



FAZ

L I M I T E D

**23rd Annual Report
2007-2008**

FAZE THREE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Thursday, 11th December 2008
2. Time and Venue : 12.00 noon at
Plot No. 146,
Waghdhara Village Road ,
Dadra - 396 191
Union Territory of Dadra & Nagar Haveli.
3. Book Closure : Thursday, 4th December 2008 to Thursday,
11th December 2008 (Both Days inclusive)
4. Investors' Complaints may be addressed to : Corporate Office
Faze Three Limited,
1-2, Shiv Smriti Chambers,49-A,
Dr. Annie Besant Road, Worli,
Mumbai - 400 018
Phone : 022 6660 4600
Email: investors@fazethree.com

| CONTENTS: | PAGE No. |
|---|----------|
| Notice | 3-5 |
| Directors' Report | 6-8 |
| Management Discussion & Analysis Report | 9 |
| Corporate Governance Report | 10-18 |
| Standalone Financial Statements of Faze Three Limited | 19-38 |
| Consolidated Financial Statements | 39-56 |

Board of Directors

| | |
|-------------------------|------------------------------|
| Mr. Ajay Anand | Chairman & Managing Director |
| Mr. Sanjay Anand | Director |
| Mrs. Rashmi Anand | Director |
| Mr. G. G. Prabhu | Director |
| Mr. Vasudeva Rao | Director |
| Mr. Kishore M. Mahimkar | Director |
| Mr. Rajiv Rai Sachdev | Director |

Corporate Management

| | |
|-------------------|---------------------|
| Mr. Ajay Anand | Managing Director |
| Mrs. Rashmi Anand | Whole Time Director |
| Mr. Sanjay Anand | Whole Time Director |
| Mr. G. G. Prabhu | Whole Time Director |

Company Secretary

| | |
|------------------|------------------------------|
| Mr. Martin Golla | VP-Legal & Company Secretary |
|------------------|------------------------------|

Auditors

M/s Thakur Vaidyanath Aiyar & Co.
Chartered Accountants,
Mumbai.

Solicitors

Mahimkar & Mahimkar

Bankers

Canara Bank

Registered Office

Survey No. 380/1, Khanvel Silvassa Road,
Dapada -396191
Union Territory of Dadra & Nagar Haveli

Corporate Office

1-2, Shiv Smriti Chambers,
49-A, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Works

1. Handloom & Made-ups Plant, Jatal Road, Anand Nagar, Panipat
2. Weaving & Made-Ups Plant Survey No. 380/1, Village Dapada, UTD&NH
3. Bathmat Plant Survey No. 356/1-2, Village Dadra, UTD&NH
4. Dye-House Plot No. 71, GIDC, Vapi Industrial Area, Pardi Distt. Valsad, Gujarat.

Registrar & Share Transfer Agent

Sharex Dynamic (I) P Ltd,
Unit-1, Luthra Industrial Premises,
Andheri - Kurla Road, Safed Pool,
Andheri (E) Mumbai - 400 072
www.sharexindia.com

Web-site

www.fazethree.com

Notice of Annual General Meeting

Notice is hereby given that the 23rd Annual General Meeting of Faze Three Limited, will be held at Plot No. 146, Waghdhara Village Road, Dadra - 396 191 Union Territory of Dadra & Nagar Haveli on Thursday, 11th December 2008 at 12.00 noon to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2008 and the Profit & Loss Account for the year ended 31st March 2008 together with the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rajiv Rai Sachdev, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vasudeva Rao, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. To Consider and if, thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. G. G. Prabhu, who was appointed as an Additional Director of the Company on 29th September, 2007 under Articles of Association of the Company and who by virtue of Section 260 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting, but being eligible, offers himself for re-appointment and in respect of whom the Company has received Notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation".

6. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution:

"RESOLVED FURTHER THAT in terms of Article 120 of the Articles of Association of the Company and pursuant to the provisions of Section 198, 269, 309, 349, 350 and 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended (including any amendment or re-enactment thereof), and the laws prevailing for the time being and subject to the approval of the Central Government, if required, and such alterations and modifications, if any, that may be effected pursuant to any change in policies, Acts or Laws, guidelines, rules and regulations relating to Managerial Remuneration or in response to any application(s) for review and reconsideration submitted by the Company in that behalf to the concerned authorities, if any, as may be necessary and subject to the approval by Members of the Company and as per the recommendations of Remuneration Committee, Mr. G.G. Prabhu be and is hereby appointed as Whole Time Director of the Company under the designation "Executive Director" for a period of 5 years w. e. f. 1st October 2007 to 30th September 2012, liable to retire by rotation and eligible for re-appointment as stipulated in the Article 120 (a) of Articles of Association of the Company and under the terms and conditions set out in the draft agreement placed before the Board and initialed by the chairman for the purpose of identification, with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said appointment and/or agreement in such manner and to such extent as may be agreed between the Board of Directors and Mr. G.G. Prabhu so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any amendments thereto."

FURTHER RESOLVED THAT Mr. Ajay Anand, Chairman & Managing Director and Mr. Martin Golla VP-Legal & Company Secretary of the Company, be and are hereby jointly and / or severally authorised to do all such acts, deeds and things, as deemed necessary to give effect to the foregoing resolution(s).

By order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date : 15th November, 2008

Martin Golla
VP-Legal & Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND & VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy, in order to be effective, should be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of the Annual Report.
3. The relevant Explanatory Statements pursuant to section 173 of the Companies Act, 1956, are annexed hereto.
4. The Register of Members and the Share Transfer Registers of the Company shall remain closed from Thursday, 4th December 2008 to Thursday, 11th December 2008 (both days inclusive).
5. Members are requested to intimate any change in their address to the Registrars and the Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd.
6. Documents referred to in any of the items in the Notice are available for inspection at the Registered Office of Company on any working day during Business Hours between 11.00 am to 1.00 pm
7. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
8. Members are requested to address all the correspondence/documents, invariably quoting their Registered Folio No. relating to the Equity Shares held by them, directly to our Registrar and Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd, Unit-1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri(E), Mumbai-400 072.
9. Members are requested to bring their copy of this Annual Report to the Meeting.
10. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
11. Brief resume of Mr. Rajiv Rai Sachdev & Mr. Vasudeva Rao, Directors retiring by rotation, is given under the Corporate Governance Report.
12. The Company has obtained permission for holding the Annual General Meeting from Registrar of Companies, Gujarat till 27th December, 2008.

ANNEXURE TO THE NOTICE

Explanatory statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 6

Mr. G. G. Prabhu was appointed as Additional Director Articles of Association of the Company w. e. f. 29th September, 2007 pursuant to Section 260 of the Companies Act, 1956. As per the term of appointment, his term as Director expires at the forthcoming Annual General Meeting. The Company in turn has received notices from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to appoint him as Director of the Company liable to retire by rotation. The Directors recommend his appointment in the best interests of the Company.

None of the Directors of the Company except Mr. G. G. Prabhu may be considered to be interested in the passing of this resolution.

Item No. 7

Mr. G.G. Prabhu has varied, vast and multifarious experience in financial management, corporate affairs and accounting matters. Considering his long association, vast experience of the activities of the Company and the exceptional contribution made by him in the Company achieving its pre-eminent financial position the Board feels that his appointment will be of immense benefit to the Company. In view of his vital contribution towards growth and development of the Company, it is proposed to appoint him as Whole Time Director of the Company, with effect from 1st October 2007, for a period of 5 years at the terms and remuneration as set out in this explanatory statement:

The Terms and Conditions Set out in the Agreement are as follows:

1. Tenure of Appointment: 1st October 2007 to 30th September 2012
2. Nature of Duties: The Whole Time Director shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers of Management and duties as may from time to time, be entrusted to her, by the Board.

3. Remuneration

(i) Salary

Monthly salary of Rs 70,000/-.

The annual increments which will be effective from 1st April each year, will be decided by the Board and Remuneration Committee will be merit-based and take into account the Company's performance.

(ii) Perquisites

- a) Mr. G.G. Prabhu is entitled to furnished accommodation or house rent allowance of Rs. 16,000/- per month.
- b) Reimbursement of medical expenses incurred for self and family on actual basis upon production of bills.
- c) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- d) Reimbursement of expenses on Books and Periodicals upto a maximum of Rs 3,000/- per month.
- e) Mediclaim Policy for him and spouse during the tenure of his employment would be taken out by the Company.
- f) One month's leave, as per the rules of the Company, on full pay, for every eleven months of service. Encashment of leave at the time of superannuation will not be included in the computation of the ceiling on perquisites. Gratuity payable shall not exceed half a month's salary for each completed year of service or part thereof.
- g) Company's car with complete maintenance including reimbursement for personal chauffeur.
- h) Reimbursement of residence Electricity bill on actual basis.
- i) Provision for Telephone at residence, however personal long distance calls will be billed by the Company.
 - a) The said Mr. G.G. Prabhu will be entitled to reimbursement of all entertainment, traveling, hotel and other expenses actually incurred for the purpose of business of the Company.
- j) The above remuneration shall be paid to Mr. G. G. Prabhu as the minimum remuneration in the event of absence or inadequacy of profits in any financial year of the Company but shall not exceed the ceiling laid down in this behalf in Schedule XIII of the Companies Act, 1956 from time to time.

Other terms and conditions

- a) He shall not be paid any sitting fees for attending Board/Committee meetings.
- b) The Tenure will be subject to termination by 3 months' prior notice in writing on either side.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement of concern or interest under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. G. G. Prabhu may be considered to be interested in the passing of this resolution.

By order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date : 15th November, 2008

Martin Golla
VP-Legal & Company Secretary

DIRECTORS' REPORT

To the Members,

Yours Directors have great pleasure in presenting the Twenty-third Annual Report together with the Audited Statements of Accounts for the year ended March 31st 2008.

FINANCIAL RESULTS

| | For the Year ended 31.03.2008 (Rs. Lakhs) | For the Year ended 31.03.2007 (Rs. Lakhs) |
|--|---|---|
| Sales & Other Income | 12605.26 | 12487.10 |
| Profit before taxation | 716.02 | 787.79 |
| Less: Provision for Taxation | | |
| Current Tax | 81.83 | 92.50 |
| Deferred Tax | 102.13 | 266.19 |
| Fringe Benefits Tax | 15.50 | 8.25 |
| Less: Prior Period Charges | 6.59 | 3.67 |
| Profit After Taxation | 509.97 | 417.18 |
| Balance brought forward from Previous Year | 146.48 | 100.43 |
| Profit available for appropriation | 656.45 | 517.61 |
| Less: Proposed Dividend | Nil | 146.27 |
| Dividend Tax | Nil | 24.86 |
| Transfer to General Reserve | 400.00 | 200.00 |
| Balance carried over to the next year | 256.44 | 146.48 |

COMPANY OPERATIONS

The growth in the Company's revenue was primarily due to the increased level of its international operations. The Sales and Other Income of the Company stood at Rs 12605.26 Lakhs during the financial year ended March 31st 2008 as compared to Rs. 12487.10 Lakhs as recorded during the previous year ended on 31st March 2007. The Company has earned a profit after tax of Rs. 509.97 Lacs as compared to Rs. 417.18 Lacs in the year 31st March 2007.

BUSINESS OVERVIEW

Global financial meltdown has created havoc for almost all the industries across the world. The textile industry is going through tough phase as the rupee appreciation, the flames of the weaker dollar has touched the company's performance too. The Company has formed strategies to battle against liquidity tribulations, which in turn stabilized the Companies financial position.

Further, as reported in the Directors Report for year ended 31st March 2007 the Company has seen positive developments following the strategy for marketing directly and indirectly to International buyer. The Board is confident that the Company will reap the material benefits in the Current Year and in the years to come.

Dividend

In order to conserve resources for strengthening the on-going project(s), your Directors do not recommend any dividend for the year under review.

Consolidation:

The members of the Company in the 22nd Annual General Meeting held on 28th September 2007 resolved to consolidate the Face Value of the shares in the manner that in such a manner that every 5 equity share of Rs. 2/- each be consolidated into 1 Equity Shares of Rs. 10/- each and consequently the consolidated Authorised Share Capital of the Company would be Rs. 17,00,00,000/- (Rupees Seventeen Crores Only) divided into 1,70,00,000 (One Crore Seventy Lacs only) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

Subsidiaries Companies:

During the year under review, the Company acquired a German based manufacturing unit Pana Textil GmbH through a Special Purpose Vehicle (SPV) Faze Three Netherlands B.V. on 11th November 2007. Pana Textil GmbH, a brand which is over 50 years old is one of the leading manufacturers of Bathmats in Europe. With this acquisition the Company have complete access to the manufacturing facilities of Pana which are strategically located in Germany and Hungary.

The Company has made an application under Section 212 (8) of the Companies Act, 1956 for seeking exemption from attaching the Balance Sheet and Profit & Loss accounts of Pana Textil GmbHs. The approval in this regard is awaited.

Annual Accounts of the subsidiary Company

The audited accounts for the period ended 31.03.2008 of Faze Three Netherlands B. V. has been attached with the annual accounts of the Company along with the statements under Section 212 of the Companies Act, 1956.

Delisting

The shares of the Company have been delisted from Ahmedabad Stock Exchange and Delhi Stock Exchange. However, the shares will continue to be listed on the Bombay Stock Exchange.

Fixed Deposits

Your Company has not accepted any deposits from public, and no amount of principal or interest was outstanding on the date of the Balance Sheet.

Auditors

M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under section 224(1B) of the Companies Act, 1956, and have indicated their willingness to continue. Members are requested to appoint the auditors and fix their remuneration.

DIRECTORS

Mr. Rajiv Rai Sachdev is an eminent and well known industrialist in the Entertainment industry. He has had a very distinguished career in the film industry and ranks amongst the doyens of this glamorous business.

Mr. Vasudeva Rao is a well-known Chartered Accountant having vast experience in the Finance Sector. He brings with him an experience of over 4 decades and has been of great help to the Company in advising on Corporate matters.

The aforesaid Directors are retiring at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. A Brief resume of the above said directors is forming the part of the corporate governance report.

Mr. G. G. Prabhu Who was appointed as additional director of the Company on 29.09.2007 has been appointed as Whole Time Director of the Company designated as "Executive Director" subject to the approval of Shareholders in the ensuing Annual General meeting of the Company.

Your directors recommend re-appointment and appointment of the said directors.

PARTICULARS OF EMPLOYEE

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, a statement showing the names and other particulars of employees are here below:

Disclosure under Section 217(2A) of the Companies Act, 1956 for the year ended March 31st 2008.

| Name | Designation | Remuneration (Rs.) |
|----------------|------------------------------|--------------------|
| Mr. Ajay Anand | Chairman & Managing Director | 39,61,301/- |

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure to this Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The directors had prepared the annual accounts on "going concern basis".

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed thereto.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, customers, vendors, Banks and Financial Institutions, regulatory and government authorities, stock exchanges and employees of the Company for their continued support.

For and on behalf of the Board

Place: Mumbai
Date: 15th November, 2008

Ajay Anand
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 forming part of the Report of the Directors.

1. RESEARCH AND DEVELOPMENT (R & D)

(i) Specific area in which R & D is carried out by the Company:

- Introduction of New Products and Improving the Processes of existing products.
- Making new Designs acceptable to international customers.

(ii) Benefits derived as a result of R & D activities:

- Product Range Extension
- Improvement of Quality and yield
- Cost reduction leading to competitiveness
- Development of Various Designs as well as new products, with high standard in international market.
- Reduction in Cost and Time cycle, better effluent management and utilizing only indigenous products for offering finished products in export market.
- Reduction in Cost and Time cycle, better effluent management.

(iii) Future Plan of Action

- Development of Products for indigenous market.
- Substitute Development of new designs for Export of high value products, which are currently imported.
- Expanding the market by going in for diversification in the home product range.
- Developing new products range to have edge over others with high standards of quality and unique design to compete with other indigenous manufacturers to improve the export turnover base.

2. CONSERVATION OF ENERGY

The particulars with respect to Conservation of Energy etc. pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 under section 217 (1) (e) of the Companies Act, 1956 are set out as under:

| A (i) Electricity | For the year ended March 31st 2008 | For the year ended March 31st 2007 |
|---|---------------------------------------|---------------------------------------|
| A) Purchased | | |
| Units (Lakhs) | 53.97 | 51.98 |
| Total Cost (Rs. in Lakhs) | 214.07 | 205.00 |
| Rate Per Unit (Rs.) | 3.97 | 3.94 |
| B) Own Generation (Thru DG Set) | | |
| Units (Lakhs) | 11.62 | 11.20 |
| Total Cost (Rs. in lakhs) | 123.94 | 107.88 |
| Rate Per Unit (Rs.) | 10.67 | 9.63 |
| (ii) Coal, Firewood, Rice Husk etc. | | |
| (Qnty in Qntls) | 108067.70 | 96611.35 |
| Total Cost (Rs. in Lakhs) | 289.71 | 222.24 |
| Rate per Qntl. (Rs.) | 268.08 | 230.04 |
| B. FOREIGN EXCHANGE EARNINGS AND OUTGO | | (Rs. in Lakhs) |
| | 2007-08 | 2006-07 |
| Total Foreign Exchange Earnings Earned | 9872.94 | 9270.59 |
| Total Foreign Exchange Used | 955.092 | 1091.37 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

Indian economy is on the fulcrum of an ever-increasing growth curve with positive gross domestic product (GDP) of 8.9% in the year 2007-2008. The last two financial years 2005-06 and 2006-07 saw growth rates of 9.4% & 9.6% respectively. There has been a deceleration in the growth rate in 2007-08 as compared to the last two financial years owing to the slowing down of the economy and inflationary pressures within India.

After a tough phase, there seems to be signs of hope for the rupee-scarred Indian textile industry. This time, it is the slump in Chinese textiles and appreciation of the Chinese yuan that has brought some reason to cheer. Besides, neighbouring competing countries like Pakistan, Shrilank & Bangladesh are also facing problems, brightening the prospects for Indian textiles. These, in turn, have come as a blessing in disguise for the Indian textile industry that is now hopeful of emerging as a major exporter once again, overcoming one of its worst phases.

ECONOMY AND BUSINESS OUTLOOK

The Textiles Industry achieved a 16% growth rate in the year 2007-2008. The industry which was growing at 3-4 percent during the last six decades has now accelerated to an annual growth rate of 16 percent in value terms and will reach the level of US \$ 115 billion by 2012. The rationalization of fiscal duties undertaken during the last few years has provided a level playing field in all segments of the industry, resulting in the holistic growth of the industry.

Notwithstanding economic slowdown in America, India has been able to not only retain but raise its textile exports to the US. India's textile and apparels export in the first seven months of 2008 increased 0.9 per cent as compared to the same period of 2007. As the rupee has depreciated significantly against the dollar in the current year, the industry is expecting exports to grow by about 20 per cent by the end of 2008-2009.

The current scenario is alarming not only to the company but also to the Textile industry, which is going through the tough phase of global recession. The Textile Companies having international front are severely hit by the recession, including Faze Three Limited. During these trying times, the Company has taken feasible steps to battle against the global meltdown through implementing strategic plans and policies. Further, the industry is expecting a growth rate 7-8% at the end of the year 2008-2009 the company is also anticipating regular growth despite all problems confronted by it.

Risk and Concerns

Earlier Rupee appreciation had hit the Indian textile industry, now it is inflation and the rising input costs that are haunting the industry that is facing stiff competition from countries like China, Vietnam, Cambodia and Sri Lanka. As the industry, which faced a severe blow from the Rupee appreciation, with situations improving on the rupee front, it is sunrise period for the industry to grow all over again.

Due to global recession, the Company has to offer its product range in international markets at competitive prices and with thin margins which was again a hard hit to the Company's revenues. However the measures taken by the Company towards effective cost control will in turn facilitate to improve and maintain alike performance in the coming years too.

The Government announced various scheme to accelerate growth of the Textile Industry like concessional rate of interest and other incentive packages. Further, Faze Three limited is also looking forward in setting up its manufacturing capabilities and expertise to place itself in the growth path again.

Internal Control Systems and its adequacy

The Company has in place adequate systems of internal control procedures commensurate with the size and nature of the business and an effective system of accounting to guarantee optimal use of its resources and protection thereof. The internal control system comprises of those controls established in order to provide reasonable assurance of safeguarding assets against unauthorized use or disruption and maintenance of proper accounting records and the reliability of financial information used within the business.

Human Resources / Industrial Relations

Your company is of the strong belief that the employees are the most vital resources giving the Company an edge over its competitors in the dynamic business environment. Your company has continued with its collaborative approach to manage industrial relations. This has ensured a cordial and harmonious working environment at the plants/factories of the Company. Further the Company is taking all possible and prompt measures and is also reinventing itself, so as to keep pace and cope up with the ever-increasing competition. The work force of the Company has a fine blend of youth and seasoned experience.

Pollution and Environmental Controls

All the plants of the company are subject to strict certification requirements from its esteemed international buyers like Walmart, Target, J C Penny, Marks & Spencer, etc. The certification by these reputed buyers encompasses strict environmental compliances. Your company is an accredited supplier to these buyers. Your company has put in place a sustainable environmental friendly mechanism in all its plants.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of the applicable corporate laws and regulations. It may be noted that the actual results may differ from what has been expressed or implied herein.

For and on behalf of the Board

Place: Mumbai
Date: 15th November, 2008

Ajay Anand
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2007-2008
(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

THE REPORT & ITS APPLICABILITY

The Concept of incorporating a report on Corporate Governance in the Annual Report of the Company was introduced by the Securities & Exchange Board of India, and is applicable to all the listed Companies. It aims at instilling more transparency in the affairs of the Company, continuous and prompt disclosure of material information (both monetary and non-monetary), manner and frequency of such disclosures, responsibilities of independent and Non - Executive directors and management of insider information and to keep a check on insider trading.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Philosophy on Corporate Governance strives for attaining the optimum level of transparency and accountability, in all facets of its operations and in all dealings with its shareholders, employees, Banks & Financial Institution, creditors, customers and the government. The Board of Directors by considering itself as a Trustee of its Shareholders aims at maximizing shareholders value and protecting the interest of other stakeholders.

COMPOSITION OF BOARD OF DIRECTORS

Your Board comprises of an optimum combination of independent professionals as well as Company Executives having in-depth knowledge of the business of the Industry. The Company's Board Comprises of 7 Directors out of which are independent and Non-Executive Directors and balance 4 are Executive and Non-independent directors including the Chairman of the Board.

None of the Directors hold directorships in more than the permissible number of companies under the relevant provisions. Further, none of the directors on the Board is a member of more than ten committees or Chairman of more than five committees.

During the financial year under review 9 Board Meetings were held on the following dates 16th April, 2007, 30th June, 2007, 31st July, 2007, 29th August, 2007, 11th September, 2007, 28th September, 2007, 31st October, 2007, 30th January, 2008 and 17th March, 2008.

The names of the Directors and the category to which they belong to, along with their attendance at Board Meetings during the period under review and at the last Annual General Meeting, and the number of directorships and committee memberships held by them in other companies are as herein below:-

| Name | Category | No. of Directorships and Committee Member/Chairmanship* | | | | |
|-------------------------|---|---|---------------------------|--------|----------|--------|
| | | Board Meetings | last AGM held on 28.09.07 | Member | Chairman | Member |
| Mr. Ajay Anand | Promoter, Executive & Non Independent Chairman & Managing Director | 8 | Yes | 2 | — | 2 |
| Mrs. Rashmi Anand | Executive & Non Independent Whole Time Director | 9 | Yes | — | — | — |
| Mr. Sanjay Anand | Executive & Non Independent Whole Time Director | 3 | Yes | 2 | — | 2 |
| Mr. G.G. Prabhu | Executive & Non Independent Whole Time Director | 9 | Yes | 2 | — | 3 |
| Mr. Vasudeva Rao | Non-Executive & Independent Director | 7 | Yes | — | — | — |
| Mr. Kishore M. Mahimkar | Non-Executive & Independent Director | 4 | Yes | — | — | — |
| Mr. Rajiv Rai Sachdev | Non-Executive & Independent Director | 2 | No | — | — | — |

Appointment / Re-appointment of Directors:

- * Mr. Rajiv Rai Sachdev and Mr. Vasudeva Rao are liable to retire by rotation, appointed as directors of the company.
- * Mr. G. G. Prabhu is appointed as Director of the Company w.e.f 29.09.2007 and as Whole time Director w.e.f. 01.10.07

DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

| Particulars | Mr.G. G. Prabhu | Mr.Rajiv Rai Sachdev | Mr.Vasudeva Rao |
|---|---|---|---|
| Date of Birth | 21.03.1937 | 18-07-1955 | 22.08.1939 |
| Date of appointment | 03.10.1997 | 08-03-2004 | 30.10.2002 |
| Qualifications | M.B.A (Administration), LLB | B.A. | Chartered Accountant |
| Expertise in specific functional area | Wide Experience in Finance and Administration | Wide Experience in Entertainment and Advertising Industry | Wide experience in the Finance & Accounting |
| Directorship held in other Public Companies | 2 | NIL | NIL |
| Membership/chairmanship of committees of other Public Companies | 4 | NIL | NIL |

AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee constituted in line with the provisions of clause 49 of the Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956.

The committee is headed under the stewardship of Mr. Vasudeva Rao, a Chartered Accountant and an independent non-executive Director. The other members of the committee, Mr. Rajiv Rai Sachdeva and Mr. Kishore Madhav Mahimkar, both independent non-executive directors, have requisite financial and management experience and have held or hold senior positions in other reputed organizations. Mr. Ajay Anand, Managing Director and Chairman of the Company is also a member of the Committee.

The terms of reference are broadly as under:

- * Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- * Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other service.
- * Reviewing with management the annual financial statements before submission to the Board, focusing primarily on : -
- * Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- * Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other service.
- * Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - o Any changes in accounting policies and practices.
 - o Major accounting entries based on exercise of judgment by management.
 - o Qualifications in draft audit report.
 - o Significant adjustments arising out of audit.
 - o The going concern assumptions.
 - o Compliance with accounting standards.
 - o Compliance with stock exchange and legal requirements concerning financial statements.
 - o Any related party transactions, i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of Company at large.
- * Reviewing with the Management, external and internal auditors, the adequacy of internal control systems

- * Reviewing the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the Department, reporting structure coverage and frequency of internal audit.
- * Recommendation of Dividend.
- * Discussion with internal auditors and significant findings and follow up thereon.
- * Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control system of a material nature and reporting the matter to the Board.
- * Discussion with external auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- * Reviewing the Company's financial and risk management policies.
- * To look into the reasons for substantial defaults in payment, if any, to the Depositors, debenture-holders, shareholders (in case of non-payment of declared dividend) and creditors.

Composition, Meetings and Attendance:

Audit Committee met 6 times during the year on 30th June, 2007, 31st July, 2007, 29th August, 2007, 31st October, 2007, 30th January, 2008 and 31st March, 2008 Executive Director Mr. G. G. Prabhu, who is in-charge of Finance Function is the permanent invitee to Committee Meetings.

Attendance :-

| S.No. | Name of the Member | Status | No. of Meetings held | No. of Meetings Attended |
|-------|-----------------------------|----------|----------------------|--------------------------|
| 1. | Mr. Vasudeva Rao | Chairman | 6 | 6 |
| 2. | Mr. Ajay Anand | Member | 6 | 6 |
| 3. | Mr. Rajiv Rai Sachdeva | Member | 6 | 6 |
| 4. | Mr. Kishore Madhav Mahimkar | Member | 6 | 6 |

Mr. Martin Golla, VP Legal and Company Secretary acts as the Secretary to the Committee.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee headed by Mr. Rajiv Rai Sachdev, a Non-executive Independent Director and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the committee. The Committee looks into the matters of share transfers, transmissions, dematerialization, issue of duplicate share certificates and related matters.

Mr. Martin Golla, VP - Legal and Company Secretary acts as the Secretary to the Committee and is the Compliance Officer.

The Committee met 18 times and at least once in every fortnight during the financial year to consider the request for transfer and transmissions and the members were present at all the meetings.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders' / Investors' Grievance Committee comprises of Mr. Rajiv Rai Sachdev a Non-Executive Independent Director, as Chairman and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the Committee.

Mr. Martin Golla, VP Legal and Company Secretary acts as the Secretary to the Committee and is the Compliance Officer.

The Committee met 6 times during the financial year and all the members were present at the meeting. The Company has not received any serious complaints and the routine complaints received were attended to promptly and no complaint as such is pending with the company.

REMUNERATION COMMITTEE:-

The Remuneration Committee consists of Three Independent directors Mr. Vasudeva Rao Mr. Rajiv Rai Sachdev and Mr. Kishore Mahimkar. The Committee is headed by Mr. Vasudeva Rao.

The Committee is constituted to formulate to the Board from time to time, a compensation structure for whole-time members of the Board and managers.

23rd Annual Report 2007-2008



The details of remuneration paid to Whole Time Directors during the year 2007-08 is given as follows: (No sitting fees paid to the following directors)

| Director | Designation | Remuneration (including all perquisites) Rs. | Service Contract |
|-------------------|------------------------------|--|------------------|
| Mr. Ajay Anand | Chairman & Managing Director | 39,61,301/- | 5years |
| Mr. Sanjay Anand | Whole Time Director | 13,05,360/- | 5years |
| Mrs. Rashmi Anand | Whole Time Director | 14,61,942/- | 5years |
| Mr. G.G. Prabhu | Executive Director | 4,60,000/- | 5years |

Non Executive Directors' Compensation and disclosure:

All fees / compensation, (except sitting fees) paid to the non-executive directors, including independent directors, shall be fixed by the Remuneratin Committee and shall require shareholders' approval. The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, including independent directors.

The details of sitting fees paid to Non-Executive Directors during the year ended March 31st 2008 are as follows (The Non-Executive Directors are not entitled to any remuneration, whatsoever, except sitting fees): -

| Sr. No. | Name of the Non-Executive Director | Sitting Fees (Rs.) |
|---------|------------------------------------|--------------------|
| 1. | Mr. Vasudeva Rao | 21000/- |
| 2. | Mr. Kishore M. Mahimkar | 12000/- |
| 3. | Mr. Rajiv Rai Sachdev | 6000/- |

Apart from sitting fees for the attending Board / Committee meetings, no other fees / compensation is paid to the Directors. Your Company does not have any stock option scheme for its Directors and employees.

GENERAL BODY MEETINGS:-

| Year | Location | Date | Time |
|-----------|---|---------------------|------------|
| 2004-2005 | Auditorium, Cultural Centre of Russia, 31- A, Dr G Deshmukh Marg, Peddar Road, Mumbai - 400 026 | 27th September 2005 | 10.00 a.m. |
| 2005-2006 | Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396191 | 29th September 2006 | 2.00 p.m. |
| 2006-2007 | Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli | 28th September 2007 | 12.30 p.m. |

* Apart from the above, no other special resolution was passed in the aforesaid Annual General Meeting.

Other Information:

a) Risk Management Framework:

The Company has in place mechanism to inform Board of Directors about the Risk assessment and risk minimization procedures and periodical reviews to ensure that risk is controlled by the Management through the means of a properly laid-out framework.

b) Code of Conduct:

The Company has laid down a code of conduct for the Board of Directors and Senior Management personnel of the Company. The code of conduct is available on the website of the Company www.fazethree.com. The declaration of Chairman & Managing Director is given below:

To the Shareholders of Faze Three Limited

Sub: Compliances with Code of Conduct

I hereby declare that the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Ajay Anand

Mumbai, 15th November 2008

Chairman & Managing Director

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification, issued pursuant to the provisions of Clause 49 of the Listing Agreement:

To the Board of Directors of Faze Three Limited

Dear Sirs,

Sub: CEO/CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Faze Three Limited for the year ended March 31st 2008 and that to the best of our knowledge and belief, we state that:-

- (a) (i) these statements do not contain any materially-untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) we have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in the internal control over financial reporting during the year, if any;
 - (ii) significant changes in accounting policies made during the year, if any, and that the same have 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 a significant role in the Company's internal control system over financial reporting.

Yours sincerely,

G G Prabhu
Whole Time Director

Ajay Anand
Chairman & Managing Director

Prevention of Insider Trading :

The Company has framed a code of conduct for Prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors/Designated Employees. The code insures the prevention of dealing in Company's shares by persons having access to unpublished price sensitive information.

Disclosures :

There are no materially significant transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance on any matter related to the Capital Markets.

The Company has been providing the Chairman of the Company with the resources required to implement its role.

The Company has a process in place that meets the objectives of the Whistle blower policy. The Board annually reviews the findings and action taken, if any, on matters initiated through this mode. In the opinion of the Board there are no cases where a person was denied access to the grievance process set up by the Company.

MEANS OF COMMUNICATION :-

The Company publishes its annual, half yearly and the quarterly financial results in the following Newspapers:

- (i) The Economic Times (English)
- (ii) The Economic Times (Gujarathi)

23rd Annual Report 2007-2008



Company's results and official news releases, if any, are also displayed on the Company's website www.fazethree.com

GENERAL SHAREHOLDER INFORMATION

AGM Date, time and venue

Thursday, 11th December 2008 12.00 Noon
Plot No. 146, Waghdhara Village Road,
Dadra -396191
Union Territory of Dadra & Nagar Haveli

Financial Calendar for 2007-08 (Tentative)

2nd Quarter Results

Last week of October 2008

3rd Quarter Results

Last week of January 2009

4th Quarter Results

Last week of April 2009

Results for the year ending March 2009

End June 2009

DATE OF BOOK CLOSURE

4th December 2008 to 11th December 2008
(Both days inclusive)

LISTING ON STOCK EXCHANGES

The Bombay Stock Exchange
Luxemburg Stock Exchange

STOCK CODE

530079 on The Stock Exchange, Mumbai
027941079 on Luxemburg Stock Exchange

DEMAT ISIN No. FOR NSDL & CDSL

INE963C01033

SHARE TRANSFER SYSTEM

All the transfers received are processed by the Registrar & Transfer Agents and are approved by the Share Transfer Committee, which meets once in a fortnight. Every effort is made to dispose off the Share Transfer / Transmission requests within 10 days of the receipts of the same.

PLANT LOCATION

1. Handloom & Made-Ups Plant Jatal Road, Anand Nagar, Panipat 132103 (Haryana)
2. Weaving & Made-Ups Plant Survey No. 380/1, Village Dapada, U.T.D & N.H.
3. Bathmat Plant Survey No. 356/1-2, Village Dadra, U.T.D & N.H.
4. Dye-House Plot No. 71, GIDC, Vapi Industrial Area, Pardi Distt. Valsad, Gujarat.

ADDRESS FOR COMMUNICATION

Corporate Office

FAZE THREE LIMITED
1-2, Shiv Smriti Chambers, 49-A,
Dr. Annie Besant Road,
Worli, Mumbai - 400 018.
Phone 022 6660 4600

DESIGNATED E-MAIL ID FOR SHAREHOLDERS

investors@fazethree.com

Dividend Information :

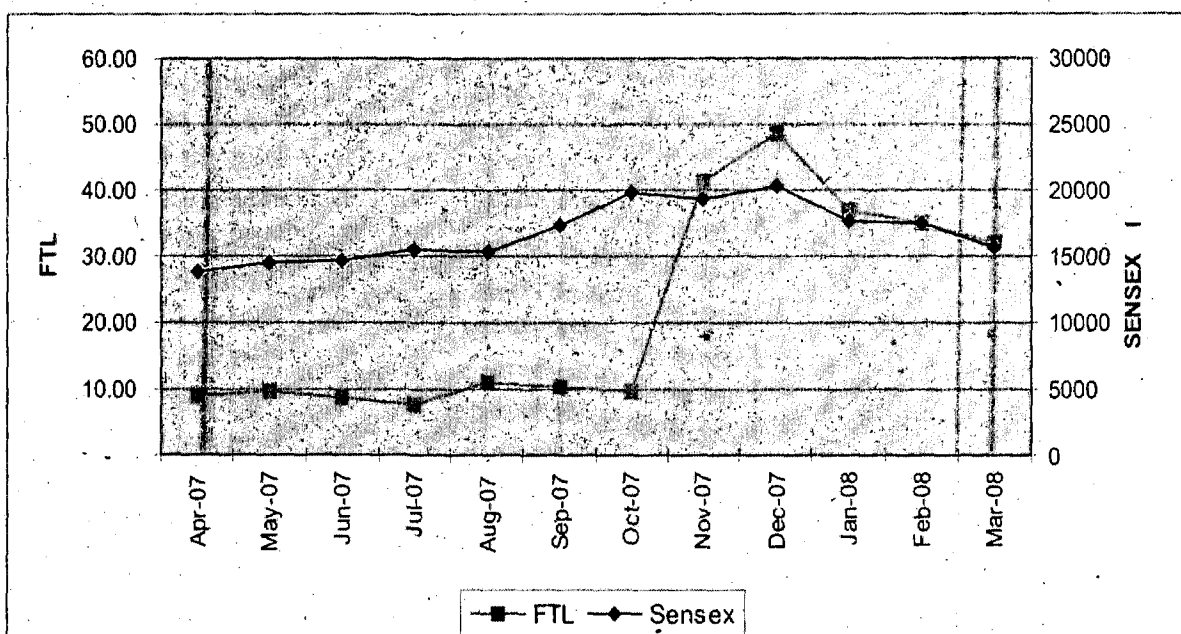
Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial year ended 30.09.2001 which remained unpaid or unclaimed will be transferred to the Investor Education and Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956 on 8th January 2009.

Members who have not claimed the dividend for the above period are requested to claim the same at the earliest.

Stock Market Data (BSE) :

| Month | Month's High Price | Month's Low Price | Volume | BSE Sensex High | BSE Sensex Low |
|----------------|--------------------|-------------------|---------|-----------------|----------------|
| April 2007 | 9.49 | 7.85 | 247036 | 14383.72 | 12425.52 |
| May 2007 | 11.45 | 8.00 | 550747 | 14576.37 | 13554.34 |
| June 2007 | 9.90 | 8.01 | 357349 | 14683.36 | 13946.99 |
| July 2007 | 9.19 | 7.51 | 483550 | 15868.85 | 14638.88 |
| August 2007 | 12.75 | 7.16 | 1601458 | 15542.40 | 13779.88 |
| September 2007 | 13.00 | 9.05 | 1316314 | 17361.47 | 15323.05 |
| October 2007 | 11.10 | 8.60 | 424621 | 20238.16 | 17144.58 |
| November 2007 | 55.90 | 40.05 | 351671 | 20204.21 | 18182.83 |
| December 2007 | 49.10 | 40.50 | 280916 | 20498.11 | 18886.40 |
| January 2008 | 57.80 | 30.00 | 406351 | 21206.77 | 15332.42 |
| February 2008 | 46.80 | 30.00 | 145327 | 18895.34 | 16457.74 |
| March 2008 | 35.40 | 24.90 | 136856 | 17227.56 | 14677.24 |

* The Face Value of equity shares of the Company was subdivided from Rs 10/- per share to Rs. 2/- per share w.e.f .9th November 2007. The High & Low market price as well as the volumes of shares has been adjusted accordingly.



* Adjusted as per Face Value of Rs. 2/- per share.

Distribution of Shareholding as on March 31st 2008:-

| Sr. No. | No. of Equity Shares held | | Shareholders | | Shareholding | |
|--------------|---------------------------|--------|--------------|------------|-----------------|---------------|
| | From | To | Nos. | % | Nos | % |
| 1 | Upto | 100 | 2427 | 44.66 | 142342 | 1.17 |
| 2 | 101 | 200 | 817 | 15.03 | 140530 | 1.15 |
| 3 | 201 | 500 | 1578 | 29.03 | 491070 | 4.03 |
| 4 | 501 | 1000 | 315 | 5.80 | 255070 | 2.09 |
| 5 | 1001 | 5000 | 236 | 4.34 | 522525 | 4.29 |
| 6 | 5001 | 10000 | 19 | 0.35 | 132862 | 1.09 |
| 7 | 10001 | 100000 | 29 | 0.53 | 800283 | 6.57 |
| 8 | 100001 and above | | 14 | 0.26 | 9704115 | 79.62 |
| TOTAL | | | 5435 | 100 | 12188797 | 100.00 |

23rd Annual Report 2007-2008



Shareholding Pattern as on March 31st 2008

| Category code | Category of Shareholder | No. of Shareholders | Total no. of shares | No. of shares held in dematerialized form | Total Shareholding as a | |
|---------------|---|---------------------|---------------------|---|--------------------------|----------------------------|
| | | | | | As a percentage of (A+B) | As a percentage of (A+B+C) |
| (A) | Shareholding of Promoter and Promoter Group | | | | | |
| 1 | Indian | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 1 | 2915349 | 2915349 | 23.92 | 23.92 |
| (b) | Central Government/ State Government(s) | - | - | - | - | - |
| (c) | Bodies Corporate | 1 | 2394625 | 2394625 | 19.65 | 19.65 |
| (d) | Financial Institutions/ Banks | - | - | - | - | - |
| (e) | Any Others(Specify) | - | - | - | - | - |
| | Sub Total(A)(1) | 2 | 5309974 | 5309974 | 43.56 | 43.56 |
| 2 | Foreign | | | | | |
| a | Individuals (Non-Residents Individuals/ Foreign Individuals) | - | - | - | - | - |
| b | Bodies Corporate | - | - | - | - | - |
| c | Institutions | - | - | - | - | - |
| d | Any Others(Specify) | - | - | - | - | - |
| | Sub Total(A)(2) | - | - | - | - | - |
| | Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2) | 2 | 5309974 | 5309974 | 43.56 | 43.56 |
| (B) | Public shareholding | | | | | |
| 1 | Institutions | | | | | |
| (a) | Mutual Funds/ UTI | - | - | - | - | - |
| (b) | Financial Institutions / Banks | - | - | - | - | - |
| (c) | Central Government/ State Government(s) | - | - | - | - | - |
| (d) | Venture Capital Funds | 1 | 750 | 750 | 0.01 | 0.01 |
| (e) | Insurance Companies | - | - | - | - | - |
| (f) | Foreign Institutional Investors | - | - | - | - | - |
| (g) | Foreign Venture Capital Investors | - | - | - | - | - |
| (h) | Any Other (specify) | - | - | - | - | - |
| | Sub-Total (B)(1) | 1 | 750 | 750 | 0.01 | 0.01 |
| B 2 | Non-institutions | | | | | |
| (a) | Bodies Corporate | 184 | 3507512 | 1708015 | 28.78 | 28.78 |
| (b) | Individuals | | | | | |
| I | Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh | 5183 | 2357600 | 2138995 | 19.34 | 19.34 |
| II | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh. | 19 | 947865 | 779115 | 7.78 | 7.78 |
| (c) | Any Other (Clearing Member) | 16 | 7252 | 7252 | 0.06 | 0.06 |
| (d) | NRI | 30 | 57844 | 57844 | 0.47 | 0.47 |
| | Sub-Total (B)(2) | 5432 | 6878073 | 4691221 | 56.43 | 56.43 |
| (B) | Total Public Shareholding (B)= (B)(1)+(B)(2) | 5433 | 6878823 | 4691971 | 56.44 | 56.44 |
| | TOTAL (A)+(B) | 5435 | 12188797 | 10001945 | 100 | 100 |
| (C) | Shares held by Custodians and against which Depository Receipts have been issued | 0.00 | 0.00 | | | |
| | GRAND TOTAL (A)+(B)+(C) | 5435 | 12188797 | 10001945 | 100 | 100 |

For and on behalf of the Board

Place: Mumbai
Dated: 15th November, 2008

Ajay Anand
Chairman & Managing Director

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

TO THE MEMBERS OF FAZE THREE LIMITED

Auditor's Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of The Listing Agreement
To the Members of Faze Three Limited

We have examined the compliance of conditions of Corporate Governance by Faze Three Limited for the year ended 31st March 2008 as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the guidance note on certification of Corporate Governance (as stipulated in clause 49 of the Listing Agreement) issued by Institute of Chartered Accountants of India and limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as mentioned in the above-mentioned Listing Agreement(s) except in case of the Composition of Board where the Company's strength of Independent Director is short by one Director.

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

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

Place: Mumbai
Date: 30.09.2008

C.V.PARAMESWAR
Partner
M.No.11541

AUDITOR'S REPORT

To The Members
Faze Three Ltd
Mumbai

We have audited the attached Balance Sheet of **Faze Three Limited**, as at 31st March 2008 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

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.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) 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.
2. Further to our comments in the Annexure referred to in Paragraph 1 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 appears from our examination of such books, and proper returns adequate for the purposes of our audit have been received from the branch.
 - c. The Balance Sheet and Profit and 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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008 and
 - ii. In the case of Profit and Loss Account, of the Profit for the year ended on that date.
 - iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For THAKUR VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 30th Sept, 2008

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date

- i. In respect of Fixed Assets
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.
 - (b) As explained to us the major Fixed Assets have been physically verified by the Management at reasonable intervals during the year. As per the information given to us no material discrepancy has been noticed on such verification.
 - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of Inventories
 - (a) As informed to us, physical verification of finished goods, store, spare parts and raw materials has been conducted by the Management at the end of the year.
 - (b) Based on the explanations given to us, in our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion, the Company is maintaining proper records of inventories and as explained to us, there were no material discrepancies noticed between the physical stocks and book record.
- iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has taken from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 unsecured loan amounting to Rs. 119.50 Lakhs. The company has paid Rs. 66.0 Lakhs to five parties including Rs. 8.0 Lakhs of earlier year. The Company has granted loan to a Company listed in the Register maintained under Sec 301 of the Companies Act, 1956 amounting to Rs. 713 Lakhs.
 - (b) As per the information and explanations given to us, rate of interest and the terms and conditions of the said loans taken / given, are not prima facie prejudicial to the interest of the Company.
 - (c) As explained to us no amount of principal and interest has become due during the period.
 - (d) In view of our comment in (c) above, Para 4(iii)(d) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct weaknesses in internal controls.
- v. In respect of transactions covered under Section 301 of the Companies Act, 1956
 - (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the Register maintained under section 301 of the Act have been so entered.
 - (b) In our opinion and according to the information & explanations given to us, the transaction made in pursuance of such 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 the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sec 58A and 58AA of the Act and the Rules framed there under.
- vii. In our opinion, the Company has an Internal Audit System, which is commensurate with the size and nature of its business.
- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- ix. In respect of Statutory dues

23rd Annual Report 2007-2008



- (a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income- Tax, Sales-Tax, Wealth- tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2008 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the details of dues of income-tax which have not been deposited on account of dispute are given below:-

| Particulars | Assessment years to which the matter pertains to | Forum where dispute is pending | Amount (Rs. In Lakhs) |
|-------------|--|--------------------------------|-----------------------|
| Income tax | 2002-2003 | ITAT (Mumbai) | 13.65 |
| Income tax | 2003-2004 | ITAT (Mumbai) | 53.34 |
| Income tax | 2004-2005 | ITAT (Mumbai) | 40.79 |

- x. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore Para 4 (xiii) is not applicable to the Company.
- xiv. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of para 4(xiv) of the Order are not applicable to the Company.
- xv. The Company has not given guarantee for loan taken by others from banks or financial institutions. In our opinion and according to the information and explanation given to us the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- xvi. According to information & explanation given to us, in our opinion, term loans availed by the company were, prima facie, applied by the company for the purpose for which the loans were obtained.
- xvii. On the basis of our examination & according to the information & explanations given to us, on an overall examination of the Balance Sheet of the Company, Funds raised on short term basis have, prima facie, not being used during the year for long term investments and vice versa.
- xviii. The Company has not made any preferential allotment of shares during the year 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 and therefore para 4(xix) of the Order is not applicable to the Company.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company carried out in accordance with 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 year, nor have we been informed of any such case by the management.

For **THAKUR VAIDYANATH AIYAR & CO.**
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 30th September 2008

BALANCE SHEET
as at March 31, 2008

| | Schedule | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|----------|--|--|
| I SOURCES OF FUNDS | | | |
| 1. Shareholder's Funds | | | |
| (a) Share Capital | I | 121,887,974 | 121,887,974 |
| (b) Reserves and Surplus | II | 588,804,148 | 538,136,561 |
| 2. Loan Funds | | | |
| (a) Secured Loans | III | 649,845,332 | 445,881,699 |
| (b) Unsecured Loans | IV | 485,235,531 | 434,181,154 |
| 3. Deferred Tax Liability for the year | | 85,604,587 10,212,917 | 58,985,819 26,618,768 |
| | | 1,941,590,487 | 1,625,691,975 |
| II APPLICATIONS OF FUNDS | | | |
| 1. Fixed Assets | V | | |
| (a) Gross Block | | 1,065,467,724 | 967,015,474 |
| (b) Less: Depreciation | | 205,756,330 | 163,314,692 |
| (c) Net Block | | 859,711,394 | 803,700,782 |
| (d) Capital Work-in-progress Including Advances | | 124,989,964 | 21,765,593 |
| 2. Investments | VI | 58,343,149 | 57,199,769 |
| 3. Current Assets, Loans & Advances | VII | 1,094,588,412 | 901,212,249 |
| Less: Current Liabilities & Provisions | VIII | 199,028,615 | 166,812,731 |
| Net Current Assets | | 895,559,797 | 734,399,518 |
| 4. Miscellaneous Expenditure [To the extent not written off or adjusted] | IX | 2,986,183 | 8,626,313 |
| | | 1,941,590,487 | 1,625,691,975 |
| SIGNIFICANT ACCOUNTING POLICIES | XVIII | | |
| NOTES FORMING PART OF ACCOUNTS | XIX | | |

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
Chartered Accounts

For and on behalf of the Board

C. V. Parmeswar
Partner

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 30th September 2008

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

23rd Annual Report 2007-2008



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2008

| | Schedule | Current Year [Rupees] | Previous Year [Rupees] |
|---|----------|--------------------------|---------------------------|
| INCOME | | | |
| (a) Sales | X | 1,118,386,872 | 1,168,298,151 |
| (b) Other Income | XI | 142,139,512 | 80,411,653 |
| (c) Increase / (Decrease) in Stocks | XII | 43,786,910 | 65,279,366 |
| | | <u>1,304,313,294</u> | <u>1,313,989,170</u> |
| EXPENDITURE | | | |
| (a) Material Cost | XIII | 616,039,289 | 712,625,516 |
| (b) Employees Cost | XIV | 120,245,295 | 98,899,206 |
| (c) Operating Expenses | XV | 192,757,188 | 178,434,321 |
| (d) Admn. & Selling Expenses | XVI | 202,498,522 | 149,340,847 |
| (e) Interest [Net] | XVII | 56,566,142 | 56,702,250 |
| (f) Depreciation | V | 44,604,878 | 39,208,454 |
| | | <u>1,232,711,315</u> | <u>1,235,210,594</u> |
| PROFIT BEFORE TAX | | 71,601,979 | 78,778,576 |
| Provision for Income Tax | | 8,182,995 | 9,250,000 |
| Provision for Fringe Benefit Tax | | 1,550,000 | 824,754 |
| Provision for Deferred Tax | | 10,212,917 | 26,618,768 |
| Prior Period Adjustments | | 659,399 | 367,429 |
| PROFIT AFTER TAX | | 50,996,669 | 41,717,625 |
| Add: Balance Brought Forward from Previous Year | | 14,648,304 | 10,043,019 |
| Profit available for appropriation | | <u>65,644,973</u> | <u>51,760,644</u> |
| APPROPRIATIONS : | | | |
| Proposed Dividend | | - | 14,626,557 |
| Dividend Tax | | - | 2,485,783 |
| Transferred to General Reserve. | | 40,000,000 | 20,000,000 |
| Balance Carried to Balance Sheet | | 25,644,973 | 14,648,304 |
| | | <u>65,644,973</u> | <u>51,760,644</u> |
| Earning per Share [Basic & Diluted] | | 4.18 | 3.42 |
| SIGNIFICANT ACCOUNTING POLICIES | XVIII | | |
| NOTES FORMING PART OF ACCOUNTS | XIX | | |

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
Chartered Accounts

For and on behalf of the Board

C. V. Parmeswar
Partner

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 30th September' 2008

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

CASH FLOW STATEMENT FOR THE Period ENDED 31ST MARCH 2008

| | Year ended 31st March 2008 | (Rs in Lakhs) Year ended 31st March 2007 |
|---|-------------------------------|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit before tax & extra ordinary items | 709.43 | 784.11 |
| Adjustments for: | | |
| Depreciation | 446.05 | 392.08 |
| Interest(Net) | 565.66 | 567.02 |
| Miscellaneous Exp. W/off | 56.40 | 55.25 |
| Loss/(Profit) on sale of Assets | 0.73 | (0.48) |
| Loss/(Profit) on sale of Investments | 4.92 | (3.66) |
| Operating profit before working capital changes | <u>1,783.19</u> | <u>1,794.39</u> |
| Adjustments for | | |
| Trade & other receivables | (3,368.88) | (437.02) |
| Inventories | (793.30) | (577.10) |
| Trade payables | 493.28 | 601.19 |
| Cash generated from operations | <u>(1,885.70)</u> | <u>1381.39</u> |
| Direct taxes paid | (84.74) | (99.58) |
| Cash flow before extra ordinary items | <u>(1,970.45)</u> | <u>1281.81</u> |
| Extraordinary items | - | 0.00 |
| Net cash from operating activities A | <u>(1,970.45)</u> | <u>1281.81</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets & Capital Work in process | (2,044.79) | (1314.08) |
| Sale of Fixed assets | 3.83 | 2.88 |
| Purchase of Investments | (12.13) | 4.17 |
| Sale of Investments | 5.62 | - |
| Loans | - | 0.00 |
| Net cash used in investing activities B | <u>(2,047.47)</u> | <u>(1307.03)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share capital including Share Premium | ... | ... |
| Miscellaneous expenditure | - | - |
| Borrowings (Net) | 2,550.18 | 3063.22 |
| Interest(Net) | (565.66) | (567.02) |
| Dividend paid, including Dividend Tax | (171.12) | (138.98) |
| Net cash from Financing activities C | <u>1,813.40</u> | <u>2357.22</u> |
| CASH & CASH EQUIVALENTS(OPENING) | <u>2,409.29</u> | <u>77.28</u> |
| ADD: NET INCREASE/(DECREASE) IN CASH/ CASH EQUIVALENTS(A+B+C) | <u>(2,204.52)</u> | <u>2332.00</u> |
| CASH & CASH EQUIVALENTS(CLOSING) | <u>204.77</u> | <u>2409.28</u> |

(NOTE: Figures in bracket signifies 'Outflow')

As per our report of even date attached

For THAKUR VAIDYANATH AIYAR & CO.

CHARTERED ACCOUNTANTS

C V PARAMESWAR
PARTNER
M.No.11541

AJAY ANAND
MANAGING DIRECTOR

RASHMI ANAND
DIRECTOR

G.G. PRABHU
EXECUTIVE DIRECTOR

Place : Mumbai
Dated : 30th September 2008

MARTIN GOLLA
VP-LEGAL & COMPANY SECRETARY

23rd Annual Report 2007-2008



SCHEDULES TO THE ACCOUNTS AS AT 31st March 2008

| | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

SCHEDULE - I

SHARE CAPITAL

Authorised :

| | | |
|---|-------------|-------------|
| 1,70,00,000 (8,50,00,000) Equity Shares of Rs.10 Each (Previous Year Rs.2/- each) | 170,000,000 | 170,000,000 |
|---|-------------|-------------|

| | | |
|--|-------------|-------------|
| | 170,000,000 | 170,000,000 |
|--|-------------|-------------|

Issued, Subscribed & Paid up

| | | |
|--|-------------|-------------|
| 1,21,88,797 (6,09,43,985) Equity Shares of Rs.10 Each (Previous Year Rs.2/- each) | 121,887,974 | 121,887,974 |
|--|-------------|-------------|

| | | |
|--|-------------|-------------|
| | 121,887,974 | 121,887,974 |
|--|-------------|-------------|

SCHEDULE - II

RESERVES & SURPLUS

Revaluation Reserve

| | | |
|--|------------|------------|
| Balance as per last balance sheet | 19,402,038 | 19,731,119 |
| Less : Depreciation on revalued amount of fixed assets | 329,081 | 329,081 |

| | | |
|--|------------|------------|
| | 19,072,957 | 19,402,038 |
|--|------------|------------|

Security Premium Account

| | | |
|---|------------|------------|
| Balance as per last balance sheet | 31,273,767 | 53,750,381 |
| Add: Recd during the year | - | - |
| Less: FCCB issue Expenses | - | 22,476,614 |
| Less: Trasferred to Equity Share Capital on Bonus Issue | - | - |

| | | |
|--|------------|------------|
| | 31,273,767 | 31,273,767 |
|--|------------|------------|

General Reserve

| | | |
|--|-------------|-------------|
| Balance as per last balance sheet | 419,480,760 | 399,480,760 |
| Add: Transfer from Profit & Loss Account | 40,000,000 | 20,000,000 |

| | | |
|--|-------------|-------------|
| | 459,480,760 | 419,480,760 |
|--|-------------|-------------|

Capital Reserve

| | | |
|-----------------------------------|------------|------------|
| Balance as per last balance sheet | 53,331,692 | 53,331,692 |
| Add: Addition during the year | - | - |

| | | |
|--|------------|------------|
| | 53,331,692 | 53,331,692 |
|--|------------|------------|

| | | |
|----------------------------------|------------|------------|
| Surplus in Profit & Loss Account | 25,644,973 | 14,648,304 |
|----------------------------------|------------|------------|

| | | |
|--|-------------|-------------|
| | 588,804,148 | 538,136,561 |
|--|-------------|-------------|

SCHEDULES CONTD.

| | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

SCHEDULE - III
SECURED LOANS
From Bank :
Term Loan

| | | |
|--|-------------|-------------|
| | 212,187,960 | 260,071,960 |
|--|-------------|-------------|

(Secured by EMT of Land & Bldg and Hypothecation of Plant and Machineries and other Movable fixed assets in respect of the expansion / new projects, as prime security, collateral security by way of extension of first collateral charge on the existing fixed assets to the term loan, personal guarantee of the of the Managing Director and a corporate guarantee)

Packing Credit

| | | |
|--|-------------|-------------|
| | 279,806,040 | 128,703,536 |
|--|-------------|-------------|

Other Cash Credit

| | | |
|--|-----------|-----------|
| | 2,431,886 | 2,524,899 |
|--|-----------|-----------|

Advance Against Export Bills

| | | |
|--|-------------|------------|
| | 148,654,521 | 48,339,674 |
|--|-------------|------------|

(Secured by hypothecation of Stock, Book Debts & Personal guarantee of the Managing Director & Corporate Gurantee and also secured by charge on Fixed Assets of the company at Panipat/ Retail outlet at Mumbai)

Bill discounting for purchase of assets

| | | |
|--|--|---------|
| | | 131,168 |
|--|--|---------|

(Secured against Hypothecation of D.G. Set)

Other loans

| | | |
|--|-----------|-----------|
| | 6,764,925 | 6,110,462 |
|--|-----------|-----------|

[Secured against hypothecation of Vehicles]

| | | |
|--|-------------|-------------|
| | 649,845,332 | 445,881,699 |
|--|-------------|-------------|

SCHEDULE - IV
UNSECURED LOANS

8,000 1.5% Foreign Currency Convertible Bonds
of USD 1,000 each, totalling to USD 8 Million

| | | |
|--|-------------|-------------|
| | 348,720,000 | 348,720,000 |
|--|-------------|-------------|

Short term loans & advances

From Company / Firms / Others

| | | |
|--|-------------|------------|
| | 131,715,531 | 85,461,154 |
|--|-------------|------------|

From Directors

| | | |
|--|-----------|--|
| | 4,800,000 | |
|--|-----------|--|

| | | |
|--|-------------|-------------|
| | 485,235,531 | 434,181,154 |
|--|-------------|-------------|

**SCHEDULE - V
FIXED ASSETS**

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | |
|-------------------------|-----------------------|--------------------------|---------------------|-------------------------|-----------------------|------------------------------|----------------------|-------------------|-----------------------|-----------------------|-----------------------|
| | AS AT | DEDUCTIONS/ ADDITIONS | AS AT TRANSFERS | AS AT | AS AT | ADJ. ON ITEMS SOLD/TRANSF | ON REVALUED AMT | | AS AT | AS AT | AS AT |
| | 1.04.07 | | | | | | 31.03.08 | 1.04.07 | | | |
| LAND - FREEHOLD | 40,701,907.14 | 2,157,587.00 | - | 42,859,494.14 | - | - | - | - | - | 42,859,494.14 | 40,701,907.14 |
| LAND - LEASEHOLD | 12,185,986.58 | - | - | 12,185,986.58 | - | - | - | - | - | 12,185,986.58 | 12,185,986.58 |
| BUILDING | 343,999,380.12 | 29,833,714.54 | - | 373,833,094.66 | 51,898,969.64 | - | 10,660,866.50 | 329,081.00 | 62,888,917.14 | 310,944,177.52 | 292,100,410.48 |
| PLANT & MACHINERY | 447,106,661.06 | 47,474,498.27 | 83,700.00 | 494,497,459.33 | 61,668,681.88 | 1,057.00 | 21,901,673.35 | - | 83,569,298.23 | 410,928,161.10 | 385,437,979.18 |
| FURNITURE & FIXTURES | 40,144,447.12 | 7,613,561.99 | 23,400.00 | 47,734,609.11 | 16,057,625.20 | 7,795.00 | 2,624,907.22 | - | 18,674,737.41 | 29,059,871.70 | 24,086,821.92 |
| OFFICE EQUIPMENTS | 5,466,761.38 | 1,792,195.48 | - | 7,258,956.86 | 1,490,080.40 | - | 310,168.60 | - | 1,800,249.00 | 5,458,707.86 | 3,976,680.98 |
| COMPUTERS | 12,693,932.83 | 4,293,637.18 | - | 16,987,570.01 | 8,570,198.75 | - | 2,415,903.89 | - | 10,986,102.64 | 6,001,467.37 | 4,123,734.08 |
| ELECTRICAL INSTALLATION | 39,749,970.74 | 1,448,312.50 | - | 41,198,283.24 | 9,049,296.77 | - | 2,115,495.01 | - | 11,164,791.78 | 30,033,491.46 | 30,700,673.97 |
| VEHICLES | 24,966,427.37 | 6,641,161.00 | 1,012,897.00 | 30,594,691.37 | 14,579,839.86 | 801,048.00 | 4,575,863.41 | - | 18,354,655.27 | 12,240,036.10 | 10,386,587.51 |
| TOTAL | 967,015,474.34 | 101,254,667.96 | 1,119,997.00 | 1,067,150,145.30 | 163,314,692.49 | 809,900.00 | 44,604,877.98 | 329,081.00 | 207,438,751.47 | 859,711,393.83 | 803,700,781.85 |
| PREVIOUS YEAR | 835,562,979.00 | 133,110,323.00 | 1,657,828.00 | 967,015,474.00 | 125,043,020.00 | 984,669.00 | 39,359,674.00 | (103333.00) | 163,314,692 | 803,700,782 | 710,519,960.00 |

| SCHEDULES CONTD. | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|--------------------------------------|--------------------------------------|
| SCHEDULE - VI | | |
| INVESTMENTS (NON TRADE) (AT COST) LONG TERM | | |
| Unit Trust of India - 6.75% Tax free US 64 Bonds 424 (424) units bonds | 42,400 | 42,400 |
| Quoted | | |
| Canara Bank 5500 (9000) Equity shares of Rs.10 each Market Value Rs. 12,38,600/- (Rs.24,33,870/-) | 192,500 | 262,500 |
| V. R. Woodart Ltd *14,56,612 (14,56,612) Equity shares of Rs.10 each Market Value Rs. 15,29,443/- (Rs.18,20,765/-) | 11,669,869 | 11,669,869 |
| Unquoted | | |
| V. R. Woodart Ltd 4,52,000 (4,52,000) 5% Preference Shares of Rs.100 each fully paid up | 45,200,000 | 45,200,000 |
| Saraswat Co-operative Bank Ltd 2500 (2500) Equity shares of Rs.10 each fully paid up | 25,000 | 25,000 |
| Investment in Foreign Subsidiary Faze Three Netherlands BV (Wholly owned) 20000 (Nil) Equity Shares at Euro 1.00 each | 1,213,380 | - |
| | 63,451,638 | 57,199,769 |
| SCHEDULE - VII | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| CURRENT ASSETS : | | |
| Interest Accrued but not due | 365,305 | 825,933 |
| STOCK IN TRADE : | | |
| [At cost/Estimated cost or at lower of cost or net realisable value (as certified by Director) as the case may be] | | |
| Dyes & Chemicals | 1,298,652 | 3,950,622 |
| Spares & Stores | 8,875,872 | 7,776,718 |
| Raw Material | 153,199,190 | 106,530,151 |
| Finished Goods | 204,133,372 | 170,936,150 |
| Work in process | 45,469,638 | 44,452,979 |
| | 412,976,724 | 333,646,620 |
| SUNDRY DEBTORS : | | |
| (Unsecured Considered Good) | | |
| Over Six months | 11,593,219 | - |
| OTHERS : | 350,935,029 | 147,038,743 |
| | 362,528,248 | 147,038,743 |
| Less : Provision for doubtful debts | 192,193 | - |
| | 362,336,055 | 147,038,743 |

23rd Annual Report 2007-2008



| SCHEDULES CONTD. | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|--------------------------------------|--------------------------------------|
| CASH & BANK BALANCES : | | |
| Cash on Hand | 720,378 | 582,654 |
| Balance with Scheduled Bank : | - | - |
| On Current Account | 11,490,894 | 29,612,857 |
| On EEFC Account | 226,997 | 226,997 |
| On Deposit Account | 8,039,004 | 210,506,711 |
| | 20,477,273 | 240,929,219 |
| LOANS & ADVANCES : | | |
| Advances recoverable in cash or in kind or for value to be recd. | - | - |
| Unsecured - Considered Good | 282,701,402 | 159,937,446 |
| Deposits | 4,197,830 | 4,910,938 |
| | 286,899,232 | 164,848,384 |
| Less : Provision for doubtful advances | - 286,899,232 | - |
| Advance Income Tax (Net of Provisions) Branch / Divisions | 11,533,824 | 13,923,350 |
| | 1,094,588,412 | 901,212,249 |
| <p>(* Includes Rs.648.00 lacs (Rs.594.00 lacs) being loan advanced to joint venture company Aunde Faze Three Ltd a company under the same management.) & 65.03 Lacs (Nil) to M/s. Faze Three Netherland B.V. wholly owned subsidiary</p> | | |
| SCHEDULE - VIII | | |
| CURRENT LIABILITIES AND PROVISION | | |
| A) CURRENT LIABILITIES | | |
| Sundry Creditors | - | - |
| : Small scale industrial undertaking (Refer Note 8 on Schedule XIX) | - | - |
| : Others | 162,517,465 | 123,240,408 |
| | 36,511,150 | 26,459,983 |
| B) PROVISIONS | | |
| Proposed Dividend | - | - |
| Corporate Dividend Tax | - | 14,626,557 |
| | 199,028,615 | 2,485,783 |
| | 199,028,615 | 166,812,731 |
| SCHEDULE - IX | | |
| MISCELLANEOUS EXPENDITURE (To the extent not written off of adjusted) | | |
| Deferred Revenue Expenditure | 2,986,183 | 8,626,313 |
| | 2,986,183 | 8,626,313 |

| SCHEDULES CONTD. | Current Year [Rupees] | Previous Year [Rupees] |
|---------------------------------------|--------------------------|---------------------------|
| SCHEDULE - X | | |
| SALES | | |
| Export | 1,054,999,198 | 974,579,703 |
| Local | 63,387,674 | 193,718,448 |
| TOTAL | 1,118,386,872 | 1,168,298,151 |
| SCHEDULE - XI | | |
| OTHER INCOME | | |
| Export Incentives | 110,526,111 | 29,838,118 |
| Dividend | 5,931 | 60,600 |
| Miscellaneous Income : | 13,622,511 | 18,806,058 |
| Profit on Sale of Investment | 492,450 | - |
| Gain on EEFC Account | 17,492,509 | 31,706,877 |
| TOTAL | 142,139,512 | 80,411,653 |
| SCHEDULE - XII | | |
| INCREASE / DECREASE IN STOCK : | | |
| Closing Stock | | |
| Finished Goods | 213,706,401 | 170,936,150 |
| WIP | 45,469,638 | 44,452,979 |
| | 259,176,039 | 215,389,129 |
| Less : Opening Stock | | |
| Finished Goods | 170,936,150 | 131,236,048 |
| WIP | 44,452,979 | 18,873,715 |
| | 215,389,129 | 150,109,763 |
| | 43,786,910 | 65,279,366 |
| SCHEDULE - XIII | | |
| MATERIALS | | |
| MATERIALS CONSUMED : | | |
| Opening Stock | 106,530,151 | 117,850,344 |
| Add : Purchases | 653,135,299 | 681,016,489 |
| | 759,665,450 | 798,866,833 |
| Less : Closing Stock | 143,626,161 | 106,530,151 |
| | 616,039,289 | 692,336,682 |
| Purchase of finished Goods | - | 20,288,834 |
| Purchase of finished Goods | - | 20,288,834 |
| SCHEDULE - XIV | | |
| EMPLOYEES COST | | |
| Salaries & Wages | 107,648,731 | 90,669,255 |
| Contribution to Provident Fund & ESIC | 6,669,963 | 5,203,919 |
| Staff Welfare Expenses | 5,926,601 | 3,026,032 |
| | 120,245,295 | 98,899,206 |

23rd Annual Report 2007-2008



| SCHEDULES CONTD. | As At Current Year [Rupees] | As At Previous Year [Rupees] |
|---|-----------------------------------|------------------------------------|
| SCHEDULE - XV | | |
| OPERATING EXPENSES : | | |
| Excise Duty | 3,943,856 | 20,146,623 |
| Sewing, Stitching, Processing & Finishing Charges | 85,619,111 | 67,696,923 |
| Fabric Printing Charges | 302,808 | |
| Repairs & Maintenance : | | |
| Plant & Machinery | 7,018,622 | 3,851,087 |
| Buildings | 2,230,155 | 1,911,107 |
| Others | 2,037,399 | 4,512,760 |
| Power and Fuel | 62,217,649 | 48,508,788 |
| Stores & Spares Consumed | 24,651,439 | 28,096,289 |
| Loom Accessories | 861,911 | 579,532 |
| Effluent Treatment Plant Expenses | 3,874,238 | 3,131,212 |
| | <u>192,757,188</u> | <u>178,434,321</u> |
| SCHEDULE - XVI | | |
| ADMINISTRATIVE AND SELLING EXPENSES : | | |
| Donation | 211,169 | 350,208 |
| Rent Rates & Taxes | 1,744,224 | 1,888,234 |
| Loss on Sale of Assets | - | 6,031 |
| P.F Administration Charges | 242,439 | 326,784 |
| Auditors Remuneration | 377,810 | 315,000 |
| Travelling & Conveyance Expenses | 17,862,907 | 11,469,324 |
| Legal & Professional Fees | 26,657,593 | 15,194,322 |
| Insurance | 4,834,288 | 5,078,009 |
| Miscellaneous Expenses | 26,706,074 | 13,337,614 |
| Directors Sitting Fees | 38,000 | 11,000 |
| Clearing & Forwarding Expenses | 67,704,770 | 55,239,916 |
| Packing Material Expenses | 44,402,510 | 36,413,130 |
| Commission & Service Charges | 1,698,367 | 1,542,953 |
| Business Promotion Expenses | 3,929,129 | 7,794,981 |
| Other Selling & Distribution Expenses | 6,089,242 | 373,341 |
| | <u>202,498,522</u> | <u>149,340,847</u> |
| SCHEDULE - XVII | | |
| INTEREST [NET] | | |
| Interest on Bank Borrowings and Bank charges | 36,344,822 | 64,690,510 |
| Interest - Others (includes Rs.203,573/- (Rs.478,595/-) to Directors) | 42,235,076 | 13,046,811 |
| | <u>78,579,898</u> | <u>77,737,321</u> |
| Less : Interest Received | 22,013,756 | 21,035,071 |
| | <u>56,566,142</u> | <u>56,702,250</u> |

SCHEDULE XVIII

SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis and in accordance with requirement of Companies Act, 1956.

2) FIXED ASSETS:

- a) Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all cost relating to the acquisitions and installation of fixed assets.
- b) Capital work in progress includes all cost relating to the capital expenditure incurred on the projects

3) DEPRECIATION:

Depreciation on original cost has been provided under the Straight Line Method at the rates provided by Schedule XIV to the Companies Act, 1956 except for Motor Vehicles, which is charged on W.D.V. method. In the case of revalued asset, depreciation is charged on revalued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the revalued amount it is adjusted against the Revaluation Reserve.

Loom accessories, which are of replacement in nature, are expensed.

4) INVESTMENTS:

Investments are considered as long term and are accordingly stated at cost. Provision for diminution in the value of long-term investments is made only, if such decline is other than temporary.

5) INVENTORIES:

- a) Raw Materials are valued at cost or net realizable value whichever is lower.
- b) Work-in-process are valued at cost or net realizable value whichever is lower.
- c) Finished Products are valued at Cost or net realizable value whichever is lower.

Cost of work in process and finished products comprises expenditure incurred in the normal course of business in bringing such inventories to its present locations and includes appropriate overheads based on normal level of activity and excise duty where applicable.

6) SALES:

Sales are inclusive of Excise Duty.

7) FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are translated into Indian Currency at the exchange rate prevailing on the date of transaction. Other monetary assets / liabilities are valued at the rate prevailing on the date of balance sheet. The gain / losses resulting from the settlement of these transactions are recognized in the Profit and Loss Account.

8) RETIREMENT BENEFITS:

Company's contribution to Provident Fund and Family Pension Fund is defined contribution plan and is charged to Profit and Loss Account. There are no other obligations other than the contribution payable to the Recognised Provident Fund Commission.

The Company has covered its Gratuity Liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC.

The company does not have scheme for encashment of earned leave.

9) EARNING IN FOREIGN EXCHANGE:

F.O.B. value of Exports is worked out based on total exports sales less freight and insurance charges incurred thereon.

10) CONTINGENT LIABILITIES:

Liabilities which are of contingent nature, are disclosed by way of Notes and such liabilities, which are likely to mature are provided for.

11) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED:

The expenditure incurred prior to April, 1, 2003 comprising the following are amortized as under:

1. Share issue Expenses - Over period of 10 years.
2. Deferred Revenue Expenditure on product development / publicity and promotion - over a period of 5 years.

12) TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

SCHEDULE XIX

NOTES TO THE FINANCIAL STATEMENTS

1 Provision for Taxation has been made considering the eligibility of the Company for benefits under 80IB of the income Tax Act, 1961 and the Minimum Alternate Tax already paid.

| | Year ended 31.03.2008 Rupees | Year ended 31.03.2007 Rupees |
|--|------------------------------------|------------------------------------|
| 2 Managerial Remuneration: | | |
| To Managing Director and Whole-time Directors: | | |
| Salaries & Allowances | 6,141,400 | 4,686,000 |
| Company's Contribution to Provident Fund | 28,080 | 28,080 |
| Commission | 1,024,345 | 1,094,254 |
| 3 Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956. | | |
| Profit before Tax as per Profit & Loss Account | 71,601,979 | 78,778,576 |
| Add: | | |
| (a) Depreciation as per Profit & Loss Account | 44,604,878 | 39,208,454 |
| (b) Profit/ (loss) on sale of Fixed Assets as per books | 66,091 | 6,031 |
| (c) Managerial Remuneration | 7,193,825 | 5,808,334 |
| (d) Profit/(loss) on Sale of Investments | 492,450 | ... |
| (e) Provision for Doubtful Debts | ... | ... |
| | 123,959,223 | 123,801,395 |
| Less: | | |
| (a) Depreciation chargeable u/s. 350 | 44,604,878 | 39,208,454 |
| (b) Profit/ (loss) on sale of Fixed Assets u/s. 350 | 66,091 | 53,585 |
| (c) Profit/(loss) on Sale of Investments | 492,450 | 365,951 |
| | 45,163,419 | 39,627,990 |
| Profit on which commission is payable | 78,795,804 | 84,173,405 |
| Commission to Managing Director: | | |
| At 1% per annum of net profit | 787,958 | 841,734 |
| Commission to Director | | |
| At 0.3% per annum of net profit | 236,387 | 252,520 |
| | 1,024,345 | 1,094,254 |
| 4 Estimated amount of contracts remaining to be executed on capital account and not provided for | 35,000,000 | 152,269,823 |
| 5 Auditors' remuneration (excluding service tax) : | | |
| Stautory Audit Fees | 300,000 | 275,000 |
| Tax Audit Fees | 50,000 | 40,000 |
| Certification Fees | 25,000 | - |
| Out of Pocket Expenses reimbursed | - | - |
| | 375,000 | 315,000 |
| 6 Contingent Liabilities: | | |
| Bills Discounted | 148,654,521 | 48,339,674 |
| Bank Guarantees | 2,625,000 | 2,250,000 |
| Foreign / Inland Letter of Credits | 25,916,409 | - |
| Corporate Guarantee for loan | - | 37,500,000 |

| 7 Additional information pursuant to paragraph 3,4(c) and 4(d) of Part II of Schedule VI of the Companies Act, 1956. | | | | Year ended 31.03.2008 Rupees | Year ended 31.03.2007 Rupees |
|---|-------------|-----------------------|-------------|------------------------------------|------------------------------------|
| (A) Details of Registered and Installed Capacities, | | | | | |
| Actual Production: | | | | | |
| Installed Capacity (P.A.) | Mtrs. | * | 3,000,000 | 3,000,000 | |
| | Pcs | ** | 2,400,000 | 2,400,000 | |
| Actual Production | Mtrs. | * | 1,590,054 | 1,765,367 | |
| | Pcs | ** | 866,591 | 1,129,981 | |
| NOTES: | | | | | |
| (1) *The above details relates to Dapada factory | | | | | |
| (2) ** The above details relates to Dadra Factory. | | | | | |
| (3) The above details are not stated for Panipat Factory as it is not applicable. | | | | | |
| (B) Turnover: | | | | | |
| Class of Goods | | | | | |
| Cotton Handloom Products, Durriës, Made ups, Cushion Covers, Carpets etc. | | | | | |
| | | | | 1,118,386,872 | 1,168,298,151 |
| Home furnishing wood items and other Traded Products | | | | | |
| Rs. NIL ./- (Rs.51,98,565/-) | | | | | |
| (C) Itemwise Breakup of opening & closing stock | | | | | |
| Opening Stock: | | | | | |
| Fabrics / Made-ups | | | | 170,936,150 | 131,236,048 |
| Others (for resale) | | | | | |
| Closing Stock | | | | | |
| Fabrics / Made-ups | | | | 204,133,372 | 170,936,150 |
| Others (for resale) | | | | | |
| (D) Raw Material/Intermediate products Consumed: | | | | | |
| | | Year ended 31.03.2008 | | Year ended 31.03.2007 | |
| | Qty. | Amount | Qty. | Amount | |
| | Kgs. | Rs. | Kgs. | Rs. | |
| Yam | 3,201,451 | 480,217,590 | 3,642,280 | 576,585,764 | |
| Other Raw Materials and Intermediate products | | 135,821,699 | | 115,750,918 | |
| (E) Value of imported and indigenous Raw Materials/Intermediate Products, Stores & Spares consumed and their percentage to total consumption. | | | | | |
| | | Amount | Percentage | Amount | Percentage |
| | | Rs. | | Rs. | |
| 1 Raw material/Intermediate Products | | | | | |
| Imported | 106,571,882 | 17.30 | 93,136,113 | 13.45 | |
| Indigenous | 509,467,408 | 82.70 | 599,200,569 | 86.55 | |
| 2 Stores & Spares | | | | | |
| Imported | 2,479,726 | 10.06 | 2,455,775 | 8.74 | |
| Indigenous | 22,171,713 | 89.94 | 25,640,514 | 91.26 | |

23rd Annual Report 2007-2008



| | | |
|---|-------------|-------------|
| (F) CIF Value of Imports | | |
| (a) Capital Goods | 68,966,322 | 63,462,061 |
| (b) Others | 109,051,607 | 95,591,888 |
| (G) Expenditure in Foreign Currency: | | |
| Travelling and other expenses | 30,005,507 | 7,199,109 |
| (H) Earnings in Foreign Exchange: | | |
| FOB Value of Exports | 987,294,428 | 927,059,278 |
| (I) On account of Dividends to Non-resident Shareholders | | |
| Number of Shareholders | 31 | 46 |
| Number of shares held | 1,796,526 | 8,296,209 |
| Amount remitted | 2,003,933 | 1,659,241 |
| Year for which dividend was remitted | 2006-07 | 2005-06 |
| (i) The relevant information regarding turnover, opening stock and closing stock of Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc., Home/auto Fabrics, Made-ups, other traded products etc. is given only in aggregate and no breakup thereof is given as the items are too numerous to be conveniently grouped. | | |
| (ii) Consumption includes adjustments for shortages/excess etc., and the effects of reduction of inventory to realisable value. | | |
| (iii) Quantities of consumption, production, opening and closing stock of fabrics is in metres and in pieces while that of raw material and other materials are in Kilograms. | | |
| 8 There are no delays in payment to Micro Small & Medium Enterprises as required to be disclosed under the Micro Small & Medium Enterprises Development Act, 2006. | | |

The above information and that given in Schedule VIII- Current Liabilities regarding micro, small & medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

9 Segmental Reporting :

In accordance with the Accounting Standard - 17 on "Segment Reporting", issued by the institute of Chartered Accountants of India, the Company has identified two reportable business segments i.e manufacture of home furnishing items and trading of assorted items, which are regularly evaluated by the Management. The manufactured items comprises Durries, Made ups, Cushion covers, Carpets etc.

The traded items comprises Coir Mats, Rubber Doormat, Rubber Pin Mats and others

The following table gives the information on segment revenue and segmental results for the year ended 31.03.2007

| Particulars | Year ended 31.03.2008 | | | Year ended 31.03.2007 | | |
|--|-----------------------|-----------------|----------------------|-----------------------|-----------------|----------------------|
| | Manufactured Products | Traded Products | (Rs. in Lacs) Total | Manufactured Products | Traded Products | (Rs. in Lacs) Total |
| 1) Segment Revenue | 12,605 | - | 12,605 | 12,313 | 174 | 12,487 |
| 2) Segment Results | 1,282 | - | 1,282 | 1,350 | 5 | 1,355 |
| Operating Profit Before Interest & Tax | | | 1,282 | | | 1,355 |
| Less: Interest Expense | | | 566 | | | 567 |
| Profit: Before Tax | | | 716 | | | 788 |
| Less: Provision for Current tax | | | 82 | | | 93 |
| Less: Provision for Deferred tax | | | 102 | | | 266 |
| Less: Provision for FBT | | | 16 | | | 8 |
| Less: Prior Period Adjustments | | | 7 | | | 4 |
| Profit After Tax | | | 510 | | | 417 |

10 Related Party Disclosures

a) List of Related Parties Relationship

| Name of the party | Relationship |
|--------------------------------|--|
| 1 V.R.Woodart Ltd | Associate |
| 2 Aunde Faze Three Autofab Ltd |do..... |
| 3 Instyle Investments Pvt.Ltd |do..... |
| 4. Faze Three Netherland B.V. | wholly owned subsidiary |
| 5. Pana Textile GmbH | subsidiary of Faze Three Netherland B.V. |

b) Key Management Personnel

| | |
|---------------------|------------------------------|
| 1 Mr.Ajay Anand | Chairman & Managing Director |
| 2 Mrs. Rashmi Anand | Whole-time Director |
| 3 Mr.Sanjay Anand |do..... |
| 4 Mr. G. G. Prabhu | Executive Director |

c) Relatives of Key Management Personnel

| | |
|------------------|----------------------------|
| Mr. B.L.Anand | Father of Mr.Ajay Anand |
| Ms. Rohina Anand | Daughter of Mr. Ajay Anand |

| d) Related Party Transaction | Year ended 31.03.2008 Rupees | Period ended 31.03.2007 Rupees |
|------------------------------|------------------------------------|--------------------------------------|
| 1 Purchase of goods | | |
| V. R. Woodart Ltd | - | 16,922,957 |
| Aunde Faze Three Autofab Ltd | 19,442,684 | 80,708,038 |
| 2 Sale of goods | | |
| Aunde Faze Three Autofab Ltd | 55,282,417 | 161,075,542 |
| 3 Jobwork Income | | |
| Aunde Faze Three Autofab Ltd | 11,510,667 | 14,450,040 |
| 4 Sales of DEPB License | | |
| Aunde Faze Three Autofab Ltd | 5,252,792 | 8,753,421 |
| 5 Interest paid | | |
| Aunde Faze Three Autofab Ltd | 1,159,075 | 58,904 |
| Ajay Anand | 194,819 | 384,822 |
| B. L. Anand | - | 13,000 |
| Rashmi Anand | 8,754 | 93,973 |
| Rohina Anand | - | 58,191 |
| G. G. Prabhu | 79,537 | - |
| L. G. Prabhu | 62,178 | - |
| 6 Finance Taken | | |
| Aunde Faze Three Autofab Ltd | 5,000,000 | 5,000,000 |
| Ajay Anand | 5,500,000 | 3,300,000 |
| Rashmi Anand | 300,000 | 1,000,000 |
| Rohina Anand | - | 900,000 |
| G. G. Prabhu | 1,300,000 | 0 |
| L. G. Prabhu | 1,600,000 | 0 |
| 7 Interest Received | | |
| Aunde Faze Three Autofab Ltd | 5,435,507 | 6,073,479 |
| 8 Managerial Remuneration | | |
| Ajay Anand | 3,961,301 | 3,491,094 |
| Rashmi Anand | 1,305,360 | 1,065,360 |
| Sanjay Anand | 1,461,942 | 1,251,880 |
| G. G. Prabhu | 460,000 | 0 |

23rd Annual Report 2007-2008



11 Earning Per Share

Earning per share computed in accordance with Accounting Standard 20: " Earning Per Share "

Basic Earnings Per Share

| | | |
|---|-------------------|------------|
| Profit after tax as per Accounts is Rs. | 50,996,669 | 41,717,625 |
| Number of Shares | 12,188,797 | 12,188,797 |
| Basic and Diluted EPS (Rs.) | 4.18 | 3.42 |

12 Deferred Tax:

Major components of Deferred tax Assets and Deferred Tax Liabilities

| | | |
|---------------------|------------|-----|
| Deferred Tax Assets | NIL | NIL |
|---------------------|------------|-----|

Deferred Tax Liabilities

Difference between Book Value of Depreciable Assets as

per books of account and Written Down Value for the purposes

| | |
|-------------------|------------|
| 95,817,504 | 85,604,587 |
|-------------------|------------|

Net Deferred Tax Liability

| | |
|-------------------|------------|
| 95,817,504 | 85,604,587 |
|-------------------|------------|

Deferred Tax Liability as at 01.04.2007

| | |
|-------------------|------------|
| 85,604,587 | 58,985,819 |
|-------------------|------------|

Net Incremental Liability charged to Profit & Loss Account

| | |
|-------------------|------------|
| 10,212,917 | 26,618,768 |
|-------------------|------------|

13 Employee Benefit

- Company does not have scheme for encashment of earned leave.

The Company contributes to the Government Provident Fund Scheme towards provident fund dues of its employees short term employee benefits are recognised as an expense at the undiscounted amount in the profit & loss account of the year in which the related service is rendered.

14 Previous period's figures have been regrouped / reclassified wherever necessary, to make them comparable with current period's figures.

15 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I REGISTRATION DETAILS:

| | | |
|------------------|---|--------------------------------------|
| Registration No. | : | 35032 |
| State Code | : | 11 |
| Balance Sheet | : | 31st March 2008 (Rs.in Thousands) |

II CAPITAL RAISED DURING THE YEAR:

| | | |
|-------------------|---|-----|
| Public Issue | : | Nil |
| Rights Issue | : | Nil |
| Private Placement | : | Nil |
| Bonus Issue | : | Nil |

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:

| | | |
|-------------------|---|---------|
| Total Liabilities | : | 1941590 |
| Total assets | : | 1941590 |

SOURCES OF FUNDS:

| | | |
|--------------------|---|--------|
| Paid up Capital | : | 121888 |
| Reserves & Surplus | : | 588804 |
| Secured Loans | : | 649845 |
| Unsecured Loans | : | 485236 |
| Deferred Tax | : | 95818 |

APPLICATION OF FUNDS:

| | | |
|--------------------|---|--------|
| Net Fixed Assets | : | 984701 |
| Investments | : | 58343 |
| Net Current Assets | : | 895560 |
| Misc. Expenditure | : | 2986 |
| Accumulated Losses | : | NIL |

IV PERFORMANCE OF THE COMPANY:

| | | |
|-------------------------------|---|---------|
| Turnover [incl. Other Income] | : | 1304313 |
| Total Expenditure | : | 1232711 |
| Profit/(Loss) Before Tax | : | 71602 |
| Profit/(Loss) After Tax | : | 50997 |
| Earning Per Share (Rs.) | : | 4.18 |
| Dividend Rate | : | 0% |

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY [AS PER MONETARY TERMS]:

| Item Code No. [ITC Code] | Product Description |
|--------------------------|-----------------------------|
| 5514 / 5209 | Woven Fabrics |
| 5703 | Carpets and Floor coverings |

SIGNATURES TO THE ACCOUNTS AND SCHEDULES I TO XVIII

As per our report of even date attached
For THAKUR VAIDYANATH AIYAR & CO.
 Chartered Accountants

For FAZE THREE LIMITED

C.V. PARAMESWAR
 Partner
 M.No.11541

AJAY ANAND
 MANAGING DIRECTOR

RASHMI ANAND
 DIRECTOR

G.G. PRABHU
 EXECUTIVE DIRECTOR

Place : Mumbai
 Dated: 30th September 2008

MARTIN GOLLA
 VP-LEGAL & COMPANY SECRETARY

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY- FAZE THREE NETHERLANDS B.V.**

| PARTICULARS | |
|--|-------------------------------------|
| Financial year of the subsidiary company ended on | 31.03.2008 |
| No. of Equity Shares held by Faze Three limited in the subsidiary as at 31.03.2008 | 20,000 Equity Shares of 1 Euro each |
| Extent of Interest of Faze Three Limited in the capital of the subsidiary company | 100% |
| Net aggregate amount of Profit / Losses of the Subsidiary so far as if concerns the Members of FAZE THREE LIMITED and is not dealt with the Company's accounts of FAZE THREE LIMITED | |
| Profits/(Loss) of the Subsidiary for the Financial year ended on 31st March, 2008 | Rs. (1035590.45) |
| Profit / Losses for the previous Financial year of the Subsidiary since it became Subsidiary of FAZE THREE LIMITED. | N.A. |
| Net aggregate amount of Profit / Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of FAZE THREE LIMITED. | |

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL
STATEMENTS OF FAZE THREE LIMITED AND ITS SUBSIDIARY**

1. We have audited the attached consolidated Balance Sheet of **Faze Three Limited** and its subsidiary (collectively referred to as the Group), as at 31st March, 2008 and also the consolidated Profit and Loss Account and the consolidated Cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Faze Three Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of the subsidiary (Faze Three Netherlands B.V.), whose financial statements reflect the total assets of Rs.24.66 lacs as at 31st March, 2008 and related cash outflow for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiary have been audited by the other auditor whose report has been furnished to us, and our opinion, in so far as it related to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditor.
4. *The consolidated financial statement prepared by Faze Three Limited's management have not considered the accounts of Pana Textile GmbH which is a subsidiary of Faze Three Netherlands B.V. holding 76% interest, which in turn is a subsidiary of Faze Three Limited. As the company is in the process of obtaining an exemption from Central Government for not including the same. However the company has included the financial data of the above subsidiary under notes to the consolidated account (refer note 14)*
5. Subject to our comments in paragraph 4 above, we report that the consolidated financial statements have been prepared by Faze Three Limited's management in accordance with the requirements of Accounting Standard 21, issued by the Institute of Chartered Accountants of India notified by the Companies (Accounting Standards) Rules 2006.
6. Based on our audit and on consideration of the report of other auditor on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanation given to us, the attached 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 state of affairs of the Group as at 31st March, 2008;
 - b. In the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c. In the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For THAKUR VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 15th November, 2008

23rd Annual Report 2007-2008



BALANCE SHEET as at March 31, 2008

| | Schedule | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|---|----------|--------------------------------------|--------------------------------------|
| I SOURCES OF FUNDS | | | |
| 1. Shareholder's Funds | | | |
| (a) Share Capital | I | 121,887,974 | 121,887,974 |
| (b) Reserves and Surplus | II | 587,877,127 | 538,136,561 |
| 2. Loan Funds | | | |
| (a) Secured Loans | III | 649,845,332 | 445,881,699 |
| (b) Unsecured Loans | IV | 485,235,531 | 434,181,154 |
| 3. Deferred Tax Liability for the year | | | |
| | | 85,604,587 | 58,985,819 |
| | | 10,212,917 | 26,618,768 |
| | | <u>1,940,663,466</u> | <u>1,625,691,975</u> |
| II APPLICATIONS OF FUNDS | | | |
| 1. Fixed Assets | | | |
| (a) Gross Block | V | 1,065,467,724 | 967,015,474 |
| (b) Less: Depreciation | | 205,756,330 | 163,314,692 |
| (c) Net Block | | <u>859,711,394</u> | <u>803,700,782</u> |
| (d) Capital Work-in-progress Including Advances | | 124,989,964 | 21,765,593 |
| 2. Investments | | | |
| | VI | 58,451,719 | 57,199,769 |
| 3. Current Assets, Loans & Advances | | | |
| Less: Current Liabilities & Provisions | VII | 1,095,732,528 | 901,212,249 |
| | VIII | 201,208,322 | 166,812,731 |
| Net Current Assets | | <u>894,524,204</u> | <u>734,399,518</u> |
| 4. Miscellaneous Expenditure [To the extent not written off or adjusted] | | | |
| | IX | 2,986,183 | 8,626,313 |
| | | <u>1,940,663,466</u> | <u>1,625,691,975</u> |
| SIGNIFICANT ACCOUNTING POLICIES | XVIII | | |
| NOTES FORMING PART OF ACCOUNTS | XIX | | |

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
Chartered Accounts

For and on behalf of the Board

C. V. Parmeswar
Partner

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
 Dated : 15th November' 2008

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st March 2008**

| | Schedule | Current Year [Rupees] | Previous Year [Rupees] |
|---|----------|--------------------------|---------------------------|
| INCOME | | | |
| (a) Sales | X | 1,118,386,872 | 1,168,298,151 |
| (b) Other Income | XI | 142,139,512 | 80,411,653 |
| (c) Increase / (Decrease) in Stocks | XII | 43,786,910 | 65,279,366 |
| | | <u>1,304,313,294</u> | <u>1,313,989,170</u> |
| EXPENDITURE | | | |
| (a) Material Cost | XIII | 616,039,289 | 712,625,516 |
| (b) Employees Cost | XIV | 120,245,295 | 98,899,206 |
| (c) Operating Expenses | XV | 192,757,188 | 178,434,321 |
| (d) Admn. & Selling Expenses | XVI | 203,534,113 | 149,340,847 |
| (e) Interest [Net] | XVII | 56,566,142 | 56,702,250 |
| (f) Depreciation | V | 44,604,878 | 39,208,454 |
| | | <u>1,233,746,905</u> | <u>1,235,210,594</u> |
| PROFIT BEFORE TAX | | <u>70,566,389</u> | <u>78,778,576</u> |
| Provision for Income Tax | | 8,182,995 | 9,250,000 |
| Provision for Fringe Benefit Tax | | 1,550,000 | 824,754 |
| Provision for Deferred Tax | | 10,212,917 | 26,618,768 |
| Prior Period Adjustments | | 659,399 | 367,429 |
| PROFIT AFTER TAX | | <u>49,961,078</u> | <u>41,717,625</u> |
| Add: Balance Brought Forward from Previous Year | | 14,648,304 | 10,043,019 |
| Profit available for appropriation | | <u>64,609,382</u> | <u>51,760,644</u> |
| APPROPRIATIONS: | | | |
| Proposed Dividend | | - | 14,626,557 |
| Dividend Tax | | - | 2,485,783 |
| Transferred to General Reserve. | | 40,000,000 | 20,000,000 |
| Balance Carried to Balance Sheet | | 24,609,382 | 14,648,304 |
| | | <u>64,609,382</u> | <u>51,760,644</u> |
| Earning per Share [Basic & Diluted] | | 4.10 | 3.42 |
| SIGNIFICANT ACCOUNTING POLICIES | XVIII | | |
| NOTES FORMING PART OF ACCOUNTS | XIX | | |

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
Chartered Accounts

For and on behalf of the Board

C. V. Parmeswar
Partner

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 15th November' 2008

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2008(Rs in Lakhs)

| | Year ended 31st March 2008 | Year ended 31st March 2007 |
|---|-------------------------------|-------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit before tax & extra ordinary items | 699.07 | 784.11 |
| Adjustments for: | | |
| Depreciation | 446.05 | 392.08 |
| Interest(Net) | 565.66 | 567.02 |
| Miscellaneous Exp w/off | 56.40 | 55.25 |
| Adjustment on Consolidation | 1.09 | 0.00 |
| Loss/(Profit) on sale of Assets | 0.73 | (0.48) |
| Loss/(Profit) on sale of Investments | 4.92 | (3.66) |
| Operating profit before working capital changes | <u>1,773.92</u> | <u>1794.32</u> |
| Adjustments for | | |
| Trade & other receivables | (3,372.11) | (437.02) |
| Inventories | (793.30) | (577.10) |
| Trade payables | 515.08 | 601.19 |
| Cash generated from operations | <u>(1,876.41)</u> | <u>1381.39</u> |
| Direct taxes paid | (84.74) | (99.58) |
| Cash flow before extra ordinary items | <u>(1,961.15)</u> | <u>1281.81</u> |
| Extraordinary items | - | 0.00 |
| Net cash from operating activities (A) | <u>(1,961.15)</u> | <u>1281.81</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets & Capital Work in process | (2,044.79) | (1314.08) |
| Sale of Fixed assets | 3.83 | 2.88 |
| Purchase of Investments | (13.22) | 4.17 |
| Sale of Investments | 5.62 | - |
| Loans | - | 0.00 |
| Net cash used in investing activities (B) | <u>(2,048.56)</u> | <u>(1307.03)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share capital including Share Premium | 2,550.18 | 3063.22 |
| Borrowings (Net) | (565.66) | (567.02) |
| Interest(Net) | (171.11) | (138.98) |
| Dividend paid, including Dividend Tax | - | - |
| Net cash from Financing activities (C) | <u>1,813.41</u> | <u>2,357.22</u> |
| CASH & CASH EQUIVALENTS(OPENING) | <u>2,409.28</u> | <u>77.28</u> |
| ADD: NET INCREASE/(DECREASE) IN CASH/ CASH EQUIVALENTS(A+B+C) | <u>(2,196.30)</u> | <u>2332.00</u> |
| CASH & CASH EQUIVALENTS(CLOSING) | <u>212.98</u> | <u>2409.28</u> |

(NOTE: Figures in bracket signifies 'Outflow')

As per our report of even date attached

For **THAKUR VAIDYANATH AIYAR & CO.**
CHARTERED ACCOUNTANTS

C V PARAMESWAR
PARTNER
M.No.11541

Place : Mumbai
Dated :15th November 2008

AJAYANAND
MANAGING DIRECTOR

G.G. PRABHU
EXECUTIVE DIRECTOR

RASHMI ANAND
DIRECTOR

MARTIN GOLLA
VP-LEGAL & COMPANY SECRETARY

**SCHEDULES TO THE ACCOUNTS
AS AT 31st March 2008**

| | |
|------------------------|------------------------|
| As At | AsAt |
| 31st March 2008 | 31st March 2007 |
| [Rupees] | [Rupees] |

SCHEDULE - I
SHARE CAPITAL

Authorised :

 1,70,00,000 (8,50,00,000) Equity Shares of Rs.10 Each
(Previous Year Rs.2/- each)

170,000,000

170,000,000

170,000,000

170,000,000

Issued, Subscribed & Paid up

 1,21,88,797 (6,09,43,985) Equity Shares of Rs.10 Each
(Previous Year Rs.2/- each)

121,887,974

121,887,974

121,887,974

121,887,974

SCHEDULE - II
RESERVES & SURPLUS
Revaluation Reserve

Balance as per last balance sheet

19,402,038

19,731,119

Less : Depreciation on revalued amount of fixed assets

329,081

329,081

19,072,957

19,402,038

Security Premium Account

Balance as per last balance sheet

31,273,767

53,750,381

Less: FCCB issue Expenses

22,476,614

31,273,767

31,273,767

General Reserve

Balance as per last balance sheet

419,480,760

399,480,760

Add: Transfer from Profit & Loss Account

40,000,000

20,000,000

459,480,760

419,480,760

Capital Reserve

Balance as per last balance sheet

53,331,692

53,331,692

Add: Addition during the year

108,570
53,440,262

53,331,692

Surplus in Profit & Loss Account
24,609,382

14,648,304

587,877,127

538,136,561

23rd Annual Report 2007-2008



| SCHEDULES CONTD. | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|---|--------------------------------------|--------------------------------------|
| SCHEDULE - III | | |
| SECURED LOANS | | |
| From Bank : | | |
| Term Loan | 212,187,960 | 260,071,960 |
| (Secured by EMT of Land & Bldg and Hypothecation of Plant and Machineries and other Movable fixed assets in respect of the expansion / new projects, as prime security, collateral security by way of extension of first collateral charge on the existing fixed assets to the term loan, personal guarantee of the of the Managing Director and a corporate guarantee) | | |
| Packing Credit | 279,806,040 | 128,703,536 |
| Other Cash Credit | 2,431,886 | 2,524,899 |
| Advance Against Export Bills | 148,654,521 | 48,339,674 |
| (Secured by hypothecation of Stock, Book Debts & Personal guarantee of the Managing Director & Corporate Gurantee and also secured by charge on Fixed Assets of the company at Panipat/ Retail outlet at Mumbai) | | |
| Bill discounting for purchase of assets | - | 131,168 |
| (Secured against Hypothecation of D.G. Set) | | |
| Other loans | 6,764,925 | 6,110,462 |
| [Secured against hypothecation of Vehicles] | | |
| | 649,845,332 | 445,881,699 |
| SCHEDULE - IV | | |
| UNSECURED LOANS | | |
| 8,000 1.5% Foreign Currency Convertible Bonds of USD 1,000 each, totalling to USD 8 Million | 348,720,000 | 348,720,000 |
| Short term loans & advances | | |
| From Company / Firms / Others | 131,715,531 | 85,461,154 |
| From Directors | 4,800,000 | - |
| | 485,235,531 | 434,181,154 |

WHOLE COMPANY CONSOLIDATED - APRIL 2007 TO MARCH 2008

SCHEDULE - V

FIXED ASSETS

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | |
|-------------------------|-----------------------|--------------------------|---------------------|-------------------------|-----------------------|------------------------------|---|--------------------|-----------------------|-----------------------|-----------------------|
| | AS AT | DEDUCTIONS/ ADDITIONS | AS AT TRANSFERS | AS AT 31.03.08 | AS AT 1.04.07 | ADJ. ON ITEMS SOLD/TRANSF | ON REVALUED AMT | | AS AT 31.03.08 | AS AT 31.03.08 | AS AT 31.03.07 |
| | 1.04.07 | | | | | | FOR THE TAKEN TO REVAL- YEARUATION RESERVE | YEARUATION RESERVE | | | |
| LAND - FREEHOLD | 40,701,907.14 | 2,157,587.00 | - | 42,859,494.14 | - | - | - | - | - | 42,859,494.14 | 40,701,907.14 |
| LAND - LEASEHOLD | 12,185,986.58 | - | - | 12,185,986.58 | - | - | - | - | - | 12,185,986.58 | 12,185,986.58 |
| BUILDING | 343,999,380.12 | 29,833,714.54 | - | 373,833,094.66 | 51,898,969.64 | - | 10,660,866.50 | 329,081.00 | 62,888,917.14 | 310,944,177.52 | 292,100,410.48 |
| PLANT & MACHINERY | 447,106,661.06 | 47,474,498.27 | 83,700.00 | 494,497,459.33 | 61,668,681.88 | 1,057.00 | 21,901,673.35 | - | 83,569,298.23 | 410,928,161.10 | 385,437,979.18 |
| FURNITURE & FIXTURES | 40,144,447.12 | 7,613,561.99 | 23,400.00 | 47,734,609.11 | 16,057,625.20 | 7,795.00 | 2,624,907.22 | - | 18,674,737.41 | 29,059,871.70 | 24,086,821.92 |
| OFFICE EQUIPMENTS | 5,466,761.38 | 1,792,195.48 | - | 7,258,956.86 | 1,490,080.40 | - | 310,168.60 | - | 1,800,249.00 | 5,458,707.86 | 3,976,680.98 |
| COMPUTERS | 12,693,932.83 | 4,293,637.18 | - | 16,987,570.01 | 8,570,198.75 | - | 2,415,903.89 | - | 10,986,102.64 | 6,001,467.37 | 4,123,734.08 |
| ELECTRICAL INSTALLATION | 39,749,970.74 | 1,448,312.50 | - | 41,198,283.24 | 9,049,296.77 | - | 2,115,495.01 | - | 11,164,791.78 | 30,033,491.46 | 30,700,673.97 |
| VEHICLES | 24,966,427.37 | 6,641,161.00 | 1,012,897.00 | 30,594,691.37 | 14,579,839.86 | 801,048.00 | 4,575,863.41 | - | 18,354,655.27 | 12,240,036.10 | 10,386,587.51 |
| TOTAL | 967,015,474.34 | 101,254,667.96 | 1,119,997.00 | 1,067,150,145.30 | 163,314,692.49 | 809,900.00 | 44,604,877.98 | 329,081.00 | 207,438,751.47 | 859,711,393.83 | 803,700,781.85 |
| PREVIOUS YEAR | 835,562,979.00 | 133,110,323.00 | 1,657,828.00 | 967,015,474.00 | 125,043,020.00 | 984,669.00 | 39,359,674.00 | (103333.00) | 163,314,692 | 803,700,782 | 710,519,960.00 |

46

23rd Annual Report 2007-2008



| SCHEDULES CONTD. | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|--|--------------------------------------|--------------------------------------|
| SCHEDULE - VI | | |
| INVESTMENTS (NON TRADE) (AT COST) LONG TERM | | |
| Unit Trust of India - 6.75% Tax free US 64 Bonds 424 (424) units bonds | 42,400 | 42,400 |
| Quoted | | |
| Canara Bank 5500 (9000) Equity shares of Rs.10 each Market Value Rs. 12,38,600/- (Rs.24,33,870/-) | 192,500 | 262,500 |
| V. R. Woodart Ltd *14,56,612 (14,56,612) Equity shares of Rs.10 each Market Value Rs. 15,29,443/- (Rs.18,20,765/-) | 11,669,869 | 11,669,869 |
| Unquoted | | |
| V. R. Woodart Ltd 4,52,000 (4,52,000) 5% Preference Shares of Rs.100 each fully paid up | 45,200,000 | 45,200,000 |
| Saraswat Co-operative Bank Ltd 2500 (2500) Equity shares of Rs.10 each fully paid up | 25,000 | 25,000 |
| Investment in Foreign Subsidiary | | |
| Pana Textil GmbH 19000 (Nil) Equity Share of Euro 1.00 each | 1,321,950 | |
| TOTAL | <u>58,451,719</u> | <u>57,199,769</u> |
| SCHEDULE - VII | | |
| CURRENT ASSETS, LOANS & ADVANCES | | |
| CURRENT ASSETS: | | |
| Interest Accrued but not due | 365,305 | 825,933 |
| STOCK IN TRADE: | | |
| [At cost/Estimated cost or at lower of cost or net realisable value (as certified by Director) as the case may be] | | |
| Dyes & Chemicals | 1,298,652 | 3,950,622 |
| Spares & Stores | 8,875,872 | 7,776,718 |
| Raw Material | 153,199,190 | 106,530,151 |
| Finished Goods | 204,133,372 | 170,936,150 |
| Work in process | 45,469,638 | 44,452,979 |
| | <u>412,976,724</u> | <u>333,646,620</u> |
| SUNDRY DEBTORS: | | |
| (Unsecured Considered Good) | | |
| Over Six months | 11,593,219 | - |
| OTHERS : | 351,258,088 | 147,038,743 |
| | <u>362,851,307</u> | <u>147,038,743</u> |
| Less : Provision for doubtful debts | 192,193 | - |
| | <u>362,659,114</u> | <u>147,038,743</u> |

| SCHEDULES CONTD. | As At 31st March 2008 [Rupees] | As At 31st March 2007 [Rupees] |
|---|---|---|
| CASH & BANK BALANCES : | | |
| Cash on Hand | 720,378 | 582,654 |
| Balance with Scheduled Bank : | - | |
| On Current Account | 12,311,950 | 29,612,857 |
| On EEFC Account | 226,997 | 226,997 |
| On Deposit Account | 8,039,004 | 210,506,711 |
| | <u>21,298,329</u> | <u>240,929,219</u> |
| LOANS & ADVANCES : | | |
| Advances recoverable in cash or in kind or for value to be recd. | - | |
| Unsecured - Considered Good | 282,701,402 | 159,937,446 |
| Deposits | 4,197,830 | 4,910,938 |
| | <u>286,899,232</u> | <u>164,848,384</u> |
| Less : Provision for doubtful advances | - | - |
| Advance Income Tax (Net of Provisions) | 286,899,232 | - |
| | <u>11,533,824</u> | <u>13,923,350</u> |
| | <u>1,095,732,529</u> | <u>901,212,249</u> |
| (* Includes Rs.648.00 lacs (Rs.594.00 lacs) being loan advanced to joint venture company Aunde Faze Three Ltd a company under the same management.) | | |
| SCHEDULE - VIII | | |
| CURRENT LIABILITIES AND PROVISION | | |
| A) CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| : Small scale industrial undertaking (Refer Note 8 on Schedule XIX) | | |
| : Others | 162,517,465 | 162,517,465 |
| Other Liabilities | 38,690,857 | 38,690,857 |
| | | 123,240,408 |
| | | 26,459,983 |
| B) PROVISIONS | | |
| Proposed Dividend | | - |
| Corporate Dividend Tax | | 14,626,557 |
| | | 2,485,783 |
| | <u>201,208,322</u> | <u>166,812,731</u> |
| SCHEDULE - IX | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenditure | 2,986,183 | 8,626,313 |
| | <u>2,986,183</u> | <u>8,626,313</u> |

23rd Annual Report 2007-2008



| SCHEDULES CONTD. | Current Year [Rupees] | Previous Year [Rupees] |
|---------------------------------------|--------------------------|---------------------------|
| SCHEDULE - X | | |
| SALES | | |
| Export | 1,054,999,198 | 974,579,703 |
| Local | 63,387,674 | 193,718,448 |
| | <u>1,118,386,872</u> | <u>1,168,298,151</u> |
| SCHEDULE - XI | | |
| OTHER INCOME | | |
| Export Incentives | 110,526,111 | 29,838,118 |
| Dividend | 5,931 | 60,600 |
| Miscellaneous Income : | 13,622,511 | 18,806,058 |
| Profit on Sale of Investment | 492,450 | - |
| Gain on EEFC Account | 17,492,509 | 31,706,877 |
| | <u>142,139,512</u> | <u>80,411,653</u> |
| SCHEDULE - XII | | |
| INCREASE / DECREASE IN STOCK : | | |
| Closing Stock : | | |
| Finished Goods | 213,706,401 | 170,936,150 |
| WIP | 45,469,638 | 44,452,979 |
| | <u>259,176,039</u> | <u>215,389,129</u> |
| Less : Opening Stock | | |
| Finished Goods | 170,936,150 | 131,236,048 |
| WIP | 44,452,979 | 18,873,715 |
| | <u>215,389,129</u> | <u>150,109,763</u> |
| | <u>43,786,910</u> | <u>65,279,366</u> |
| SCHEDULE - XIII | | |
| MATERIALS | | |
| MATERIALS CONSUMED : | | |
| Opening Stock | 106,530,151 | 117,850,344 |
| Add : Purchases | 653,135,299 | 681,016,489 |
| | <u>759,665,450</u> | <u>798,866,833</u> |
| Less : Closing Stock | 143,626,161 | 106,530,151 |
| | <u>616,039,289</u> | <u>692,336,682</u> |
| Purchase of finished Goods | | 20,288,834 |
| Purchase of finished Goods | - | 20,288,834 |
| | <u>-</u> | <u>-</u> |
| SCHEDULE - XIV | | |
| EMPLOYEES COST | | |
| Salaries & Wages | 107,648,731 | 90,669,255 |
| Contribution to Provident Fund & ESIC | 6,669,963 | 5,203,919 |
| Staff Welfare Expenses | 5,926,601 | 3,026,032 |
| | <u>120,245,295</u> | <u>98,899,206</u> |

| SCHEDULES CONTD. | As At Current Year [Rupees] | As At Previous Year [Rupees] |
|---|-----------------------------------|------------------------------------|
| SCHEDULE - XV | | |
| OPERATING EXPENSES : | | |
| Excise Duty | 3,943,856 | 20,146,623 |
| Sewing, Stitching, Processing & Finishing Charges | 85,619,111 | 67,696,923 |
| Fabric Printing Charges | 302,808 | |
| Repairs & Maintenance : | | |
| Plant & Machinery | 7,018,622 | 3,851,087 |
| Buildings | 2,230,155 | 1,911,107 |
| Others | 2,037,399 | 4,512,760 |
| Power and Fuel | 62,217,649 | 48,508,788 |
| Stores & Spares Consumed | 24,651,439 | 28,096,289 |
| Loom Accessories | 861,911 | 579,532 |
| Other Mfg. exp. | | |
| Effluent Treatment Plant Expenses | 3,874,238 | 3,131,212 |
| | <u>192,757,188</u> | <u>178,434,321</u> |
| SCHEDULE - XVI | | |
| ADMINISTRATIVE AND SELLING EXPENSES : | | |
| Donation | 211,169 | 350,208 |
| Rent Rates & Taxes | 1,744,224 | 1,888,234 |
| Loss on Sale of Assets | - | 6,031 |
| P.F Administration Charges | 242,439 | 326,784 |
| Auditors Remuneration | 377,810 | 315,000 |
| Travelling & Conveyance Expenses | 17,862,907 | 11,469,324 |
| Legal & Professional Fees | 27,657,050 | 15,194,322 |
| Insurance | 4,834,288 | 5,078,009 |
| Miscellaneous Expenses | 26,742,207 | 13,337,614 |
| Directors Sitting Fees | 38,000 | 11,000 |
| Clearing & Forwarding Expenses | 67,704,770 | 55,239,916 |
| Packing Material Expenses | 44,402,510 | 36,413,130 |
| Commission & Service Charges | 1,698,367 | 1,542,953 |
| Business Promotion Expenses | 3,929,129 | 7,794,981 |
| Other Selling & Distribution Expenses | 6,089,242 | 373,341 |
| | <u>203,534,113</u> | <u>149,340,847</u> |
| SCHEDULE XVII | | |
| INTEREST [NET] | | |
| Interest on Bank Borrowings and Bank charges | 36,344,822 | 64,690,510 |
| Interest - Others (includes Rs.203,573/- (Rs.478,595/-) to Directors) | 42,235,076 | 13,046,811 |
| | <u>78,579,898</u> | <u>77,737,321</u> |
| Less : Interest Received | 22,013,756 | 21,035,071 |
| | <u>56,566,142</u> | <u>56,702,250</u> |

SCHEDULE XVIII

SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis and in accordance with requirement of Companies Act, 1956.

2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statement relates to Faze Three Limited (the company) and its subsidiary. The consolidated financial statement have been prepared on the following basis:

* The financial statements of the company and its subsidiary have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income, and expenses after fully eliminated intra group balance and intra group transaction resulting in unrealized profits or losses.

* The consolidated financial statement have been prepared using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

3) FIXED ASSETS:

a) Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all cost relating to the acquisitions and installation of fixed assets.

b) Capital work in progress includes all cost relating to the capital expenditure incurred on the projects

4) DEPRECIATION:

Depreciation on original cost has been provided under the Straight Line Method at the rates provided by Schedule XIV to the Companies Act, 1956 except for Motor Vehicles, which is charged on W.D.V. method. In the case of revalued asset, depreciation is charged on revalued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the revalued amount it is adjusted against the Revaluation Reserve.

Loom accessories, which are of replacement in nature, are expensed.

5) INVESTMENTS:

Investments are considered as long term and are accordingly stated at cost. Provision for diminution in the value of long-term investments is made only, if such decline is other than temporary.

6) INVENTORIES:

a) Raw Materials are valued at cost or net realizable value whichever is lower.

b) Work-in-process are valued at cost or net realizable value whichever is lower.

c) Finished Products are valued at Cost or net realizable value whichever is lower.

Cost of work in process and finished products comprises expenditure incurred in the normal course of business in bringing such inventories to its present locations and includes appropriate overheads based on normal level of activity and excise duty where applicable.

7) SALES:

Sales are inclusive of Excise Duty.

8) FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are translated into Indian Currency at the exchange rate prevailing on the date of transaction. Other monetary assets / liabilities are valued at the rate prevailing on the date of balance sheet. The gain / losses resulting from the settlement of these transactions are recognized in the Profit and Loss Account.

9) RETIREMENT BENEFITS:

Company's contribution to Provident Fund and Family Pension Fund is defined contribution plan and is charged to Profit and Loss Account. There are no other obligations other than the contribution payable to the Recognised Provident Fund Commission.

The Company has covered its Gratuity Liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC.

The company does not have scheme for encashment of earned leave.

10) EARNING IN FOREIGN EXCHANGE:

F.O.B. value of Exports is worked out based on total exports sales less freight and insurance charges incurred thereon.

11) CONTINGENT LIABILITIES:

Liabilities which are of contingent nature, are disclosed by way of Notes and such liabilities, which are likely to mature are provided for.

12) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED:

The expenditure incurred prior to April, 1, 2003 comprising the following are amortized as under:

1. Share issue Expenses - Over period of 10 years.

2. Deferred Revenue Expenditure on product development / publicity and promotion - over a period of 5 years.

13) TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

SCHEDULE XIX
NOTES TO THE FINANCIAL STATEMENTS

- 1 Provision for Taxation has been made considering the eligibility of the Company for benefits under 80IB of the income Tax Act, 1961 and the Minimum Alternate Tax already paid.

| | Year ended 31.03.2008 Rupees | Year ended 31.03.2007 Rupees |
|--|---|---|
| 2 Managerial Remuneration: To Managing Director and Whole-time Directors: Salaries & Allowances | 6,141,400 | 4,686,000 |
| Company's Contribution to Provident Fund | 28,080 | 28,080 |
| Commission | 1,024,345 | 1,094,254 |
| 3 Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956. Profit before Tax as per Profit & Loss Account | 70,566,389 | 78,778,576 |
| Add: | | |
| (a) Depreciation as per Profit & Loss Account | 44,604,878 | 39,208,454 |
| (b) Profit/ (loss) on sale of Fixed Assets as per books | 66,091 | 6,031 |
| (c) Managerial Remuneration | 7,193,825 | 5,808,334 |
| (d) Profit/(loss) on Sale of Investments | 492,450 | ... |
| (e) Provision for Doubtful Debts | ... | ... |
| | 122,923,633 | 123,801,395 |
| Less: | | |
| (a) Depreciation chargeable u/s. 350 | 44,604,878 | 39,208,454 |
| (b) Profit/ (loss) on sale of Fixed Assets u/s. 350 | 66,091 | 53,585 |
| (c) Profit/(loss) on Sale of Investments | 492,450 | 365,951 |
| | 45,163,419 | 39,627,990 |
| Profit on which commission is payable | 77,760,214 | 84,173,405 |
| Commission to Managing Director: At 1% per annum of net profit | 777,602 | 841,734 |
| Commission to Director At 0.3% per annum of net profit | 233,281 | 252,520 |
| | 1,010,883 | 1,094,254 |
| 4 Estimated amount of contracts remaining to be executed on capital account and not provided for | 35,000,000 | 152,269,823 |
| 5 Auditors' remuneration (excluding service tax) : | | |
| Stutory Audit Fees | 300,000 | 275,000 |
| Tax Audit Fees | 50,000 | 40,000 |
| Certification Fees | 25,000 | - |
| Out of Pocket Expenses reimbursed | - | - |
| | 375,000 | 315,000 |
| 6 Contingent Liabilities: | | |
| Bills Discounted | 148,654,521 | 48,339,674 |
| Bank Guarantees | 2,625,000 | 2,250,000 |
| Foreign / Inland Letter of Credits | 25,916,409 | - |
| Corporate Guarantee for loan | - | 37,500,000 |

23rd Annual Report 2007-2008



7 Additional information pursuant to paragraph 3,4(c) and 4(d) of Part II of Schedule VI of the Companies Act, 1956.

Year ended
31.03.2008
Rupees

Year ended
31.03.2007
Rupees

(A) Details of Registered and Installed Capacities,

Actual Production:

| | | | | |
|---------------------------|-------|----|-----------|-----------|
| Installed Capacity (P.A.) | Mtrs. | * | 3,000,000 | 3,000,000 |
| | Pcs | ** | 2,400,000 | 2,400,000 |
| Actual Production | Mtrs. | * | 1,590,054 | 1,765,367 |
| | Pcs | ** | 866,591 | 1,129,981 |

NOTES:

- (1) *The above details relates to Dapada factory
 (2) ** The above details relates to Dadra Factory.
 (3) The above details are not stated for Panipat Factory as it is not applicable.

(B) Turnover:

Class of Goods

Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc.

1,118,386,872

1,168,298,151

Home furnishing wood items and other Traded Products

Rs. NIL ./- (Rs.51,98,565/-)

(C) Itemwise Breakup of opening & closing stock

Opening Stock:

Fabrics / Made-ups

170,936,150

131,236,048

Others (for resale)

-

-

Closing Stock

Fabrics / Made-ups

204,133,372

170,936,150

Others (for resale)

-

-

(D) Raw Material/Intermediate products Consumed:Year ended 31.03.2008Year ended 31.03.2007

| | Qty. Kgs. | Amount Rs. | Qty. Kgs. | Amount Rs. |
|---|--------------|---------------|--------------|---------------|
| Yam | 3,201,451 | 480,217,590 | 3,642,280 | 576,585,764 |
| Other Raw Materials and Intermediate products | | 135,821,699 | | 115,750,918 |

(E) Value of imported and indigenous Raw Materials/Intermediate Products, Stores & Spares consumed and their percentage to total consumption.

| | Amount Rs. | Percentage | Amount Rs. | Percentage |
|--------------------------------------|---------------|------------|---------------|------------|
| 1 Raw material/Intermediate Products | | | | |
| Imported | 106,571,882 | 17.30 | 93,136,113 | 13.45 |
| Indigenous | 509,467,408 | 82.70 | 599,200,569 | 86.55 |
| 2 Stores & Spares | | | | |
| Imported | 2,479,726 | 10.06 | 2,455,775 | 8.74 |
| Indigenous | 22,171,713 | 89.94 | 25,640,514 | 91.26 |

| | | |
|---|-------------|-------------|
| (F) CIF Value of Imports | | |
| (a) Capital Goods | 68,966,322 | 63,462,061 |
| (b) Others | 109,051,607 | 95,591,888 |
| (G) Expenditure in Foreign Currency: | | |
| Travelling and other expenses | 30,005,507 | 7,199,109 |
| (H) Earnings in Foreign Exchange: | | |
| FOB Value of Exports | 987,294,428 | 927,059,278 |
| (I) On account of Dividends to Non-resident Shareholders | | |
| Number of Shareholders | 31 | 46 |
| Number of shares held | 1,796,526 | 8,296,209 |
| Amount remitted | 2,003,933 | 1,659,241 |
| Year for which dividend was remitted | 2006-07 | 2005-06 |
| (i) The relevant information regarding turnover, opening stock and closing stock of Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc., Home/auto Fabrics, Made-ups, other traded products etc. is given only in aggregate and no breakup thereof is given as the items are too numerous to be conveniently grouped. | | |
| (ii) Consumption includes adjustments for shortages/excess etc., and the effects of reduction of inventory to realisable value. | | |
| (iii) Quantities of consumption, production, opening and closing stock of fabrics is in metres and in pieces while that of raw material and other materials are in Kilograms. | | |

8 There are no delays in payment to Micro Small & Medium Enterprises as required to be disclosed under the Micro Small & Medium Enterprises Development Act, 2006.

The above information and that given in Schedule VIII- Current Liabilities regarding micro, small & medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

9 Segmental Reporting :

In accordance with the Accounting Standard - 17 on "Segment Reporting", issued by the institute of Chartered Accountants of India, the Company has identified two reportable business segments i.e manufacture of home furnishing items and trading of assorted items, which are regularly evaluated by the Management. The manufactured items comprises Durries, Made ups, Cushion covers, Carpets etc.

The traded items comprises Coir Mats, Rubber Doormat, Rubber Pin Mats and others

The following table gives the information on segment revenue and segmental results for the year ended 31.03.2007

| Particulars | Year ended 31.03.2008 | | | Year ended 31.03.2007 | | |
|--|-----------------------|-----------------|----------------------|-----------------------|-----------------|----------------------|
| | Manufactured Products | Traded Products | (Rs. In Lacs) Total | Manufactured Products | Traded Products | (Rs. In Lacs) Total |
| 1) Segment Revenue | 12,605 | - | 12,605 | 12,313 | 174 | 12,487 |
| 2) Segment Results | 1,271 | - | 1,271 | 1,350 | 5 | 1,355 |
| Operating Profit Before Interest & Tax | | | 1,271 | | | 1,355 |
| Less: Interest Expense | | | 566 | | | 567 |
| Profit: Before Tax | | | 706 | | | 788 |
| Less: Provision for Current tax | | | 82 | | | 93 |
| Less: Provision for Deferred tax | | | 102 | | | 266 |
| Less: Provision for FBT | | | 16 | | | 8 |
| Less: Prior Period Adjustments | | | 7 | | | 4 |
| Profit After Tax | | | 500 | | | 417 |

10 Related Party Disclosures

a) List of Related Parties Relationship

| Name of the party | Relationship |
|--------------------------------|---|
| 1 V.R.Woodart Ltd | Associate |
| 2 Aunde Faze Three Autofab Ltd |do..... |
| 3 Instyle Investments Pvt.Ltd |do..... |
| 4 Faze Three Netherlands B.V. | Wholly owned subsidiary |
| 5 Pana Textile GmbH | Subsidiary of Faze Three Netherlands B.V. |

b) Key Management Personnel

| | |
|---------------------|------------------------------|
| 1 Mr.Ajay Anand | Chairman & Managing Director |
| 2 Mrs. Rashmi Anand | Whole-time Director |
| 3 Mr.Sanjay Anand |do..... |
| 4 Mr. G. G. Prabhu | Executive Director |

c) Relatives of Key Management Personnel

| | |
|------------------|----------------------------|
| Mr. B.L.Anand | Father of Mr.Ajay Anand |
| Ms. Rohina Anand | Daughter of Mr. Ajay Anand |

d) Related Party Transaction

| | Year ended 31.03.2008 Rupees | Period ended 31.03.2007 Rupees |
|------------------------------|------------------------------------|--------------------------------------|
| 1 Purchase of goods | | |
| V. R. Woodart Ltd | - | 16,922,957 |
| Aunde Faze Three Autofab Ltd | 19,442,684 | 80,708,038 |
| 2 Sale of goods | | |
| Aunde Faze Three Autofab Ltd | 55,282,417 | 161,075,542 |
| Pana Textil GmbH | 8,405,184 | |
| 3 Jobwork Income | | |
| Aunde Faze Three Autofab Ltd | 11,510,667 | 14,450,040 |
| 4 Sales of DEPB License | | |
| Aunde Faze Three Autofab Ltd | 5,252,792 | 8,753,421 |
| 5 Interest paid | | |
| Aunde Faze Three Autofab Ltd | 1,159,075 | 58,904 |
| Ajay Anand | 194,819 | 384,822 |
| B. L. Anand | - | 13,000 |
| Rashmi Anand | 8,754 | 93,973 |
| Rohina Anand | - | 58,191 |
| G. G. Prabhu | 79,537 | - |
| L. G. Prabhu | 62,178 | - |
| 6 Finance Taken | | |
| Aunde Faze Three Autofab Ltd | 5,000,000 | 5,000,000 |
| Ajay Anand | 5,500,000 | 3,300,000 |
| Rashmi Anand | 300,000 | 1,000,000 |
| Rohina Anand | - | 900,000 |
| G. G. Prabhu | 1,300,000 | 0 |
| L. G. Prabhu | 1,600,000 | 0 |
| 7 Finance Given | | |
| Faze Three Netherlands B.V. | 6,503,446 | |
| 8 Interest Received | | |
| Aunde Faze Three Autofab Ltd | 5,435,507 | 6,073,479 |
| 9 Managerial Remuneration | | |
| Ajay Anand | 3,961,301 | 3,491,094 |
| Rashmi Anand | 1,305,360 | 1,065,360 |
| Sanjay Anand | 1,461,942 | 1,251,880 |
| G. G. Prabhu | 460,000 | 0 |

11 Earning Per Share

Earning per share computed in accordance with Accounting Standard 20: " Earning Per Share "

| | | |
|---|------------|------------|
| Basic Earnings Per Share | | |
| Profit after tax as per Accounts is Rs. | 49,961,078 | 41,717,625 |
| Number of Shares | 12,188,797 | 12,188,797 |
| Basic and Diluted EPS (Rs.) | 4.10 | 3.42 |

| | Year ended 31.03.2008 Rupees | Year ended 31.03.2007 Rupees |
|--|------------------------------------|------------------------------------|
| 12 Deferred Tax: Major components of Deferred tax Assets and Deferred Tax Liabilities | | |
| Deferred Tax Assets | NIL | NIL |
| Deferred Tax Liabilities | | |
| Difference between Book Value of Depreciable Assets as per books of account and Written Down Value for the purposes | 95,817,504 | 85,604,587 |
| Net Deferred Tax Liability | 95,817,504 | 85,604,587 |
| Deferred Tax Liability as at 01.04.2007 | 85,604,587 | 58,985,819 |
| Net Incremental Liability charged to Profit & Loss Account | 10,212,917 | 26,618,768 |

- 13 Employee Benefit
Company does not have scheme for encashment of earned leave.
The Company contributes to the Government Provident Fund Scheme towards provident fund dues of its employees short term employee benefits are recognised as an expense at the undiscounted amount in the profit & loss account of the year in which the related service is rendered.

- 14 Consolidation of Subsidiary
The subsidiary considered in the financial statement is Faze Three Netherland B.V.

| Name of Company | Country of Incorporation | % Ownership interest as at 31st March, 2008 | % Ownership interest as at 31st March, 2007 |
|-----------------------------|--------------------------|--|--|
| Faze Three Netherlands B.V. | Netherland | 100.00% | Nil |

Consolidated financial statement do not included the accounts of M/s. Pana Textile GmbH which is subsidiary of the Company's subsidiary Faze Three Netherland B.V.

The Company is in the process of obtaining an exemption from Cental Government for not including the same. However the Company has included the financial data of the above subsidiary as under.

| Sr. No. | PARTICULARS | NAME OF THE SUBSIDIARY PANA TEXTILE GMBH, GERMANY |
|---------|--|---|
| 1 | Financial period of the subsidiary company ended on | 31.03.2008 |
| 2 | Date on which became subsidiary | 20.11.2007 |
| 3 | No. of Equity Shares held by Faze Three Limited in the subsidiary as at 31.03.2008 | Through Faze Three Netherlands BV 19,000 equity shares of Euro 1.0 each |
| 4 | Extent of Interest of Faze Three Limited in the capital of the subsidiary company | 76% |
| 5 | Net aggregate amount of Profit / Losses of the Subsidiary so far as it concerns the Members of FAZE THREE LIMITED and is not dealt with the Company's accounts of FAZE THREE LIMITED | |
| i. | For the year ended 31st March 2008 | Euro 2,709.06 |
| ii. | For the financial year since they became subsidiaries | Euro 2,709.06 |
| 6 | Net aggregate amount of Profit / Losses of the Subsidiary so far as it concerns the Members of FAZE THREE LIMITED and is dealt with the Company's accounts of FAZE THREE LIMITED | |
| | Net aggregate amount of Profit / Losses of the Subsidiary so far as it concerns the Members of FAZE THREE LIMITED and is dealt with the Company's accounts of FAZE THREE LIMITED | Nil |
| | ii. For the financial year since they became subsidiaries | Nil |

15. Previous period's figures have been regrouped / reclassified wherever necessary, to make them comparable with current period's figures.

SIGNATURES TO THE ACCOUNTS AND SCHEDULES I TO XVIII

As per our report of even date attached
For **THAKUR VAIDYANATH AIYAR & CO.**
Chartered Accountants

C.V. PARAMESWAR
Partner
M.No.11541

Place : Mumbai
Dated: 15th November 2008

For **FAZE THREE LIMITED**

AJAY ANAND
MANAGING DIRECTOR

G.G. PRABHU
EXECUTIVE DIRECTOR

RASHMI ANAND
DIRECTOR

MARTIN GOLLA
VP-LEGAL & COMPANY SECRETARY

FAZE THREE LIMITED

Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada -396191 Union Territory of Dadra & Nagar Haveli

Twenty-Third Annual General Meeting

ATTENDANCE SLIP

I certify that I am registered shareholder/Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 23rd Annual General Meeting of FAZE THREE LIMITED held on Thursday, 11th December 2008 at Plot No. 146, Waghdhara Village Road, Dadra - 396 191 Union Territory of Dadra & Nagar Haveli at 12.00 noon

Full Name of the Member _____

(as registered with the Company)

Full name of the Proxy _____

| | | | |
|----------------|--|---------------|--|
| DP ID : | | CLIENT ID : | |
| Regd Folio No. | | No. of Shares | |

| | |
|---------------|--|
| Folio No. | |
| No. of Shares | |

Signature of the Shareholder/Member/Proxy

Notes:

1. Shareholders/Joint Shareholders, Proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the Auditorium.
2. Please bring your copy of the Annual Report to the Meeting venue.
3. Please avoid being accompanied by Non-members and Children.

FAZE THREE LIMITED

Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada -396191 Union Territory of Dadra & Nagar Haveli

PROXY FORM

I/We _____
of _____ being a member of FAZE THREE LIMITED hereby appoint
_____ of _____ or failing
him _____ of _____ or
failing him _____ of _____ as my/our proxy to vote
for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Thursday, 11th December
2008 at at Plot No. 146, Waghdhara Village Road, Dadra - 396 191 Union Territory of Dadra & Nagar Haveli at 12.00 noon
and at any adjournment thereof.

| | | | |
|---------|--|-------------|--|
| DP ID : | | CLIENT ID : | |
|---------|--|-------------|--|

| | |
|---------------|--|
| Folio No. | |
| No. of Shares | |

Affix 1
Rupee
revenue
Stamp

Signed by the said

Note: The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member.

BOOK-POST

To.

If undelivered please return to :

FAZE THREE LIMITED

Corporate Office:

1-2, Shiv Smriti Chambers,

49-A, Dr. Annie Besant Road, Worli,

Mumbai 400 018.