funds</b>			
Capital	1	604.87	604.87
Reserves and Surplus	2	<u>2,474.23</u>	<u>2,796.71</u>
		<u>3,079.10</u>	<u>3,401.58</u>
<b>(2) Loan Funds</b>			
Secured Loans	3	6,892.63	7,463.22
Unsecured Loans	4	<u>1,133.80</u>	<u>969.94</u>
		<u>8,026.43</u>	<u>8,433.16</u>
<b>(3) Deferred Tax Liability</b>		935.06	878.64
	<b>Total</b>	<u>12,040.59</u>	<u>12,713.38</u>
<b>Application of Funds</b>			
<b>(1) Fixed Assets</b>			
Gross Block	5	11,480.61	11,551.76
Less: Depreciation		<u>4,815.53</u>	<u>4,432.82</u>
		<u>6,665.08</u>	<u>7,118.94</u>
Capital Work - in - Progress		74.11	147.10
Net Block		<u>6,739.19</u>	<u>7,266.04</u>
<b>(2) Investments</b>	6	16.02	15.13
<b>(3)(i) Current Assets, Loans and Advances</b>			
(a) Inventories	7	4,604.44	4,891.79
(b) Sundry Debtors		696.96	597.82
(c) Cash and Bank Balances		382.97	432.98
(d) Other Current Assets		164.45	128.93
(e) Loans and Advances		<u>1,534.73</u>	<u>1,565.68</u>
		<u>7,383.55</u>	<u>7,617.20</u>
<b>(ii) Current Liabilities and Provisions</b>			
(a) Liabilities	8	2,667.92	2,457.28
(b) Provisions		<u>48.81</u>	<u>55.83</u>
		<u>2,716.73</u>	<u>2,513.11</u>
Net Current Assets		<u>4,666.82</u>	<u>5,104.09</u>
<b>(4) Miscellaneous Expenditure</b>			
(to the extent not written off/adjusted)			
(i) Voluntary Retirement Scheme Compensation		216.83	322.04
(ii) Others		<u>401.73</u>	<u>6.08</u>
	<b>Total</b>	<u>12,040.59</u>	<u>12,713.38</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 and 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

Purushottam Patodia  
Vice Chairman & Managing Director

M.J.Vijayaraaghavan  
Partner : M.No.7534  
Place: Tirupur  
Date : 28.05.2007

Banwarilal Singhal  
Director

S.Rengasamy  
Company Secretary

**PRIME TEXTILES LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007**

	Schedule	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>INCOME</b>			
Turnover	9	11,703.54	11,092.38
Less: Excise Duty		0.00	0.06
		<u>11,703.54</u>	<u>11,092.32</u>
Other Income	10	188.33	72.43
Increase / (Decrease) in Stocks	11	410.30	231.87
		<u>12,302.17</u>	<u>11,396.62</u>
<b>EXPENDITURE</b>			
Cost of Materials	12	6,471.23	5,535.58
Personnel Expenses	13	696.50	664.36
Power and Fuel Consumed		1,369.06	1,221.96
Stores, Spares and Packing Materials Consumed		565.28	531.21
Processing Charges		1,035.78	753.40
Repairs and Maintenance	14	120.57	166.92
Selling and Distribution Expenses	15	543.38	501.14
Administrative and Other Expenses	16	402.14	498.21
Interest	17	647.70	724.11
Amortisation of VRS compensation and others		110.00	216.40
		<u>11,961.64</u>	<u>10,813.30</u>
Profit after interest before depreciation		340.53	583.32
Depreciation	526.79		498.93
Less: Transfer from Revaluation Reserve	46.26	480.53	46.43
		<u>480.53</u>	<u>452.50</u>
Profit / (Loss) before Tax		(140.00)	130.82
Provision for Current Tax	0.00		(7.15)
Provision for Deferred Tax Asset / (Liability)	(56.41)		74.66
Minimum Alternate Tax Credit entitlement	0.00		7.15
Fringe Benefit Tax current year	(19.26)		(8.61)
Fringe Benefit Tax previous year	(11.30)	(86.97)	--
		<u>(226.97)</u>	<u>66.05</u>
Profit / (Loss) after Tax			196.87
Surplus brought forward from previous year		98.76	154.48
Transfer from General Reserve		200.00	--
Amount available for appropriations		<u>71.79</u>	<u>351.35</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend - Equity Shares		27.29	34.12
Dividend - Preference Shares		12.00	12.00
Tax on distributed profits		6.68	6.47
Transfer to General Reserve		0.00	200.00
Surplus carried over		25.82	98.76
		<u>71.79</u>	<u>351.35</u>
Earnings Per Equity shares of Rs. 2 each (P. yr Rs.10 each) (Refer Note B-8 in schedule 19)		(1.05)	4.02
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 and 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

Purushottam Patodia  
Vice Chairman & Managing Director

M.J.Vijayaraaghavan  
Partner : M.No.7534  
Place: Tirupur  
Date : 28.05.2007

Banwarilal Singhal  
Director

S.Rengasamy  
Company Secretary



SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
6,25,00,000 Equity Shares of Rs. 2 each (P.Yr. 1,25,00,00 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>
<b>Issued</b>		
2,27,44,300 Equity Shares of Rs. 2 each (P.Yr. 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>
<b>Subscribed and paid up:</b>		
2,27,43,600 Equity Shares of Rs. 2 each fully paid up (P.Yr. 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	150.00	150.00
	<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 or before 20.2.2014		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>General Reserve:</b>		
As per last balance sheet	1,071.15	871.15
Transfer from / (to) Profit and Loss Account	(200.00)	200.00
	<u>871.15</u>	<u>1,071.15</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
<b>Revaluation Reserve :</b>		
As per last balance sheet	586.80	634.35
Transfer to Profit & Loss account	(46.27)	(46.44)
Withdrawals on assets sold	(3.27)	(1.11)
	<u>537.26</u>	<u>586.80</u>
Profit and Loss Account - Surplus	25.82	98.76
<b>Total</b>	<u>2,474.23</u>	<u>2,796.71</u>

**PRIME TEXTILES LIMITED**

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007**

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 3 : SECURED LOANS</b>		
(1) Loans and Advances from		
(a) Banks		
(i) Term Loans	2,741.60	3,225.90
(ii) Working Capital Advances	3,525.10	3,522.18
(b) From Financial Institutions		
Term Loans	600.00	700.00
(c) Others	25.93	15.14
<b>Total</b>	<b>6,892.63</b>	<b>7,463.22</b>
(Details of security, Refer note no.(B)2 in schedule 19 )		
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
1. Fixed Deposits - from Public (Repayable within one year Rs.136.37 lacs :previous year Rs. 126.51 lacs)	167.00	131.44
2. Intercompany Deposits (short term)	966.80	838.50
<b>Total</b>	<b>1,133.80</b>	<b>969.94</b>

**SCHEDULE - 5 : FIXED ASSETS**

Rs. in lacs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions during the year	Deductions during the year	As at 31.03.2007	Upto 31.03.2006	For the year	Withdrawn	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land-Free hold	585.78	15.25	5.36	595.67	---	---	---	---	595.67	585.78
Buildings	1,644.35	133.49	159.43	1,618.41	643.21	36.09	25.84	653.46	964.95	1,001.14
Plant & Machinery	9,023.11	66.99	139.14	8,950.96	3,666.16	472.58	103.48	4,035.26	4,915.69	5,356.95
Furniture & Office Equipments	189.70	1.55	11.19	180.06	83.91	7.18	7.56	83.53	96.53	105.79
Vehicles	108.78	39.29	12.60	135.47	39.54	10.95	7.21	43.28	92.19	69.24
Livestock	0.04	---	---	0.04	---	---	---	---	0.04	0.04
<b>Total</b>	<b>11,551.76</b>	<b>256.57</b>	<b>327.72</b>	<b>11,480.61</b>	<b>4,432.82</b>	<b>526.80</b>	<b>144.09</b>	<b>4,815.53</b>	<b>6,665.08</b>	<b>7,118.94</b>
Corresponding Previous year	10,737.68	996.28	182.20	11,551.76	4,054.24	498.94	120.36	4,432.82	7,118.94	

Note: i) Out of 121.83 acres of Land, 5.91 acres is currently held for disposal

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

iii) Vehicles include cars costing Rs.56.63 lacs (previous year Rs.48.88 lacs ) purchased on Hire-purchase basis.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 6 : INVESTMENTS AT COST - LONG TERM</b>		
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 Limited		
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 Limited		
200 Equity Shares of Rs.5 each	0.01	0.01
Capital in Partnership Firm : (Ref Note No. Schedule19 B7)		
Prime Developers	1.00	1.00
Government Securities		
National Savings Certificate	0.50	0.50
Mutal Funds : Birla Sun Life	0.89	0.00
	<u>29.08</u>	<u>28.19</u>
Provision for diminution in value	13.06	13.06
	<u>16.02</u>	<u>15.13</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	28.88	27.99
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES:</b>		
<b>A. Current Assets:</b>		
<b>(a) Inventories :</b>		
As valued and certified by the Management	150.22	173.22
Stores, spares and packing materials		
Stock in Trade :		
Raw materials	1,616.27	2,290.90
Stocks in Process	332.35	355.87
Finished goods	2,483.45	2,047.96
Waste	7.38	9.06
Land	14.78	14.78
	<u>4,604.45</u>	<u>4,891.79</u>
<b>(b) Sundry Debtors :</b>		
Unsecured, considered good-unless otherwise stated		
(i) Debts outstanding for a period exceeding six months		
Considered good	136.11	123.72
Considered doubtful	24.19	24.19
Less: Provision for doubtful debts	(24.19)	(24.19)
(ii) Other debts	560.85	474.10
	<u>696.96</u>	<u>597.82</u>

**PRIME TEXTILES LIMITED**

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007**

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES: (Contd..)</b>		
<b>(c) Cash and Bank Balances:</b>		
(i) Cash on hand	16.43	7.67
(ii) With scheduled banks		
a) In Current Accounts	142.68	235.50
b) In Fixed Deposit Accounts - Margin money	216.38	183.14
c) In Fixed Deposit Accounts	0.00	0.00
d) In Unpaid Dividend Account	7.27	6.46
(iii) Post Office savings account	0.21	0.21
	<u>382.97</u>	<u>432.98</u>
<b>(d) Other Current Assets</b>		
Interst accrued on deposits/investments	9.83	14.93
Income and other receivables	<u>154.62</u>	<u>114.00</u>
	<u>164.45</u>	<u>128.93</u>
Sub-Total (A)	<u>5,848.82</u>	<u>6,051.52</u>
<b>B. Loans and Advances</b>		
Unsecured-considered good, unless stated otherwise		
a) Advances recoverable in cash or in kind or for value to be received	1,238.93	1,291.71
b) Prepaid expenses	45.37	42.40
c) Advance Tax including tax deducted at source (net of provisions of Rs. 26.73 lacs ; previous year Rs.21.34 lacs)	39.97	24.40
e) Income Tax Refund Receivable	28.44	28.44
f) Deposits	151.34	107.90
g) Balance with statutory authorities	<u>30.68</u>	<u>70.83</u>
Sub-total (B)	<u>1,534.73</u>	<u>1,565.68</u>
Total (A + B)	<u>7,383.55</u>	<u>7,617.20</u>
<b>SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors		
Due to Small Scale Industrial units	1.47	1.34
Due to others	1,000.82	1,189.54
Other current liabilities	619.46	334.11
Partnership firm in which company is a partner	1,000.00	900.00
Unclaimed Dividends *	7.27	6.46
Unclaimed Fixed Deposits *	1.69	1.00
Interest accrued but not due on loans	<u>37.21</u>	<u>24.83</u>
	<u>2,667.92</u>	<u>2,457.28</u>
<b>B. Provisions</b>		
For Proposed Dividend	39.30	46.12
Provision for Dividend Tax	6.68	6.47
For Gratuity, Superannuation and Other Funds	<u>2.83</u>	<u>3.24</u>
	<u>48.81</u>	<u>55.83</u>
(* There are no amounts due and outstanding to be credited to Investors Education and Protection Fund)		
Total	<u>2,716.73</u>	<u>2,513.11</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 9 : TURNOVER</b>		
Cotton Yarn	9,504.19	9,930.52
Knitted Garments	1,447.39	530.96
Fabrics	119.17	0.00
Land (Realty Division - net of cost)	130.68	235.89
Waste	318.12	290.58
Export Incentives	<u>183.99</u>	<u>104.43</u>
Sub-Total	<u>11,703.54</u>	<u>11,092.38</u>
Total	<u>11,703.54</u>	<u>11,092.38</u>
<b>SCHEDULE 10 : OTHER INCOME</b>		
Rent received	0.52	1.22
Miscellaneous Income	122.27	38.54
Interest receipts (TDS Rs.2.47 lacs previous year Rs.2.99)	21.01	18.64
Insurance claim received	5.05	6.31
Dividend Receipts	0.89	0.00
Profit on sale of assets (net)	38.59	7.72
	<u>188.33</u>	<u>72.43</u>
<b>SCHEDULE 11 : INCREASE /(DECREASE) IN STOCKS</b>		
Stock at Closing:		
Finished Goods	2,483.46	2,047.96
Stocks in Process	332.35	355.87
Waste	<u>7.38</u>	<u>9.06</u>
	<u>2,823.19</u>	<u>2,412.89</u>
Less:		
Stock at Commencement:		
Finished Goods	2,047.96	1,895.52
Stocks in Process	355.87	273.59
Waste	<u>9.06</u>	<u>11.91</u>
	<u>2,412.89</u>	<u>2,181.02</u>
Net Total	<u>410.30</u>	<u>231.87</u>
<b>SCHEDULE 12: COST OF MATERIALS</b>		
Opening Stock of Materials	2,290.91	1,401.12
Add: Purchases	<u>5,796.60</u>	<u>6,425.37</u>
	8,087.51	7,826.49
Less: Closing stock of Materials	<u>1,616.28</u>	<u>2,290.91</u>
Raw Material Consumed	<u>6,471.23</u>	<u>5,535.58</u>
Total	<u>6,471.23</u>	<u>5,535.58</u>

## PRIME TEXTILES LIMITED

### SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 13: PERSONNEL EXPENSES</b>		
Salaries, Wages, Bonus and others	562.19	539.37
Contribution to Provident and other Funds	65.74	58.54
Welfare Expenses	68.57	66.45
Total	<u>696.50</u>	<u>664.36</u>
<b>SCHEDULE 14: REPAIRS AND MAINTENANCE</b>		
Buildings	14.10	27.71
Machinery	96.97	129.28
Others	9.50	9.93
Total	<u>120.57</u>	<u>166.92</u>
<b>SCHEDULE 15: SALES AND DISTRIBUTION EXPENSES</b>		
Brokerage and Commission	172.41	209.69
Freight, Forwarding and Other Expenses	370.97	291.45
Total	<u>543.38</u>	<u>501.14</u>
<b>SCHEDULE 16: ADMINISTRATIVE AND OTHER EXPENSES</b>		
Insurance	52.07	44.27
Postage, Telephone, Printing and Stationery	48.77	49.33
Travelling, Motor Vehicle maintenance	113.40	138.75
Bank Charges, Filing Fees, Subscription and Advertisement	83.10	154.97
Rent	41.89	41.99
Rates and Taxes	19.74	28.75
Excise duty on stocks (net)	0.00	1.17
Directors Sitting Fees	3.60	2.40
Auditors Remuneration	2.51	1.67
Miscellaneous Expenses	37.06	34.91
Total	<u>402.14</u>	<u>498.21</u>
<b>SCHEDULE 17: INTEREST</b>		
On Fixed Loans	225.35	270.97
On Others	422.35	453.14
Total	<u>647.70</u>	<u>724.11</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	31.03.2007 Rs.lacs	31.03.2006 Rs.lacs
<b>SCHEDULE 18: CONSOLIDATED CASH FLOW</b>		
<b>A. NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>	(140.00)	130.82
Adjustments for:		
Depreciation	480.53	452.50
(Profit) / Loss on sale of assets	(38.59)	(7.72)
Deferred Revenue Expenditure & Preliminary Expenses	(290.44)	216.26
Interest received	(21.01)	(18.64)
Interest charged	647.70	724.11
	<u>778.19</u>	<u>1,366.51</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	638.19	1,497.33
Adjustments for:-		
Trade and other receivables	(121.35)	45.37
Inventories	287.35	(1,102.56)
Trade payables	189.87	1,076.29
<b>CASH GENERATED FROM OPERATIONS</b>	<u>994.04</u>	<u>1,516.43</u>
Direct taxes paid	(46.13)	(22.42)
	<u>(46.13)</u>	<u>(22.42)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	Sub-total 947.91	1,494.01
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(256.57)	(996.28)
Purchase of Investments	(0.89)	(0.50)
Sale / Transfer value of Fixed assets	218.95	68.45
(Increase)\Decrease in Capital Work-in-Progress	72.99	51.28
Interest received	21.01	18.64
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	55.49	(858.41)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds / repayments Long term / (to) borrowings	(573.50)	69.50
Proceeds from Short term borrowings	167.48	208.37
Interest paid	(635.32)	(740.62)
Dividend paid	(45.31)	(45.83)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(1,086.65)	(508.58)
<b>NET INCREASE\DECREASE IN CASH AND CASH EQUIVALENTS</b>	(83.25)	127.02
Cash and cash Equivalents as at Opening Balance	249.84	122.82
Cash and cash Equivalents as at Closing Balance	166.59	249.84

Note:- 1. Margin Money and Other lien Deposits have been included under "Trade and other receivables"

2. The above Cash Flow Statements prepared in indirect method as per AS-3 Cash Flow Statements issued by ICAI

## PRIME TEXTILES LIMITED

Schedules forming part of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2007 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, Manoj Yarn Processors Limited, Pee Dee Yarn Processors Limited and Prime Hometex Industries (India) 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 2007, 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, 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:

	Rs. lacs	
	31.03.2007	31.03.2006
1) A) Contingent liabilities not provided for in respect of		
(a) Disputed tax demands		
i) Other tax, cess etc.	10	68
ii) Incometax	61	60
iii) Fringe Benefit Tax	Nil	10
Total	<u>71</u>	<u>138</u>
(b) Export documentary bills discounted with Banks (since realized Rs. 777.51 lacs : previous year Rs. 435.65 lacs)	1308	849
(c) Corporate Guarantee for loan borrow from State Bank of Patiala by M/s. Prime Developers (in which Company is a partner) (Loan outstanding at the year end including interest is Rs.2,003.43 Lacs, previous year outstanding Rs.1,055.12 lacs)	3100	3100
(d) ATL Textile Processors Limited, subsidiary of the Company has given corporate guarantee to the lending institutions of the Company	1815	1815
(e) Disclosure in respect of provisions pursuant to Accounting Standard-29		

Particulars	Opening Balance As on 1.4.2006	Provided during the year	Utilised during the year	Closing Balance as On 31.3.2007
Diminution in the value of investments	13.06 (13.06)	Nil (Nil)	Nil (Nil)	13.06 (13.06)
Doubtful Debts	24.19 (24.19)	Nil (Nil)	--	24.19 (24.19)
Income Tax	23.76 (16.61)	Nil (7.15)	--	23.76 (23.76)
Dividend	46.12 (46.12)	39.29 (46.12)	46.12 (46.12)	39.29 (46.12)
Corporate dividend tax	6.47 (6.47)	6.68 (6.47)	6.47 (6.47)	6.68 (6.47)
Gratuity, Superannuation and Other Funds	2.99 (4.39)	3.57 (2.99)	2.99 (4.39)	3.57 (2.99)
Total	116.59 (110.84)	49.54 (62.73)	55.58 (56.98)	110.55 (116.59)



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

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
B. Capital Commitments:		
Capital commitments outstanding (net of advances)	42	62
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	409.80	410.64
Roads and Buildings	449.10	449.10
Plant and Machinery	469.10	515.36
Total	<u>1,328.00</u>	<u>1,375.10</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%	--
Suma Commercial Private Limited	--	12.50%	16.67%

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

Salary	69.12	67.92
House Rent Allowance	0.78	0.78
Contribution to Provident Fund	9.21	8.15
Contribution to Superannuation	9.98	8.83
Perquisites	2.29	3.12
Gratuity	1.73	1.49
Total	<u>93.11</u>	<u>90.29</u>
Allocation as under :		
For Prime Textiles Limited	76.91	90.29
For a subsidiary under new project	16.20	Nil

**5. Auditors' Remuneration and expenses:**

a) Audit Fees:		
Statutory Auditors	1.02	0.90
Branch Auditors	0.17	0.14
b) Tax Audit Fees:		
Statutory Auditors	0.13	0.11
Branch Auditors	0.01	0.01
c) Other Fees to Auditors:		
Taxation representation	0.17	0.13
Out of pocket expenses	0.26	0.10
Certification fees	0.51	0.07
Service Tax	0.14	0.12
Total	<u>2.41</u>	<u>1.58</u>

\*\* Audit fees Rs.6,000 (Rs.6000) 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 (debited)/credited in the Profit and Loss Account Rs. (2.32) lacs [previous year Rs.(1.99) lacs]
- b) Foreign exchange difference (net) on capital account added / (reduced) in the cost of respective fixed assets Rs. Nil [previous year Rs.(3.46) lacs]

## PRIME TEXTILES LIMITED

### 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):
- ATL Textile Processors Limited
  - Manoj Yarn Processors Limited
  - Pee Dee Yarn Processors Limited
  - Prime Hometex Industries (India)Limited
- ii) Other Parties with whom the Company has entered into transactions during the year:
- Associates: -
    - Prime Processors Limited
    - ATL Selina Innerwear Private Limited
    - Prime Developers
  - Key Management Personnel and their relatives
    - Mr. Madan Lal Patodia, father of Mr. Purushottam Patodia
    - Mr. Purushottam Patodia, Vice Chairman & Managing Director
    - Mr. Manojkumar Patodia, Managing Director
    - Mr. Anujj K. Patodia, Executive Director
  - Enterprises having Common Key Management Personnel
    - Pat Credit Limited
    - Anjana Syntex Company Limited
  - 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. 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	5.74 (2.17)	Nil (Nil)	Nil (Nil)	5.74 (2.17)
2.	Sale of goods	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
3.	Sale of Fixed Assets	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4.	Job charges paid	172.43 (202.31)	Nil (Nil)	Nil (Nil)	172.43 (202.31)
5.	Rent received	0.52 (0.24)	Nil (Nil)	Nil (Nil)	0.52 (0.24)
6.	Rent / Dividend paid	Nil (Nil)	Nil (Nil)	6.40 (6.40)	6.40 (6.40)
7.	Job charges received	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8.	Expenses reimbursed	2.58 (2.84)	Nil (Nil)	Nil (Nil)	2.58 (2.84)
9.	Interest paid	2.75 (Nil)	Nil (Nil)	0.84 (Nil)	3.59 (Nil)
10.	Directors' Remuneration paid/ sitting fees	Nil	93.26 (90.44)	1.28 (1.34)	94.54 (91.78)
11.	Balance as on 31.3.2007				
	ATL Selina Innerwear Private Limited	230.06Dr. (240.04Dr)	Nil	Nil	230.06Dr (240.04Dr)
	Prime Developers	1000.00Cr (900.00Cr)			1000.00Cr (900.00Cr)
	Prime Processors Limited	5.02Cr (32.20Cr)			5.02Cr (32.20Cr)

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.

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

8. Basic and diluted Earnings per share (EPS) of face value of Rs.2 each (Previous Year Rs.10 each) is calculated as under:-

	2006-07	2005-06
a) Numerator:		
Net (Loss)/Profit as disclosed in Profit and Loss account after tax and Preference Dividend (Rs. in lacs)	(238.98)	183.75
b) Denominator:		
Equity shares outstanding (in numbers)	2,27,43,600	45,48,720
c) Basic/ Diluted Earnings Per Share (in Rs.)	(1.05)	4.04

9. Accounting for taxes on income-Accounting Standard 22 Net deferred tax liability as at 31<sup>st</sup> March, 2007 comprises of:

	31.03.2007	31.03.2006
<b>DEFERRED TAX ASSET</b>		
1) Expenses allowable	0.24	3.51
2) Carry forward unabsorbed Depreciation	279.57	202.64
3) Others	0.27	--
<b>Total</b>	<u>280.08</u>	<u>206.15</u>
<b>DEFERRED TAX LIABILITIES</b>		
1) Depreciation	1,168.96	1,035.75
2) Deferred Revenue Expenses	46.17	49.04
<b>Total</b>	<u>1,215.13</u>	<u>1,084.79</u>
<b>Net Deferred Tax Liability</b>	<u>935.05</u>	<u>878.64</u>

10) a) For reasons of overall efficiency improvements and taking into account the nature of activities and the nature of risks and returns, the activities of the company stand reclassified by way of identification of business segments from the current year. Comparatives for the previous period are stated in conformity with present classification.

b) Segment wise results - Consolidated

Particulars	31.03.2007	31.03.2006
<b>Segment Revenue:-</b>		
a. Segment-Yarn	10,066.77	10,308.49
b. Segment-Garments	1,506.09	547.92
c. Segment-Realty	130.68	235.89
<b>Total</b>	<b>11,703.54</b>	<b>11,092.30</b>
<b>Segment Results:-</b>		
(a) Profit/(Loss) before tax & interest from each segment		
a. Segment-Yarn	506.35	748.10
b. Segment-Garments	(34.08)	(51.98)
c. Segment-Realty	130.68	235.89
<b>Total</b>	<b>602.94</b>	<b>932.01</b>
(b) Interest		
Less: Interest -Segment Yarn	562.54	662.25
Interest - Segment Garments	85.16	61.86
Interest - Realty	0.00	0.00
<b>Profit before tax-Yarn</b>	<b>(56.20)</b>	<b>85.85</b>
<b>Profit before tax-Garments</b>	<b>(119.25)</b>	<b>(113.84)</b>
<b>Profit before tax-Realty</b>	<b>130.68</b>	<b>235.89</b>
<b>Total (c)</b>	<b>(44.77)</b>	<b>207.90</b>
d) Less: Other unallocable expenditure net of unallocable income	95.23	77.09
<b>Less: Elimination of Profit due intersegment Revenue</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Profit before tax (c-d)</b>	<b>(140.00)</b>	<b>130.81</b>
<b>Capital Employed</b>		
a. Segment-Yarn	9,715.43	10,628.21
b. Segment-Garments	55.76	56.72
c. Segment-Realty	0.00	0.00
<b>Total</b>	<b>9,771.19</b>	<b>10,684.93</b>

11. Previous year's figures are regrouped/rearranged, wherever necessary to conform to this year's presentation.

For M.S.Jagannathan & Visvanathan  
Chartered Accountants

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

Place: Tirupur  
Date : 28.05.2007

Manojkumar Patodia  
Managing Director

Anuj K.Patodia  
Executive Director

For and on behalf of the Board  
Purushottam Patodia  
Vice Chairman & Managing Director

Banwarilal Singhal  
Director

S.Rengasamy  
Company Secretary

## PRIME TEXTILES LIMITED

### ATL TEXTILE PROCESSORS LIMITED

#### DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statement of Accounts for the year ending 31<sup>st</sup> March 2007.

Status

The Company is continuing as a wholly owned subsidiary company of 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 31<sup>st</sup> March 2007 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 u/s 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. B.K. Srinivasa Ragavan, 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 Practising 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 : 28.05.2007

## COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

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 31<sup>st</sup> March 2007 (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 31.05.2006, 29.07.2006, 31.08.2006, 24.10.2006 and 31.01.2007 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 31<sup>st</sup> March, 2006 was held on 29.07.2006 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.525.12 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) There was no allotment / Transfers / 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.

## PRIME TEXTILES LIMITED

14. The Board of Directors of the Company is duly constituted and the appointment of Directors have been duly made. However there was no appointment of Additional 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 31.3.2007.
25. The Company has made investments in other bodies corporate and consequently 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 : 28.05.2007

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

**ANNEXURE 'A'**

**SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

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: 28.05.2007

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

**ANNEXURE 'B'**

**SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

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 31<sup>st</sup> March, 2007:

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	Form 23AC	220	Balance Sheet, P&L A/c as at 31.3.2006	28.8.2006 A03383197	Yes	Not applicable
2	Schedule-V Form 20B	159	Annual Return made upto 29.7.2006	11.9.2006 A03960911	Yes	Not Applicable
3	Form 62	383A(1)	Secretarial Compliance Certificate for the year ended 31.3.2006	18.8.2006 A03064474	Yes	Not applicable
4	Form 32	302(2)	Appointment of Sri B.L.Singhal as Director	28.09.2006 A04786794	No	Yes
5	DIN-3	Rule 6	Intimation of DIN by the Co. to the registrar	25.11.2006	Not applicable	Not applicable

Regional Director : Nil  
 Central Government & Other Authorities : Nil

Place: Tirupur  
 Date : 28.05.2007

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

## PRIME TEXTILES LIMITED

### AUDITORS' REPORT

Auditors' Report to the members of ATL TEXTILE PROCESSORS LIMITED, TIRUPUR

1. We have audited the attached Balance Sheet of ATL TEXTILE PROCESSORS LIMITED, TIRUPUR as at 31st March, 2007 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 12<sup>th</sup> 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as Director in terms of clause (g) of subsection (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 31<sup>st</sup> March, 2007 and
    - (ii) In the case of Profit and Loss Account, profit of the Company for the year ended on that date

For CHANDRA GUPTA & CO.,  
Chartered Accountants

Place : Tirupur  
Date : 28.05.2007

G CHANDRASEKHAR  
Proprietor  
Membership No. : 24941



ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT DATED 28.05.2007, TO THE ACCOUNTS OF ATL TEXTILE PROCESSORS LIMITED FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007.

- (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 2003-04, the 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.
- (v) 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. 1815 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  
Date : 28.05.2007

G.CHANDRASEKHAR  
Proprietor  
Membership No. : 24941

**PRIME TEXTILES LIMITED**

**ATL TEXTILE PROCESSORS LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2007**

	Schedule	As at 31.03.2007 Rs. lacs	As at 31.3.2006 Rs. lacs
<b>Sources of Funds</b>			
Shareholders' Funds			
Share Capital	1	103.75	103.75
Reserves and Surplus	2	423.53	423.12
Total		<u>527.28</u>	<u>526.87</u>
<b>Application of Funds</b>			
Investments	3	0.89	--
Current Assets, Loans & Advances			
a) Inventories	4	14.78	14.78
b) Cash and Bank Balances		1.73	1.49
c) Loans and Advances		525.89	531.00
		<u>542.40</u>	<u>547.27</u>
Less: Current Liabilities & Provisions			
a) Current Liabilities	5	15.21	15.21
b) Provisions		0.80	5.53
		<u>16.01</u>	<u>20.74</u>
Net Current Assets(Liabilities)		526.39	526.53
Miscellaneous Expenditure			
Preliminary and Pre-operative Expenses		--	0.34
Significant Accounting Policies and Notes on Accounts	7		
Total		<u>527.28</u>	<u>526.87</u>

Schedule 1 to 5 and 7 forming part of this Balance Sheet

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

G. Chandrasekhar  
Proprietor  
M.No. : 24941

Place: Tirupur  
Date : 28.05.2007

For and on behalf of the Board  
Manojkumar Patodia  
Director

Anujj K.Patodia  
Director

B.K.Srinivasa Ragavan  
Director

ATL TEXTILE PROCESSORS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	Schedule	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>INCOME:</b>			
Dividend receipts		0.89	--
Interest receipts		0.09	--
		<u>0.98</u>	<u>--</u>
<b>EXPENDITURE</b>			
Administrative Expenses	6	0.22	0.22
Preliminary Expenses 1/5th written off		0.34	0.34
		<u>0.56</u>	<u>0.56</u>
Net Profit for the year		0.42	(0.56)
Less : Provision for Tax		--	--
Incometax paid for prior years		0.01	--
Profit after Tax		<u>0.41</u>	<u>(0.56)</u>
Brought forward Profit from previous year		12.42	12.98
Balance of Profit carried over		<u>12.83</u>	<u>12.42</u>
Significant Accounting policies and Notes on Accounts			
Schedule 6 & 7 forming part of this Profit and Loss account		7	

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

For and on behalf of the Board

G. Chandrasekhar  
Proprietor  
M. No. : 24941

Manojkumar Patodia  
Director

Anuj K.Patodia  
Director

Place: Tirupur  
Date : 28.05.2007

B.K.Srinivasa Ragavan  
Director

**PRIME TEXTILES LIMITED**

**ATL TEXTILE PROCESSORS LIMITED**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2007**

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 1: SHARE CAPITAL</b>		
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		
(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)	103.75	103.75
Total	<u>103.75</u>	<u>103.75</u>
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
Securities Premium Account	410.70	410.70
Surplus in Profit and Loss Account	<u>12.83</u>	<u>12.42</u>
Total	<u>423.53</u>	<u>423.12</u>
<b>SCHEDULE 3 : INVESTMENTS</b>		
Birla sun Life Mutual Fund	0.89	--
<b>SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES:</b>		
Inventories :-		
Stock in Trade		
Land	<u>14.78</u>	<u>14.78</u>
Closing stock in Trade	<u>14.78</u>	<u>14.78</u>
Cash and Bank Balances:		
Balance with Scheduled Banks	<u>1.73</u>	<u>1.49</u>
Sub-total	1.73	1.49
Loans and Advances		
Advance to Holding Company	525.12	523.30
Advance Income Tax	0.77	7.70
Sub-total	<u>525.89</u>	<u>531.00</u>
Total	<u>542.40</u>	<u>547.27</u>
<b>SCHEDULE 5 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
a) CURRENT LIABILITIES		
Advance received for Land Sale	15.10	15.10
Liability for Expenses	<u>0.11</u>	<u>0.11</u>
Sub-total	15.21	15.21
b) Provisions		
Provision for Tax	<u>0.80</u>	<u>5.53</u>
Total	<u>16.01</u>	<u>20.74</u>

ATL TEXTILE PROCESSORS LIMITED

SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 6: ADMINISTRATIVE EXPENSES</b>		
Bank Charges	0.05	0.03
Filing Fees	0.02	0.05
Audit Fees	0.10	0.09
Travelling & Conveyance expenses	0.01	--
Legal & Professional Charges	0.04	0.05
<b>Total</b>	<u>0.22</u>	<u>0.22</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

	31.03.2007		31.03.2006	
	No. of Sq.ft.	Rs. in lacs	No. of sq.ft.	Rs. in lacs
Opening Stock	4,940.00	14.78	4,940.00	14.78
Sales during the year	--	--	--	--
Used for amenities	--	--	--	--
Closing Stock	4,940.00	14.78	4,940.00	14.78
Sale value during the year	--	--	--	--

## PRIME TEXTILES LIMITED

### ATL TEXTILE PROCESSORS 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 (257 lacs)
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 and on behalf of the Board

G. Chandrasekhar  
Proprietor  
M. No. : 24941

Manojkumar Patodia  
Director

Anuj K.Patodia  
Director

B.K.Srinivasa Ragavan  
Director

Place: Tirupur  
Date : 28.05.2007

#### 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	31-03-2007		
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	54329	Total Assets	54329
Sources of Funds:			
Paid up Capital	10375	Reserves & Surplus	42353
Secured Loans	Nil	Unsecured Loans	Nil
Current Liabilities	1601	Others	Nil
Application of Funds:			
Net Fixed Assets	Nil	Investments	89
Current Assets	54240	Misc. Expenditure.	Nil
IV. Performance of the Company (Figures rupees in thousands):			
Turnover (including stock			
Adjustment & other Income	98	Total Expenditure	56
Profit (+)/Loss (-) Before tax	42	Profit (+)/Loss (-) after tax	41
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		

PEE DEE YARN PROCESSORS LIMITED  
DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statement of Accounts for the year ending 31<sup>st</sup> March 2007.

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 31<sup>st</sup> March 2007
- 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 u/s 217(2A) has not been given.
- vi) 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. 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  
Date : 28.05.2007

Anuj K. Patodia  
Rajkumar Chaturvedi  
Directors

## PRIME TEXTILES LIMITED

### AUDITORS' REPORT

1. We have audited the attached Balance Sheet of PEE DEE YARN PROCESSORS LIMITED, TIRUPUR as at 31<sup>st</sup> March 2007. 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2007 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 31<sup>st</sup> March 2007.
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  
Proprietor  
M.No. 24941

Place: Tirupur  
Date : 28.05.2007



**PEE DEE YARN PROCESSORS LIMITED**  
BALANCE SHEET AS AT 31st MARCH 2007

	Schedule	As at 31.03.2007 Rs. lacs	As at 31.3.2006 Rs. lacs
<b>Sources of Funds</b>			
Shareholders' Funds			
Share Capital	1	5.09	5.09
Loan Funds - Un secured		1.80	1.74
Total		<u>6.89</u>	<u>6.83</u>
<b>Application of Funds</b>			
Fixed Assets			
Free hold Land		5.91	5.91
Current Assets, Loans & Advances			
Cash with Bank		0.30	0.30
Less: Current Liabilities	2	<u>0.03</u>	<u>0.03</u>
Net Current Assets		0.27	0.27
Miscellaneous Expenditure			
Preliminary and Pre-operative Expenses	3	0.71	0.65
Total	4	<u>6.89</u>	<u>6.83</u>
Significant Accounting Policies and Notes on Accounts Schedules 1 to 4 form part of this Balance Sheet.			

As per our report of even date annexed  
For Chandra Gupta & Co.  
Chartered Accountants  
G. Chandrasekhar  
Proprietor  
M.No. : 24941  
Place: Tirupur  
Date : 28.05.2007

For and on behalf of the Board

Anujj K.Patodia  
Director

Rajkumar Chaturvedi  
Director

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2007**

		31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE - 1 : SHARE CAPITAL</b>			
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 Prime Textiles Limited the holding Company		5.09	5.09
Total		<u>5.09</u>	<u>5.09</u>
<b>SCHEDULE 2 : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Outstanding Expenses - Audit Fees			
Total		<u>0.03</u>	<u>0.03</u>
<b>SCHEDULE 3 : PRELIMINARY &amp; PRE-OPERATIVE EXPS</b>			
Brought forward from last year		0.65	0.60
Filing fees		0.01	0.01
Audit Fees		0.03	0.03
Audit fees-Income tax matters		0.01	0.01
Professional Charges		<u>0.01</u>	<u>0.00</u>
Total		<u>0.71</u>	<u>0.65</u>

## PRIME TEXTILES LIMITED

### 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.

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

For and on behalf of the Board

For Chandra Gupta & Co.  
Chartered Accountants

Anuj K. Patodia  
Director

Rajkumar Chaturvedi  
Director

G. Chandrasekhar  
Proprietor  
M. No. : 24941

Place: Tirupur  
Date : 28.05.2007

**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	31-03-2007		
(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	692	Total Assets	692
Sources of Funds:			
Paid up Capital	509	Reserves & Surplus	0
Secured Loans	0	Unsecured Loans	180
Current Liabilities	3	Others	0
Application of Funds:			
Net Fixed Assets	591	Investments	0
Current Assets	30	Misc. Expenditure.	71
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 and on behalf of the Board

Anujj K.Patodia  
Director

Rajkumar Chaturvedi  
Director

Place: Tirupur  
Date : 28.05.2007

## PRIME TEXTILES LIMITED

### MANOJ YARN PROCESSORS LIMITED

#### DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statement of Accounts for the year ending 31<sup>st</sup> March 2007.

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 31<sup>st</sup> March 2007
- 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 u/s 2107(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. Manojkumar Patodia, 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  
Date : 28.05.2007

Manojkumar Patodia  
Rajkumar Chaturvedi  
Directors

## AUDITORS' REPORT

1. We have audited the attached Balance Sheet of M/s MANOJ YARN PROCESSORS LIMITED, TIRUPUR as at 31<sup>st</sup> March 2007. 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 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2007 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 31<sup>st</sup> March 2007
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  
Proprietor  
Membership No. : 24941

Place: Tirupur  
Date : 28.05.2007

**PRIME TEXTILES LIMITED**

**MANOJ YARN PROCESSORS LIMITED  
BALANCE SHEET AS AT 31st MARCH 2007**

	Schedule	As at 31.03.2007 Rs. lacs	As at 31.3.2006 Rs. lacs
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	5.09	5.09
Loan Funds - Un secured		<u>49.97</u>	<u>49.91</u>
<b>Total</b>		<u>55.06</u>	<u>55.00</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Free hold Land		50.33	50.33
Net Block		<u>50.33</u>	<u>50.33</u>
<b>Investments</b>			
Current Assets, Loans & Advances	2	4.00	4.00
<b>Cash with Bank</b>			
Cash with Bank		0.03	0.04
Less: Current Liabilities	3	<u>0.03</u>	<u>0.03</u>
<b>Net Current Assets</b>		<u>0.00</u>	<u>0.01</u>
<b>Miscellaneous Expenditure</b>			
Preliminary and Pre-operative Expenses	4	<u>0.73</u>	<u>0.66</u>
<b>Total</b>		<u>55.06</u>	<u>55.00</u>
Significant Accounting Policies and Notes on Accounts Schedules 1 to 5 forming part of this Balance Sheet.			

As per our report of even date annexed

For Chandra Gupta & Co.

Chartered Accountants

G. Chandrasekhar

Proprietor

M.No. : 24941

Place: Tirupur

Date : 28.05.2007

For and on behalf of the Board

Manojkumar Patodia  
Director

Rajkumar Chaturvedi  
Director

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2007**

	31.03.2007 Rs. lacs	31.03.2006 Rs. lacs
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,000 Equity shares of Rs. 10 each	25.00	25.00
<b>Issued, subscribed and paid up:</b>		
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
<b>Total</b>	<u>5.09</u>	<u>5.09</u>
<b>SCHEDULE 2 : INVESTMENTS</b>		
Pee Dee Yarn Processors Ltd		
40,000 Equity Shares of Rs.10 each	4.00	4.00
<b>Total</b>	<u>4.00</u>	<u>4.00</u>
<b>SCHEDULE 3 : CURRENT LIABILITIES AND PROVISIONS</b>		
Outstanding Expenses - Audit Fees		
	0.03	0.03
<b>Total</b>	<u>0.03</u>	<u>0.03</u>
<b>SCHEDULE 4 : PRELIMINARY AND PRE-OPERATIVE EXPENSES</b>		
Brought forward from last year		
Filing fees	0.66	0.58
Audit fees	0.01	0.03
Audit Fees	0.03	0.03
Audit fees-Income tax matters	0.01	0.01
Bank Charges	0.01	0.01
Miscellaneous Expenses	0.01	0.00
<b>Total</b>	<u>0.73</u>	<u>0.66</u>

## 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 and on behalf of the Board

G. Chandrasekhar  
Proprietor

M. No. : 24941

Manojkumar Patodia  
Director

Rajkumar Chaturvedi  
Director

Place: Tirupur

Date : 28.05.2007

## PRIME TEXTILES LIMITED

### 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	31-03-2007		
(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	5509	Total Assets	5509
Sources of Funds:			
Paid up Capital	509	Reserves & Surplus	0
Secured Loans	0	Unsecured Loans	4997
Current Liabilities	3	Others	0
Application of Funds:			
Net Fixed Assets	5033	Investments	400
Current Assets	3	Misc. Expenditure.	73
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 HOMETEX INDUSTRIES (INDIA) LIMITED**

Registered Office, 54-20/10-11 Koka Ratnamala Street  
Srinagar Colony, Ring Road, Vijayawada-520 008

**DIRECTORS' REPORT**

To the Members

Your Directors are presenting the First Annual Report together with the Audited Statement of Accounts for the year ending 31<sup>st</sup> March 2007.

Status

The Company has become a wholly owned subsidiary company of Prime Textiles Limited during March 2007.

Operations

The Company has not yet started its commercial operation during the year. Due to uncertainties it had to take in a acquisition of requisite lands in its proposed site at Vijayawada, the implementation has been kept on the hold for the time being and will be resumed after further evaluation of suitable location.

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 31<sup>st</sup> March 2007
- 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, particulars u/s 217(2A) has not been given.
- vi) 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 C.P. Ranka & Co., Chartered Accountants, Secunderabad, who have been appointed as First Auditor of the Company, retire as the Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment.

Directors

Mr. Purushottam Patodia, Director, Mr. Manojkumar Patodia, Director and Mr. Anuj K. Patodia, Director who have been appointed as First Directors of the company, retire by rotation at the ensuing Annual General Meeting are being eligible, offers themselves 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  
Date : 28.05.2007

Manojkumar Patodia  
Anuj K. Patodia  
Directors

## PRIME TEXTILES LIMITED

### AUDITORS' REPORT

To the Members of Prime Hometex Industries (India) Limited

1. We have audited the attached Balance Sheet of PRIME HOMETEX INDUSTRIES (INDIA) LIMITED as at 31<sup>st</sup> March, 2007. Profit & Loss Account of the Company has not been prepared for the period ended on that date as the Company has not commenced its business activities. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 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 (as amended), 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as the 'Act'), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - iii) The Balance Sheet dealt with by this report is in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet has been prepared in compliance with the Accounting Standards referred to in Section 211 (3C) of the Act, to the extent applicable;
  - v) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2007, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet subject to Note No.1 (b) regarding Pre-operative expenses, that may have to be written off in case the project is not taken up in foreseeable future and read together with Significant Accounting Policies and Notes on Accounts in Schedule 8 give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2007.

For C.P.Ranka & Company  
Chartered Accountants

C.P.Ranka  
Partner

Membership No. : 106823

Place: Secunderabad  
Date : 28.05.2007

Annexure referred to in our report of even date on the financial statements as on 31<sup>st</sup> March, 2007 of PRIME HOMETEX INDUSTRIES (INDIA) LIMITED

On the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we state that:

1.
  - a) The Company has not granted any unsecured any loan, secured or unsecured to companies, firm or other parties covered in the register maintained under section 301 of the Act. Consequently, the requirement of clause (iii.b), (iii.c) and (iii.d) of paragraph 4 of the Order are not applicable to the Company.
  - b) The Company has taken interest free unsecured loan from its holding Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the period and closing balance of such loan was Rs.467.94 lacs and Rs.17.94 lacs respectively.
  - c) In our opinion and according to the information and explanations given to us, other terms and conditions on which such loan has been taken from the holding company covered in the register maintained under section 301 of the Act are, prima facie, not prejudicial to the interest of the Company.
  - d) According to the information and explanations given to us, the payment of the principal amount has not fallen due so far.
2. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. Further, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
3. According to the information and explanations given to us, there are no contracts or arrangements the particulars of which are required to be entered into the register required to be maintained under Section 301 of the Act.
4. No deposits within the meaning of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under have been accepted by the Company.
5.
  - a) In our opinion and according to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it. There are no undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31<sup>st</sup> March 2007 for a period of more than six months from the date they became payable.
  - b) There are no dues in respect of income tax/sales tax/wealth tax/service tax/ customs duty/ excise duty/cess that have not been deposited with the appropriate authorities on account of any dispute.
6. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
7. According to the information and explanations given to us, in our opinion, the term loan was applied for the purpose for which it was obtained.
8. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

For C.P.Ranka and Company,  
Chartered Accountants

C.P.Ranka  
Partner  
Membership No. 106823

Place: Secunderabad  
Date : 28.05.2007

## PRIME TEXTILES LIMITED

### PRIME HOMETEX INDUSTRIES (INDIA) LIMITED BALANCE SHEET AS AT 31st MARCH 2007

	Schedule	As at 31.03.2007 Rs. lacs
<b>I. SOURCES OF FUNDS</b>		
(1) Shareholders' Fund Share Capital	1	455.00
(2) Loan Funds Un-secured Loan	2	17.94
		<u>17.94</u>
Total		<u>472.94</u>
<b>II. APPLICATION OF FUNDS</b>		
(1) Capital Work in Progress	3	74.11
(2) Current Assets, Loans & Advances		
(a) Cash and Bank Balances	4	6.41
(b) Loans and Advances	5	6.00
(A)		<u>12.41</u>
Less: Current Liabilities and Provisions		
(a) Current Liabilities		8.61
(b) Provisions		5.26
(B)		<u>13.87</u>
Net Current Assets	(A-B)	(1.46)
(3) Miscellaneous Expenditure (to the extent not written off or adjusted)	7	
Preliminary Expenses		20.20
Pre-operative Expenditure		380.09
Total		<u>472.94</u>
Significant Accounting Policies and Notes on Accounts	8	

Schedules referred to above form an integral part of the financial statements.

As per our attached report of even date

For C.P.Ranka and Company,  
Chartered Accountants

For and on behalf of the Board

C.P.Ranka  
Partner  
Membership No. 106823

Purushottam Patodia  
Director

Manojkumar Patodia  
Director

Place: Secunderabad  
Date : 28.05.2007

**PRIME HOMETEX INDUSTRIES (INDIA) LIMITED**  
**SCHEDULE TO THE BALANCE SHEET AS AT 31st MARCH 2007**

	As at 31.03.2007 Rs. lacs
<b>Schedule 1</b>	
<b>Share Capital</b>	
<b>Authorised</b>	
2,50,00,000 Equity Shares of Rs. 10 each	<u>2,500.00</u>
<b>Issued, Subscribed and Paid up:</b>	
4,55,000 Equity Shares of Rs. 10 each fully paid up	455.00
(All the above Equity Shares are held by the Holding Company - Prime Textiles Limited and its nominee)	<u>455.00</u>
<b>Schedule 2</b>	
<b>Unsecured Loan</b>	
From the Holding Company (Interest free)	17.94
	<u>17.94</u>
<b>Schedule 3</b>	
<b>Capital Work-in-Progress</b>	
Plant and Machinery	67.40
Computers	2.44
Furniture & Fixtures	4.27
	<u>74.11</u>
<b>Schedule 4</b>	
<b>Cash and Bank Balances</b>	
Cash in Hand	0.03
Balances with Scheduled Banks - in Current Accounts	6.38
	<u>6.41</u>
<b>Schedule 5</b>	
<b>Loans and Advances</b>	
(Unsecured, considered good)	
Advances recoverable in cash or in kind or for value to be received	
Capital Advance	6.00
	<u>6.00</u>
<b>Schedule 6</b>	
<b>Current Liabilities and Provisions</b>	
<b>Current Liabilities:</b>	
Sundry Creditors	
Capital Goods	6.31
Others	1.43
Other Liabilities	0.87
	<u>8.61</u>
<b>Provisions:</b>	
Provision for Fringe Benefit Tax	5.26
	<u>5.26</u>
(A)	<u>8.61</u>
(B)	<u>5.26</u>
(A) + (B)	<u>13.87</u>

**PRIME TEXTILES LIMITED**

**SCHEDULE TO THE BALANCE SHEET AS AT 31st MARCH 2007**

	As at 31.03.2007 Rs. lacs
Schedule 7	
Miscellaneous Expenditure	
a) Pre-operative Expenditure (pending allocation)	
Salaries and Staff Welfare Expenses	105.45
Electricity Charges	2.80
Repairs and Maintenance - Plant and Machinery	0.28
Business Promotion Expenses	19.61
Postage Telephone, Printing and Stationery	9.76
Travelling Expenses and Conveyance	72.08
Motor Car Expenses	6.96
Rent	39.53
Auditors' Remuneration	0.28
Fringe Benefit Tax	5.26
Professional Charges	41.63
Compensation and Forfeiture of Advances Paid	18.90
Interest	35.77
Repairs and Maintenance-others	6.20
Computer charges	0.23
Miscellaneous Expenses	15.35
	<u>380.09</u>
b) Preliminary Expenses	
Registration Charges	19.75
Professional Fees	0.45
	<u>20.20</u>

SCHEDULE 8

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2007.

1) SIGNIFICANT ACCOUNTING POLICIES:

A) BASIS OF ACCOUNTING

- i) The financial statements are prepared on historical cost convention, in accordance with the applicable accounting standards and on the accounting principles of a going concern.
- ii) All expenditure/income to the extent ascertained with reasonable certainty are accounted for on accrual basis.
- iii) The presentation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively.

B) BORROWING COSTS

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

C) PRE-OPERATIVE EXPENSES

Pre-operative expenses are to be written off over a period of five years beginning from the year of start of commercial operations.

D) MISCELLANEOUS EXPENDITURE

Preliminary expenses are written off over a period of five years beginning from the year of start of commercial operations.

E) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the rate of exchange in force at the date of transactions.

Foreign currency assets and liabilities other than for financing fixed assets are stated at the contracted/prevaling rate of exchange prevailing at the year-end and resultant gains/losses are recognized in the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts.

Foreign currency loans for financing fixed assets are stated at the contracted/ prevailing rate of exchange at the year end and the resultant gains/losses are adjusted to the cost of assets.

F) PROVISION FOR TAXATION

Income tax provisions comprise current tax and fringe benefit tax are determined in accordance with the Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognized and carried forward only if there is virtual/reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

G) PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is made based on the reliable estimate when it is probable that an outflow of resources embodying economic benefit will be required to settle an obligation. Contingent liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and to the extent not provided for are disclosed in the notes to the accounts. Contingent assets are not recognized or disclosed in the financial statement.

## PRIME TEXTILES LIMITED

### 2) NOTES TO ACCOUNTS:

1. a) Prime Hometex Industries (India) Limited was incorporated on 27<sup>th</sup> September, 2006 at Vijayawada, Andhra Pradesh, with the objective of manufacturing of Home Textile Products. The company is a 100% owned subsidiary of Prime Textiles Limited, Tirupur Tamilnadu.
- b) Since the project has not yet commenced, no Profit and Loss Account has been prepared. The Company has instead prepared the statement of Pre-operative Expenses (pending allocation) (Refer Schedule 7). It is Company's intention to account for the same by way of allocation to the Fixed Assets relating to the project and/ or as revenue expenditure in the year of commencement of commercial production. The amount to be capitalized or treated as revenue expenditure will be determined in accordance with the accepted accounting principles as applicable to a going concern.
- c) In case however, the project is not taken up in the foreseeable future, the amount of pre-operative expenses would have to be written off as a loss to the company.
2. Based on details available with the Company regarding the status of suppliers as defined under the "Industries Development and Regulation Act, 1951", there are no amounts due to small scale industrial undertakings on account of principal and/or interest.
3. In the opinion of the Board, the Current Assets, Loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are carried in the books and provision for all known and determined liabilities and adequate and not in the excess of the amount reasonably stated.
4. As the Company has not started commercial operations during the period and in the absence of any taxable income under the provisions of the Income tax Act, 1961, provision for taxation is not required.
5. Balances of creditors, loans and advances given and taken are subject to confirmation and reconciliation, if any. However, in the opinion of the Board, there will not be any significant impact on the financial results or statements on receipt of direct, indirect confirmations and reconciliation.

6. Value of Imports on CIF basis in respect of: Rs.in lacs

	2006-07
Stores & spares	Nil
Capital Goods	19.01

7. Expenditure in Foreign Currency:

	2006-07
Travelling expenses	2.71
Marketing Expenses	6.35

8. Auditors' Remuneration:

	2006-07
Audit Fees	0.25
Other Services	
Out of Pocket Expenses (including Service Tax )	0.03
Total	0.28

9. This being the first accounting year of the Company, previous year's figures are not given. The financial statement is from the date of incorporation i.e. 27<sup>th</sup> September, 2006 to 31<sup>st</sup> March, 2007.  
Schedules '1' to '7'

For C.P.Ranka and Company,  
Chartered Accountants

For and on behalf of the Board

C.P.Ranka  
Partner  
Membership No. 106823

Purushottam Patodia  
Director

Manojkumar Patodia  
Director

Place: Secunderabad  
Date : 28.05.2007



PRIME HOMETEX INDUSTRIES (INDIA) LIMITED

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:			
Registration No.	U1729AP2006PLC51271		
Balance Sheet Date	31-03-2007		
(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	48681	Total Assets	48681
Sources of Funds:			
Paid up Capital	45500	Reserves & Surplus	0
Secured Loans	0	Unsecured Loans	1794
Current Liabilities	0	Others	0
Application of Funds:			
Net Fixed Assets	7411	Investments	Nil
Current Assets	(146)	Misc. Expenditure.	40029
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 .....

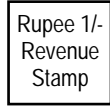
..... or failing him .....

of ..... in the district of .....

..... as my/our proxy to attend and vote for me/us and on my/our behalf at the 70th Annual General Meeting of the company to be held on Friday, the 27<sup>th</sup> July, 2007 at 10.00 a.m at the Registered office Company and at any adjournment thereof

Signed this ..... day of ..... 2007.

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 Seventieth Annual General Meeting at No.110 Avinashi Road, Tirupur 641603 on Friday, the 27<sup>th</sup> July 2007 at 10.00 a.m. at the Registered office of the Company.



.....  
Members / Proxy's signature