

G
GOKAKTM
TEXTILES LIMITED



Annual Report 2007 - 2008



Range of Products Manufactured from our Yarn



DIRECTORS:	SHAPOOR P. MISTRY PALLONJI S. MISTRY CYRUS P. MISTRY (<i>resigned on 07.07.2008</i>) ASHOK BARAT D. G. PRASAD (<i>Nominee of Export Import Bank of India</i>) H. S. BHASKAR C. G. SHAH HOSHANG S. BILLIMORIA RAMAOTAR GOYAL	<i>Chairman</i> <i>Executive Director & CEO</i>
SECRETARY:	V. K. VORA	<i>Company Secretary</i>
AUDITORS:	Messrs. KALYANIWALLA & MISTRY	
SOLICITORS AND ADVOCATES:	Messrs. UDWADIA & UDESHI (REGD.)	
BANKERS:	PUNJAB NATIONAL BANK STANDARD CHARTERED BANK STATE BANK OF INDIA AXIS BANK LIMITED	
REGISTRARS AND SHARE TRANSFER AGENTS:	TSR DARASHAW LIMITED UNIT: GOKAK TEXTILES LIMITED, 6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE, 20, DR.E.MOSES ROAD, MAHALAXMI, MUMBAI 400 011	
MILLS :	GOKAK FALLS-591 308 (District Belgaum-Karnataka)	
KNITWEAR UNIT:	BAGALKOT ROAD VILLAGE MARIHAL DIST. BELGAUM. KARNATAKA – 591 167	D-190-B, PHASE-VI, FOCAL POINT, LUDHIANA 141010. PUNJAB
REGISTERED OFFICE:	45/3, GOPAL KRISHNA COMPLEX, RESIDENCY CROSS ROAD, BANGALORE - 560025.	

SECOND ANNUAL REPORT 2007-2008

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Annual General Meeting will be held on Saturday, 30th August, 2008 at 2.00 P.M. at Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore - 560 001.

NOTICE

NOTICE is hereby given that the SECOND ANNUAL GENERAL MEETING of the shareholders of GOKAK TEXTILES LIMITED, will be held at Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001 on Saturday, the 30th August, 2008 at 2.00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shapoor P. Mistry who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Pallonji S. Mistry who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Hoshang S. Billimoria, who was appointed as an Additional Director of the Company pursuant to Article 124 of the Articles of Association of the Company, and who holds office under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, upto the date of this Annual General Meeting but being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a Shareholder under Section 257 of the Companies Act, 1956 signifying intention to propose his candidature for the office of Director.
5. To appoint a Director in place of Mr. Ramaotar Goyal, who was appointed as an Additional Director of the Company pursuant to Article 124 of the Articles of Association of the Company, and who holds office under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, upto the date of this Annual General Meeting but being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a Shareholder under Section 257 of the Companies Act, 1956 signifying intention to propose his candidature for the office of Director.
6. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants, as Auditors and to authorise the Board of Directors to fix their remuneration.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:

“RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Murugesh & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division, situate at Marihal, and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company.”
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and, subject to other approvals as may be required, consent be and is hereby accorded —

 - (i) So long as the Company has a Managing Director or Wholetime Director(s), to the payment and distribution of such sum by way of commission, not exceeding in the aggregate, 1% per annum of the net profits of the Company, computed in the manner referred to in Section 198 of the Companies Act, 1956, for each of the five financial years of the Company, commencing from 1st April, 2008, be paid to and distributed amongst such Directors of the Company [but excluding the Managing Director and Wholetime Director(s)] as may be determined by the Board; the quantum, proportion and manner of such payment and distribution to be as the Board may from time to time decide.
 - (ii) So long as the Company does not have a Managing Director or Wholetime Director(s), to the payment and distribuion of such sum by way of commission, not exceeding in the aggregate, 3% per annum of the net profits of the Company, computed in the manner referred to in Section 198 of the Companies Act, 1956, for each of the five financial years of the Company, commencing from 1st April, 2008, be paid to and distributed amongst such Directors of the Company as may be determined by the Board; the quantum, proportion and manner of such payment and distribution to be as the Board may from time to time decide.
9. To consider and, if thought fit, to pass, with or without modification, the following resolution, as a Special Resolution:

“RESOLVED that, in supersession of the resolution passed pursuant to the provisions of Section 163 of the Companies Act, 1956 at the Annual General Meeting held on 13th August, 2007, consent be and is hereby granted to the Registers and Index of Members, the Register and Index of Debentureholders and the copies of all Annual Returns prepared under Section 159 and 160 and other applicable provisions, if any, of the Companies Act, 1956 together with the copies of the certificates and documents required to be annexed thereto under Sections 160 and 161 of the Companies Act, 1956 or any or more of them, being kept on and from the date of this Meeting, at the branch office of the Registrars and Share Transfer Agents of the Company, TSR Darashaw Ltd., situate at 503, Barton Centre (5th floor), 84, Mahatma Gandhi Road, Bangalore 560001.

RESOLVED FURTHER that the above-mentioned registers, indexes, returns and copies of certificates and other documents be made available for inspection by the shareholders and/or any other persons entitled thereto under the Companies Act, 1956, except when the Register of Members and Register of Debentureholders are closed, between the hours of 11.00 a.m. and 1.00 p.m. on any working day (excluding Saturdays), in accordance with the provisions of the Companies Act, 1956.”

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

“RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby granted to the creation by the Board of Directors of the charges on its moveable and immovable fixed assets and properties in order to secure the loans, pre term loans granted by Export Import Bank of India as per the details given below :

<u>Details of Loan and the Lender</u>	<u>Security</u>
1. Rupee Term Loan of Rs.15.50 crores from Export Import Bank of India for part financing the setting up of mini Hydel Power plant of 4.5 MW at Gokak Falls.	i) Exclusive charge over the entire movable fixed assets and immovable properties of the Hydel Power Plant. ii) Pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division located at Gokak Falls, Dist. Belgaum, Karnataka State and Forbes Campbell Knitwear Division at Village Marihal, Dist. Belgaum, Karnataka State.
2. Rupee Term Loan of Rs.15 crores from Export Import Bank of India under Long Term Working Capital (LTWC) Programme.	i) Pari passu first charge by way of hypothecation of the entire movable fixed assets of the Company, excluding assets, exclusively charged. ii) Pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division located at Gokak Falls, Dist. Belgaum, Karnataka State and Forbes Campbell Knitwear Division at Village Marihal, Dist. Belgaum, Karnataka State.

on such terms and conditions as the Board of Directors may think fit including the right to Export Import Bank of India to appoint a Nominee Director on the Board of Directors of the Company on the happening of certain events of default in terms of the Letter(s) of Sanction/Loan Agreement(s), in order to secure the due repayment of term loan(s) availed of by the Company from the above lenders, together with the payment of interest thereon at the respective agreed rates, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the lenders, in terms of its Letter(s) of Sanction/Loan Agreement(s) entered into/to be entered into/executed/to be executed by the Company, in respect of the above mentioned loans.

RESOLVED FURTHER that the Board of Directors of the Company, be and is hereby authorized to finalise with Export Import Bank of India all necessary documents for creating the charge and/or hypothecation and / or mortgage as aforesaid and to do all other acts, deeds, matters and things and to execute all such documents and writing as it may deem necessary, usual, requisite or proper for the purpose of giving full effect to the aforesaid Resolution.”

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai, 7th July, 2008.
Registered Office:
1st Floor, 45/3 Gopalkrishna Complex,
Residency Cross Road,
Bangalore 560 025

NOTES:

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A SHAREHOLDER.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business at items 4, 5, 8, 9 and 10 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 14th August, 2008 to Saturday, 30th August, 2008 (both days inclusive).
4. Shareholders are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address.
5. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL COMMUNICATIONS TO THE COMPANY OR ITS REGISTRARS AND SHARE TRANSFER AGENTS WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THEIR LEDGER FOLIO, SHOULD BE SIGNED BY ALL THE SHAREHOLDERS REGISTERED UNDER THAT LEDGER FOLIO.
6. Please address all communications including lodging of Transfer Deeds to -

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Ltd.,
 UNIT: Gokak Textiles Limited
 6-10, Haji Moosa Patrawala Industrial Estate,
 20 Dr. E. Moses Road,
 Mahalaxmi,
 Mumbai 400 011
 Tel. : 91 22 66568484
 Fax. :91 22 66568494
 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday)
 Email : csg-unit@tsrdarashaw.com

Branch Offices

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. TSR Darashaw Ltd.
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel.:080-25320321
Fax:080-25580019
email:tsrdlbg@tsrdarashaw.com 2. TSR Darashaw Ltd.
Tata Centre, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071
Tel.:033-22883087
Fax:033-22883062
email:tsrdlcal@tsrdarashaw.com | <ol style="list-style-type: none"> 3. TSR Darashaw Ltd.
Bungalow No.1, "E" Road,
Northern Town, Bistupur,
Jamshedpur 831 001
Tel.:0657-2426616
Fax:0657-2426937
email:tsrdljsr@tsrdarashaw.com 4. TSR Darashaw Ltd.
Plot No.2/42, Sant Vihar,
Ansari Road, Daryaganj,
New Delhi 110 002
Tel.:011-23271805
Fax:011-23271802
email:tsrdldel@tsrdarashaw.com |
|--|---|

Agent

Shah Consultancy Services Ltd.
 3, Sumatinath Complex,
 Pritam Nagar, Akhada Road, Ellisbridge,
 Ahmedabad 380 006
 Telefax: 079- 26576038
 Email : shahconsultancy@hotmail.com

Investors, if they so prefer, can send transfer request, correspondence and queries to the Company at the following address –

Company Secretary
 Gokak Textiles Limited
 1st floor, 45/3 Gopalkrishna Complex,
 Residency Cross Road,
 Bangalore 560 025
 Telephone: 080 25589942, 080 25597442
 Email. vkvora@forbes.co.in

Kindly quote your Ledger Folio No.

ANNEXURE TO NOTICE

1. Explanatory Statement under Section 173 of the Companies Act, 1956.

Item 4:

At the meeting of the Board of Directors held on 26th September, 2007, Mr. Hoshang S. Billimoria was appointed an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956 (hereinafter referred to as “the Act”) read with Article 124 of the Articles of Association of the Company (hereinafter referred to as “the Articles”) Mr. Hoshang S. Billimoria holds office upto the date of the forthcoming Annual General Meeting of the Company.

A Notice in writing, has been received from a shareholder under Section 257 of the Act alongwith a deposit of Rs.500 signifying intention to propose Mr. Hoshang S. Billimoria as a candidate for appointment as a Director.

Mr. Hoshang S. Billimoria aged 57, is Chief Executive Officer of Next Gen Publishing Ltd. and a Director on the Board of several other companies. He is also a Chartered Accountant from England & Wales. He has wide and varied experience in general and financial management. The Directors consider that the services of Mr. Hoshang S. Billimoria will be useful to the Company having regard to his knowledge and experience and recommend that he be appointed as a Director of the Company.

Mr. Hoshang S. Billimoria is interested in the Resolution at Item 4 of the Notice since it relates to his appointment.

Item 5:

At the meeting of the Board of Directors held on 26th September, 2007, Mr. Ramaotar Goyal was appointed an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956 (hereinafter referred to as “the Act”) read with Article 124 of the Articles of Association of the Company (hereinafter referred to as “the Articles”) Mr. Ramaotar Goyal holds office upto the date of the forthcoming Annual General Meeting of the Company.

A Notice in writing, has been received from a shareholder under Section 257 of the Act alongwith a deposit of Rs.500 signifying intention to propose Mr. Ramaotar Goyal as a candidate for appointment as a Director.

Mr. Ramaotar Goyal aged 66, is a Director on the Board of several companies. He has varied and rich experience in various industries in general and in textiles and fibres industries in particular. He retired as President Director, Lenzing-SPV, Indonesia an internationally known viscose fibre producer in the world. He has wide and varied experience in general and financial management in the Textile Industry. The Directors consider that the services of Mr. Ramaotar Goyal will be useful to the Company having regard to his knowledge and experience and recommend that he be appointed as a Director of the Company.

Mr. Ramaotar Goyal is interested in the Resolution at Item 5 of the Notice since it relates to his appointment.

Item 8:

The Shareholders are requested to confer on the Board an authority to pay and distribute commission at the rate of 1% of the net profits of the Company in terms of Section 309(4) of the Companies Act, 1956 so long as the Company has a Managing Director or Wholetime Director(s) for each of the five financial years of the Company commencing from 1st April, 2008, amongst such Directors of the Company [but excluding the Managing Director and Wholetime Director(s)] as may be determined by the Board; the quantum, the proportion and manner of such payment and distribution to be made as the Board may from time to time decide.

The second part of the special resolution relates to a situation that a Company may, during the aforesaid period of five years commencing from 1st April, 2008, cease to have a Managing Director or Wholetime Director(s). In such cases it is proposed to pay and distribute as such all the directors of the Company for the then residual unexpired part of the said period of five years commission not exceeding in the aggregate 3% of the net profits of the Company computed in the manner laid down in the said section 198 amongst such Directors of the Company, as may be determined by the Board, for the then residual unexpired part of the aforesaid period of five years; the quantum proportion and manner of such payment and distribution to be as the Board may from time to time decide.

All the Directors of the Company, except Mr. H. S. Bhaskar may be deemed to be interested in the special resolution at Item 8 of the Notice, to the extent of the commission that may be payable to them.

Item 9 :

Certain documents such as the Register and Index of Members as well as the Register and Index of Debentureholders and the Annual Returns together with the certificates and documents required to be annexed thereto are presently kept at the Registered Office of the Company. It is proposed that the aforesaid Registers and documents be kept at the branch office of TSR Darashaw Ltd., the Registrar and Share Transfer Agents of the Company situate at 503, Barton Centre (5th floor), 84, Mahatma Gandhi Road, Bangalore 560 001 on and from the conclusion of this Meeting. Accordingly, the approval of shareholders is being sought under Section 163 of the Companies Act, 1956 for the statutory records of the Company referred to in the text of the Special Resolution to be kept at the office of TSR Darashaw Ltd. at the address stated therein. Section 163 of the Companies Act, 1956 requires a Special Resolution for the purpose aforesaid.

An advance copy of the proposed Special Resolution is being sent to the Registrar of Companies, Maharashtra, Mumbai, as required under the provisions of Section 163 of the Companies Act, 1956.

Item 10 :

For the purpose of augmenting the long-term resources of the Company, the Company proposes to borrow/has borrowed money from banks/ financial institutions.

The said term loans together with interest, premia, costs, expenses and all other monies payable by the Company to the lenders require to be secured by creation of charge. The details of term loans and charge to be created are set out below :

Details of Loan and the Lender		Security	
1.	Rupee Term Loan of Rs.15.50 crores from Export Import Bank of India for part financing the setting up of mini Hydel Power plant of 4.5 MW at Gokak Falls.	i)	Exclusive charge over the entire movable fixed assets and immovable properties of the Hydel Power Plant.
		ii)	Pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division located at Gokak Falls, Dist. Belgaum, Karnataka State and Forbes Campbell Knitwear Division at Village Marihal, Dist. Belgaum, Karnataka State.
2.	Rupee Term Loan of Rs.15 crores from Export Import Bank of India under Long Term Working Capital (LTWC) Programme.	i)	Pari passu first charge by way of hypothecation of the entire movable fixed assets of the Company, excluding assets, exclusively charged.
		ii)	Pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division located at Gokak Falls, Dist. Belgaum, Karnataka State and Forbes Campbell Knitwear Division at Village Marihal, Dist. Belgaum, Karnataka State.

Section 293(1)(a) of the Act provides that a public company, shall not, without the consent of its shareholders in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, Hence the Resolution at Item 9 of the Notice.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai, 7th July, 2008.
Registered Office:
1st Floor, 45/3 Gopalkrishna Complex,
Residency Cross Road,
Bangalore 560 025

2. Information required to be furnished under Clause 49 (IV)(G)(i) of the Listing Agreement.

As required pursuant to Clause 49(IV)(G)(i) of the Listing Agreement, the particulars of Directors, who are proposed to be appointed / re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr. Shapoor P.Mistry	Mr. Pallonji S. Mistry	Mr. H. S. Billimoria	Mr. R. Goyal
Date of Birth	6 th September, 1964	1 st June, 1929	7 th July, 1951	23 rd February, 1942
Date of first Appointment	29 th November, 2006	17 th January, 2007	26 th September, 2007	26 th September, 2007
Qualification	B.A. (England) – Business & Economics	Inter Arts	B.Com (Hon.) F.C.A. (England & Wales) F.C.A. (India)	B.Com., F.C.A.
Relationships between directors inter-se	Promoter Director Related to Mr. Pallonji S. Mistry and Mr. Cyrus P. Mistry	Promoter Director Related to Mr. Shapoor P. Mistry and Mr. Cyrus P. Mistry	Not related to any director of the Company.	Not related to any director of the Company.
Expertise in specific functional areas	Mr. Shapoor P.Mistry is the Chairman of Forbes & Co.Ltd. and Eureka Forbes Ltd. and Managing Director of Shapoorji Pallonji & Co.Ltd.. He is also a Director of several public limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr. Pallonji S. Mistry is the Chairman of Shapoorji Pallonji Group. He is also a Director of several public limited Companies. His expertise includes formation of business plans, risk evaluation, business investment strategy and property and infrastructure development.	Mr. Hoshang S. Billimoria is the CEO of Next Gen Publishing Ltd. He is the Chairman of Travel Corporation (I) Ltd. and a Director of several public limited companies. He has wide and varied experience in running business and financial management.	Mr. R. Goyal's expertise includes corporate planning, re-structuring of projects, implementing new projects/plants from grass roots, developing Management Information System and Margin Enhancement Programmes. He is a director of the following public company. He retired as President Director of Lenzing-SPV, Indonesia, an internationally known viscose fibre producer in the world.
List of Companies in which Directorship held as on 31 st March, 2008	PUBLIC COMPANIES 1. Afcons Infrastructure Ltd. 2. Cyrus Investments Ltd. 3. Eureka Forbes Ltd. 4. Forbes Bumi Armada Ltd. 5. Forbes Infotainment Ltd. 6. Forvol International Services Ltd. 7. Forbes & Company Ltd. 8. Shapoorji Pallonji & Co.Ltd. 9. Shapoorji Pallonji Infrastructure Capital Co.Ltd. 10. Shapoorji Pallonji Finance Ltd. 11. Shapoorji Pallonji Power Co.Ltd. 12. United Motors (India) Ltd. 13. The Indian Hotels Co.Ltd.	PUBLIC COMPANIES 1. Afcons Infrastructure Ltd. 2. Cyrus Investments Ltd. 3. Forvol International Services Ltd. 4. Forbes & Company Ltd. 5. Shapoorji Pallonji & Co. Ltd. 6. Shapoorji Pallonji Infrastructure Capital Co.Ltd. 7. Shapoorji Pallonji Finance Ltd. 8. Shapoorji Pallonji Power Co.Ltd. 9. United Motors (India) Ltd.	PUBLIC COMPANIES 1. HDFC Asset Management Co.Ltd. 2. Thomas Cook (I) Ltd. 3. Travel Corporation (I) Ltd.	PUBLIC COMPANIES Rimura Finlease & Technology Ltd.
Member of the Board Committees	1. <u>Share Transfer & Investor Relations Committee</u> United Motors (India) Ltd Gokak Textiles Ltd. 2. <u>Remuneration Committee</u> Forbes & Company Ltd.	1. <u>Share Transfer & Investor Relations Committee</u> Forbes & Company Ltd. 2. <u>Remuneration Committee</u> Forbes & Company Ltd. Shapoorji Pallonji Finance Ltd.	1. <u>Audit Committee</u> Thomas Cook (I) Ltd. HDFC Asset Management Co.Ltd. Gokak Textiles Ltd. 2. <u>Share Transfer & Investor Relations Committee</u> Thomas Cook (I) Ltd. Gokak Textiles Ltd. 3. <u>Remuneration Committee</u> HDFC Asset Management Co.Ltd. Gokak Textiles Limited	1. <u>Audit Committee</u> Gokak Textiles Limited 2. <u>Remuneration Committee</u> Gokak Textiles Limited
No. of shares held	Nil	Nil	Nil	Nil

For and on behalf of the
Board of Directors
SHAPOOR P. MISTRY
Chairman

Mumbai, 7th July, 2008.

Registered Office:

1st floor, 45/3 Gopalkrishna Complex,
Residency Cross Road, Bangalore 560 025

DIRECTORS' REPORT

To,
The Shareholders

Your Directors submit their Report and Audited Accounts of the Company for the year ended 31st March 2008.

1. DEMERGER:

Textile Undertaking of Forbes Gokak Limited (known as Forbes & Company Limited with effect from 25th October, 2007) included a Yarn Manufacturing Unit at Gokak Falls and Knitwear Manufacturing Unit at Marihal, both in Belgaum Dist., Karnataka State. By a process of Demerger, under the provisions of the Companies Act and with the approval of High Court, Bombay and High Court of Judicature in Karnataka at Bangalore, this Textile Undertaking of Forbes Gokak Limited was demerged into GOKAK TEXTILES LIMITED ("the Company") which was incorporated on 27th March 2006 as ANZ Textiles (Bangalore) Ltd. The name was changed to GOKAK TEXTILES LIMITED, with effect from 23rd January 2007. Prior to the demerger, the Company was a dormant Company. The demerger became effective from 1st April 2007 and this Report is the first Report after the Demerger.

As per the Demerger Scheme, Shareholders of Forbes Gokak Ltd. have been allotted one share of GOKAK TEXTILES LIMITED for every two shares held by them in Forbes Gokak Limited. on 28th September 2007, by way of additional entitlement (and not in lieu of their shareholding). The aggregate paid-up share capital of the Company is 64,99,308 shares of face value of Rs.10 each i.e. Rs.6.50 crores. The shares are listed on the Stock Exchange Mumbai, with effect from 19th March, 2008.

2. FINANCIAL RESULTS:

Results for the current year are set out below. For the previous year ended 31st March 2007, the Textile Undertaking formed a part of Forbes Gokak Limited. The results for the year ended 31st March, 2007, therefore, do not include the results of this activity.

	<i>(Rs. In Crores)</i>	
	For the year ended 31st March 2008	For the year ended 31st March 2007
(a) Gross Income	341.78	0.01
(b) Less: Costs	318.17	0.02
(c) Balance	23.61	(0.01)
(d) Less: Interest and Financial Charges (Net)	14.81	—
(e) Balance	8.80	(0.01)
(f) Less: Depreciation	12.23	—
(g) Loss after depreciation carried to Balance Sheet	(3.43)	(0.01)

Compared to the gross income of Rs.341.78 crs. for the year ended 31st March, 2008, the gross income of the activity for the year ended 31st March, 2007, when it was a part of Forbes Gokak Limited was Rs.342.11 crs. While the Company did earn cash profit and covered a major portion of depreciation, the results reflect the difficult times the Textile industry in India is passing through.

3. BASIS OF DEPRECIATION:

With gradual changes in the upscaling of technologies, the basic nature of the Textile industry has changed. The textile equipments to be productive and to yield desired and consistent quality must be used in acclimatized conditions which need to be maintained continuously and any interruption would mean fresh start-ups with a long lead time and substantial consequential losses. Thus, of necessity, the textile plants such as the one used by the Company have acquired the character of continuous process plant. In the circumstances, depreciation on the plants and machinery used by the Company has been provided at the rates applicable to continuous process plants.

4. SHARE CAPITAL & DIVIDEND:

Paid up Share Capital of the Company is Rs.6.50 crores. Having regard to the results, no dividend for the year is proposed.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS.

Comments are set out in the following paragraphs.

- 5.1 India is one of the largest producers of natural fibres and accounts for nearly 12% of the world's cotton production. The abundant raw material availability allows the industry to control costs and reduce lead time across the value chain. India's growing domestic consumption allows manufacturers to play both in domestic as well as international market. India has the ability to service small orders with high design content.
- 5.2 On the other hand, rising strength of rupee and hence lower unit realization, continuous increase in cost of inputs and a fierce competition of other countries, a slow down in USA, have forced the textile units in India to face a reversal. It is against this background that the performance for the year should be judged.
- 5.3 Of the two manufacturing units of the Company, the Knitwear manufacturing unit at Marihal contributes to about 10% of the turnover, whereas the balance 90% of the turnover comes from the yarn manufacturing unit at Gokak Falls, which also includes manufacture of dyed yarn and canvas.
- 5.4 During the two years ended 31.3.2007, the Textile Undertaking had invested an aggregate of Rs.95 crs. for upgradation of technology. During the current year ended 31st March, 2008 the outlay exceeded Rs.10 crs, making an aggregate outlay of Rs.105 crs. over the 3-year period. We are happy to advise you that these projects have been successfully implemented and commercial production of these additions has commenced. Monsoon Spillway Project, which would help achieve economies in the cost of electricity generated and consumed, will be completed by the end of this calendar year. However, benefits of this will accrue in the next financial year.
- 5.5 The upgradation included installation of compact yarn ring frames, E 62 combers, slub yarn equipments and expansion of dyed yarn facility.
- 5.6 While the quality of compact yarn introduced by the Company is well accepted, the price premium which was available when the product was introduced, has decreased significantly and gestation

and payback period have become longer. We are addressing this issue by introducing new type of yarn, but this is a multistage process requiring time at each stage and, therefore, realization of full potential of this will take 10-24 months.

- 5.7 In the Company's Industrial Fabric division, we have developed high-end defence products. The fabric quality has been accepted by the defence forces of several European countries and it is expected that these will translate into volumes, during the current year. To broaden our technical capability, the Company has established an alliance with another unit for processing of canvas, which will enable the Company to move up the value chain from the grey canvas to the processed canvas. In addition, a tarpaulin fabrication facility is being set up to make specialized tarpaulin products. This will enable the Company to move from being a seller of grey fabric to the providers of fully fabricated products.
- 5.8 To expand our product portfolio, 100% cotton sewing threads have been introduced in the market and the quality has been well received. We have also successfully developed nylon sewing thread for special end-users and trial runs have been completed in different market segments. The quality has been approved by several export houses, the machinery required for this product is in place and we are geared to convert the pilot runs into a full scale product. Growth of this product is expected to have a significant impact on the gross revenue and the margins. We have established a presence in the Ludhiana market and this is giving encouraging results.
- 5.9 At the Knitwear unit, reorganization of the marketing set up, intense marketing and improving customer response index has enabled the Company to improve production and sales. We have enhanced working from a single shift to two shifts. This entailed training of almost 500 workers which was completed effectively. We have been able to expand our customer portfolio both in USA and Europe. These developments have enabled us to increase production and sales by almost one-third during the current year. These initiatives will be continued with full force during the current year and for this unit, we expect to register further growth during the current year. These will include manufacture of fashion sweaters in north, both, for the export and domestic markets.
- 5.10 On the other hand, continued increase in cotton prices, sluggish yarn market and expensive cost of electricity compelled the Company to have a closer look at the economics of some of our products. At the reduced yarn rates and increased cotton cost and electricity costs, some of the counts did not cover full variable costs. A decision, therefore, had to be taken to stop production of these counts and as a part of this process, one of the units at Gokak Falls has been closed. This phenomenon has resulted into an apparently lower overall production and lower overall sales. This uneconomic cost/price equation continues for some of the counts, even at the present and it is possible that for some time, the process of weeding out uneconomic counts will result into a reduction in the quantity of production and sales. We are addressing this issue by development of new products, experimenting with alternative raw material mixing and seeking economy in costs of other inputs. Whereas we will continue our efforts, we need to recognize that the process will take time. The overall trading conditions, continue to be difficult and margins will continue to be under pressure. Recent

thinking of the Government to reduce support to exporters in light of improved Rupee realization for US\$, causes added concern.

- 5.11 As a part of overall strategy, we have debonded our EOU. This has enabled us to reduce pressure to export, irrespective of economics. This has also enabled us to move, this EOU from 100% cotton yarn to specialty yarn in different fibres and blends. On the other hand the reduction of exports is placing a strain due to reduction in the availability of working capital funds. We are working towards striking a balance between the need to reduce dependency on cotton and thus export, and face the difficulty posed by reduced working capital funds.
- 5.12 In the long term, cotton is not just a commodity. Cotton means wholesome, yet high-end comfort, to an extent that it finds mention in many brand names. Cotton is intrinsic to the description and name of several apparel brands and also their accessories. Apart from the move for preference from synthetic to cotton, the acceptability of cotton as premium product can only enhance value perception of the yarn and knitwear we make. This, over a period, has to change cost/price equation. We are accelerating this process by moving up the value chain by well researched and designed products. In this process, we have an advantage of technology built over decades and an established name in market, not only in India but also overseas. All these can only mean a positive direction for us in the long term future.

6. DIRECTORS:

Mr. Hoshang S. Billimoria and Mr. Ramaotar Goyal were appointed Additional Directors of the Company with effect from 26th September, 2007 and hold office upto the date of the Annual General Meeting of the Company. The Board of Directors commends their appointment as the Directors of the Company.

Mr. Pallonji S. Mistry and Mr. Shapoor P. Mistry are due to retire by rotation. The Board of Directors commends their reappointment as the Directors of the Company.

Mr. H. S. Bhaskar was appointed the Executive Director and CEO of the Company effective from 31st July 2007 for a period of 3 years.

Mr. C.P.Mistry resigned on 7th July, 2008. He has rendered valuable services to the Company and the Board over the period of his association with the Company. The Company places on record their sincere appreciation of the services rendered by Mr. Mistry over the period of his association.

7. INTERNAL CONTROLS AND SYSTEMS:

The Company has a benefit of internal control systems developed over years which ensured that all transactions are satisfactorily recorded and reported and all assets are protected against loss from an unauthorized use or otherwise. The internal control systems are supplemented by an internal audit system carried out by independent firms of Chartered Accountants and a periodical review by the management. The Audit Committee of the Board meets at a regular interval and advises on significant issues raised by, both, the Internal Auditors and the Statutory Auditors. The process of internal control and systems, statutory compliance, risk analysis and its management and information technology are woven together to provide a meaningful support to the management process.

8. CORPORATE GOVERNANCE:

The Company's philosophy on the Code of Conduct is that the Company should follow contemporary corporate practices and the guiding principle of the Code of Corporate Governance is HARMONY i.e. balancing the need for transparency, with the need to protect the interest of the Company and balancing the need for empowerment at all levels with the need for accountability. A detailed report on Corporate Governance is attached and management discussion and analysis forms a part of this report.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm -

- a. that in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. that they have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts on a going concern basis.

10. AUDITORS AND AUDIT REPORT:

You are requested to appoint Auditors for the current year and authorise the Board to fix their remuneration. It is proposed that Messrs. Kalyaniwala & Mistry, Chartered Accountants are re-appointed the Statutory Auditors of the Company and Messrs. Murugesh & Co., Chartered Accountants are re-appointed the Branch Auditors with reference to Forbes Campbell Knitwear Division of the Company to hold office from the conclusion of this Annual General Meeting of the Company till the conclusion of the next Annual General Meeting of the Company.

11. CORPORATE SOCIAL RESPONSIBILITY:

Apart from afforestation, schools and hospital, the Company continued to support causes of public utility both directly and indirectly in the field of education, medical relief, relief of poverty and promotion of sports and art.

12. CONCERNS AND RISK MANAGEMENT:

Risk management process includes identification of risk, its underlying dynamics, mitigation mechanism, prioritization of risk, measurement of key indicators and monitoring system. A Companywide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of management of risks is being approached in a planned and co-ordinated manner. Elucidation of role clarity, understanding of level of authority and reporting system are expected to help this process significantly. It is realized that this is a continuous process, requiring continued

updating, based on changing business conditions and that, risk management and performance improvement will go hand in hand.

13. HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

In the past few years, as the job market has opened widely, the demand for talents has been continuously rising and continuous learning has, therefore, become inevitable. As such, the Company continued thrust on Human Asset Management and Development activity. In order to cope with this requirement for talent, apart from locating talents from outside market where necessary, the Company also focused on the activity of nurturing and developing its human capital from within, by the process of training and upgrading competence level.

On the Industrial Relations front, a cordial relationship has been maintained with Unions and there has not been any loss of man-hours in the manufacturing Units.

14. ACKNOWLEDGEMENT:

Your Company continues to occupy a place of respect amongst the many stakeholders it is associated with, most of all, our valued customers. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks all other stakeholders for their valuable sustained support and encouragement. Your Directors look forward to receiving similar support and encouragement from all stakeholders in the years ahead.

15. PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT 1956:

Following statements are attached and form a part of this report -

- (a) The particulars of employees as required under Section 217(2A) read with the Companies (Particulars of Employees) Rules 1975, as amended, forms part of the Report. Having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.
- (b) Information relating to the Conservation of Energy, Technology Absorption and under Section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

16. SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997:

Persons constituting group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 include the following:-

1. Sterling Investment Corporation Pvt.Ltd.
2. Abhipreet Trading Co.Pvt.Ltd.
3. Afcons (Overseas) Constructions and Investments Pvt.Ltd.
4. Afcons Arethusa Offshore Services Ltd.
5. Afcons BOT Construction Pvt.Ltd.
6. Afcons Dredging & Marine Services Ltd.

7. Afcons Infrastructure Ltd.
8. Archaic Properties Pvt.Ltd.
9. Bengal Shapoorji Business Parks Pvt.Ltd.
10. Bengal Shapoorji Infrastructure Development Pvt.Ltd.
11. Blue Riband Properties Pvt.Ltd.
12. Cama Properties Pvt.Ltd.
13. Chinsha Properties Pvt.Ltd.
14. Corporate Apparel U.S.A., Inc
15. Cyrus Chemicals Pvt.Ltd.
16. Cyrus Engineers Pvt.Ltd.
17. Cyrus Investments Ltd.
18. Delna Finance & Investments Pvt.Ltd.
19. Doris Properties Pvt.Ltd.
20. East View Estate Pvt.Ltd.
21. Euphoria Properties Pvt.Ltd.
22. First Future Properties Pvt.Ltd.
23. Firstrock Infrastructure Pvt.Ltd.
24. Flooraise Developers Pvt.Ltd.
25. Floral Finance Pvt.Ltd.
26. Floreat Investments Ltd.
27. Flotilla Finance Pvt.Ltd.
28. Forvol International Services Ltd.
29. Forbes & Company Ltd.
30. Gossip Properties Pvt.Ltd.
31. Grand View Estate Pvt.Ltd.
32. Hazarat & Company Pvt.Ltd.
33. Highstreet Developers Pvt.Ltd.
34. Khajrana Ganesh Properties Pvt.Ltd.
35. Lucrative Properties Pvt.Ltd.
36. Magpie Finance Pvt.Ltd.
37. Manjri Developers Pvt.Ltd.
38. Manjri Horse Breeders Farm Pvt.Ltd.
39. Manjri Stud Farm Pvt.Ltd.
40. Mazsons Builders & Developers Pvt.Ltd.
41. Meriland Estates Pvt.Ltd.
42. Mileage Properties Pvt.Ltd.
43. Neil Properties Pvt.Ltd.
44. Palchin Real Estates Pvt.Ltd.
45. Precaution Properties Pvt.Ltd.
46. Ramily Investments Pvt.Ltd.
47. Relationship Properties Pvt.Ltd.
48. S.C.Impex Pvt.Ltd.
49. Shachin Real Estate Pvt.Ltd.
50. Shapoorji & Co.Pvt.Ltd.
51. Shapoorji Data Processing Pvt.Ltd.
52. Shapoorji Drilling Enterprises Pvt.Ltd.
53. Shapoorji Hotels Pvt.Ltd.
54. Shapoorji Pallonji Infrastructure Capital Co.Ltd.
55. Shapoorji Pallonji (Gwalior) Pvt.Ltd.
56. Shapoorji Pallonji Biotech Park Pvt.Ltd.
57. Shapoorji Pallonji Finance Ltd.
58. Shapoorji Pallonji Ports Pvt.Ltd.
59. Shapoorji Pallonji Power Co.Ltd.
60. Sharus Building Services Pvt.Ltd.
61. Shatranj Properties Pvt.Ltd.
62. SP Agri Management Services Pvt.Ltd.
63. SP Aluminium Systems Pvt.Ltd.
64. SP Architectural Coatings Ltd.
65. SP Bioscience Pvt.Ltd.
66. SP Fabricators Pvt.Ltd.
67. SP Infocity Developers Pvt.Ltd.
68. SSS Electricals (India) Ltd.
69. Sterling Generators Pvt.Ltd.
70. Sunny View Estates Pvt.Ltd.
71. Think Ahead Properties Pvt.Ltd.
72. United Motors (India) Ltd.

For and on behalf of the
Board of Directors
SHAPOOR P. MISTRY
Chairman

Mumbai, 7th July, 2008

Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.**(A) Conservation of Energy:**

Measures taken during the year include the following:

(a) ENERGY CONSERVATION MEASURES TAKEN:

- 1 Installation of high efficiency oil free compressor in Mill No. 7
- 2 Replacement of high HP ring frame motors with adequate HP motors.
- 3 Installation of inverter for ring frame Pneumafil motors
- 4 monitoring and stopping of idle/partial running of machine
- 5 “Y” Star connection to TFO Motors below 50% load
- 6 Switching off lights in specified areas
- 7 Use of CFL lamps in colony/guest house etc
- 8 Compressor leak check and repairs
- 9 Separate cleaning to compressor with fixed time operations
- 10 Installation of roof wind ventilator instead of exhaust fans in dyeing department
- 11 Replacement of old low efficiency Air Conditioners with high efficiency.
- 12 Installation of high efficiency Dryer machine converted to steam heating from Thermic fluid heating.

(b) ADDITIONAL INVESTMENT PROPOSALS:

- 1 Inverter for ring frame Pneumafil motors
- 2 Inverter for auto coner suction motors
- 3 Additional APFC panel to improve power factor
- 4 Use of CFL lamps for DK-740 Carding Web doffing area
- 5 Cooling tower modification with automising system
- 6 Air supply pipe modifications to suit the requirements
- 7 Photo master front stop motion on simplex machine
- 8 Airleak proof fittings
- 9 Flat belts in place of “V” belt drives
- 10 Wind Ventilation for attic cooling
- 11 During the year the Company has ordered high efficiency Dryer machine converted to steam heating from Thermic fluid heating. Thermic fluid heating system was on fossil fuel.

(c) Impact of measures taken at (a) above for reduction of energy consumption and impact on cost of goods:

1. The Company's operations involve low energy consumption. Efforts to conserve and optimise use of energy through operational methods will continue.
2. The Company is expecting to get further saving on lighting and air-conditioners consumption due to measures taken at (b)6 and (a)12

(d) Required details in respect of Textiles and Knitwear Activity are set out in Form 'A'

(B) Technology Absorption :

Required details are set out in Form 'B'

(C) Foreign Exchange earnings and outgo:

(Rs. Crores)

(a) Foreign exchange earnings:

1	Exports	129.50
2	Commission	4.93
	Total	<u>134.43</u>

(Rs. Crores)

(b) Foreign exchange outgo:

1	Imports calculated on CIF basis - raw material	3.89
2	Imports calculated on CIF basis - stores, spares and tools	2.91
3	Imports calculated on CIF basis - capital goods	2.71
4	Commission to overseas agents	1.80
5	Foreign travel	0.85
6	Royalty	0.00
7	Interest paid on loans	2.79
8	Others	0.66
	Total	<u>15.61</u>

FORM A
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption:

		Current year ended 31-3-2008	<i>Previous year ended 31-3-2007</i>
1. Electricity			
(a) Purchased			
Unit	'000 KWH	63,314	*
Total Amount	Rs.Lakhs	2821.05	*
Rate/Unit	Rs.	4.46	*
(b) Own Generation			
(i) Through Diesel Generator			
Unit	'000 KWH	2,302	*
Units/Litre of Diesel Oil	KWH	5.73	*
Cost/Unit	Rs.	10.18	*
(ii) Through Steam turbine/generator		Nil	*
2. Coal (Steam-coal-Used in Boilers)			
(a) Quantity	Tonnes	-	*
(b) Total cost	Rs.Lakhs	-	*
(c) Average rate/tonne	Rs.	-	*
3. Diesel (Used in Thermic Fluid Heater)			
(a) Quantity	'000 Litre	61	*
(b) Total cost	Rs.Lakhs	21	*
(c) Average rate per kilolitre	Rs.	34,025	*
4. Furnace Oil		Nil	*
5. H.F.O. Power Generation			
Unit	'000 KWH	11,116	*
Total Amount	Rs.Lakhs	575.39	*
Rate/Unit	Rs.	5.18	*
6. Others/Internal Generation			
(i) Bagasse/Paddy Husk/Fire Wood			
(a) Quantity	Tonnes	16,649	*
(b) Total Cost	Rs.Lakhs	352.57	*
(c) Average rate/tonne	Rs.	2,118	*
(ii) Gas			
(a) Quantity	'000 M ³	-	*
(b) Total Cost	Rs.Lakhs	-	*
(c) Average rate/M ³	Rs.	-	*
(iii) Water (for Hydro-Generating Sets)			
(a) Quantity/year	Cusec	5,67,559	*
(b) Total Cost	Rs.Lakhs	37.60	*
(c) Average rate/Cusec	Rs.	6.62	*

(B) Consumption per Unit of production:

Product: Yarn/Canvas/Terry Towel/Knitted Garments
Unit of Production: Kg. / Pieces

		Standard, if any	Current year	<i>Previous year</i>	<i>Reason for Variation</i>
1	Electricity	-	2.39	2.34	#
2	Diesel	-	0.01	0.01	#
3	Coal (C Grade)	-	0.00	0.01	#
4	Furnace Oil	-	0.09	0.10	#
5	Bagasse/Paddy Husk/Fire Wood	-	1.17	1.34	#
6	Gas	-	-	-	-
7	Water	-	0.021	0.023	#

* Pursuant to the scheme of demerger the Textile Undertaking of erstwhile Forbes Gokak Limited was demerged into the Company with effect from 21st June, 2007 as from 1st April, 2007.

Due to change in composition of alternative Input, Production Pattern, Product-mix and Lower Capacity utilisation.

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption

(A) Research and Development (R & D)

1. Specific areas in which R & D carried out : This includes -
by the Company
- a) Melange yarn- Manufacturing of Viscose and Polyester Melange yarn in various shades and blend compositions.
 - b) Bamboo Fibres-Exported yarns from Bamboo fibres in 100% and blended with cotton.It has good moisture absorption,anti-bacterial properties,and similar to other cellulise fibres used in apparels and home textiles
 - c) Organic cotton - Producing organic cotton yarn 100% and blends in single as well as multifold yarns to suit various home textiles (Bath mat and sheeting) to enhance ecological harmony.
 - d) Modal Fibres - 100% modal and its blend through Rieter K-44 machine for hosiery end-use for export markets. Possibilities of these fibres in other end-use are in progress.
 - e) Supima - the organisation is authorised to use “Supima” trademark and has agreed to uphold the highest standards of quality and distribution of all Supima cotton textile products.
 - f) GIZA cotton fibres- The products made from GIZA cotton fibres for shirting
 - g) Compact Multi twist, Multi count and slub yarn through Rieter K-44 machine for Denim Market.
 - h) Weaving Core spun fabrics for Indian and foreign markets in dyed yarns. Furnishing cloths for table linen in dyed yarns. Yarn dyed canvas for bags and awnings fabrics for sun protection.
2. Benefits derived as a result of the above R & D:
- a) New products developed by R & D have been commercialised.
 - b) With the introduction of the new products, we have been able to cater to high value customers and this has also resulted in higher value products.

FORM B
(See Rule 2)

3. Future course of action:
- a) Value added Textiles like yarn dyed shirting to be made in house.
 - b) Design development and design studio set up in the mills premises.
 - c) Product development in yarn dyed suiting in plain, check, cord, Satin, dobby design, Twill and its derivatives in 100% cotton, P/C blend and polyamide blends.

(Rs.in Lakhs)

4.	Expenditure on R & D		
	a) Capital		1.02
	b) Recurring		80.89
	c) Total		81.91
	d) Total R & D expenditure as percentage of total turnover		0.25%


FORM B
(See Rule 2)

(B) Technology Absorption, Adaptation and Innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
 - a) Installation of Rieter K-44 Ring Spinning machines with Auto doffer compact spinning technology.
 - b) Trials are taken with inverter control, motor drive for Pneumafil unit on ring frames for energy conservation. It shall be extended to other machines also.
 - c) high speed comber alongwith its preparatory
 - d) During the year ended 31st March, 1996, the Company has imported technology to manufacture T-shirts and Polo shirts for international market. The process of absorbing the technology is continuing.

2. Benefits derived as result of the above:
 - a) These machines are of latest compact Spinning Technology from M/s. Rieter, Switzerland wherein the yarn spun on these machines i.e. "Compact Yarn" is a value added product, which is used for higher-end product. Also these machines are automated and energy efficient wherein cost of manufacture would be optimum due to reduction in manpower and so also electrical power.
 - b) There is going to be a saving in power consumption upto the extent of 30%
 - c) These are the machines with the latest technology in the process of combing. These machines are imported from M/s. Rieter, Switzerland. The comber will work on higher speed resulting in higher productivity levels and at the same time bring in improvement in the quality level with reduction in waste extraction and saving in raw material cost. The preparatory machines are of high speed and new technology and construction to achieve higher productivity level.
 - d) During the year ended 31st March, 1996, the Company has imported technology to manufacture T-shirts and Polo shirts for international market. The process of absorbing the technology is continuing.

3. In case of import of technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished.

<ol style="list-style-type: none"> a) Technology imported b) Year of import c) Has technology been fully absorbed d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action. 		<p style="text-align: center;">Nil</p>
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Annexure forming part of Directors' Report for the year ended 31st March, 2008
Note: Position indicated is as at the end of the year i.e. 31st March, 2008, unless otherwise indicated.

Report on Corporate Governance

PARTICULARS	COMPLIANCE
1. Brief statement on company's philosophy on code of governance	The Company's philosophy on the Code of Governance is that the Company should follow contemporary corporate practices as followed by other companies similarly placed and the guiding principle of the Code of Governance of the Company is HARMONY i.e. – (a) Balancing need for transparency with the need to protect the interests of the Company. (b) Balancing the need for empowerment at all levels with the need for accountability and (c) Interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities.
2. Board of Directors :	
a. Composition and Category of Directors i.e. break-up of the Directors into the following :	At the end of the year i.e. 31 st March, 2008 See Annexure AA
i. Promoter Directors	3
ii. Managing/Executive Directors	1
iii. Non-Executive Directors	8 (including 3 included in (i) above)
iv. Independent Non-Executive Directors	3 (included in (iii) above)
v. Nominee Directors	1 (included in (iv) above)
vi. Institutional Director-in which capacity - Lender or equity Investor.	1 Lender (Export Import Bank of India)
	Non-Executive Directors are more than 50% of total directors. The Chairman is non-executive and the number of independent directors is 1/3 rd of the Board.
b. Attendance of each director at the Board of Directors meeting and last Annual General Meeting	See Annexure AA
c. Mention about other Board of Directors or Board Committee, in which each director is a member or Chairperson.	See Annexure AB
d. Number of Board Meetings held – dates on which held	5 Board Meetings were held on the following dates – 30.04.2007 09.08.2007 26.09.2007 27.12.2007 27.03.2008 The gap between two consecutive Board Meetings was not more than four months.
e. Details of Directors whose re-appointment/appointment is proposed at the forthcoming Annual General Meeting.	See Annexure AC.

	<p>Code of Conduct for Board of Directors and Senior Management : The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.gokakmills.com. All Board Members and Senior Management have confirmed compliance with the Code for the year ended 31st March, 2008. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.</p> <p>CEO/CFO Certification As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr.S. Raghunathan, Chief Finance Officer was placed before the Board of Directors at their meeting held on 7th July, 2008.</p>		
<p>3. Audit Committee</p>			
<p>i. Brief description of terms of reference of Audit Committee.</p>	<p>Terms of reference of the Audit Committee include –</p> <ul style="list-style-type: none"> • Review of the Company's financial reporting process, the financial statements and financial/risk management policies. • Review of the adequacy of the internal control systems and functioning of the Internal Audit team • Discussions with the management and the external auditors, the audit plan for the financial year and a joint post-audit review of the same. 		
<p>ii. Composition, name of members and Chairperson and iii. attendance during the year / meetings held during his tenure.</p>	<p>Name</p>	<p>No. of Meetings held during his tenure</p>	<p>No. of Meetings attended by him</p>
<p>iv. Number of Audit Committee meetings held- dates on which held</p>	<p>* Mr.D.G.Prasad @ (Chairman)</p> <p>* Mr.Ashok Barat</p> <p>* Mr.H.S.Billimoria @</p> <p>* Mr.Ramaotar Goyal @</p> <p>* Non-Executive Director @ Non Executive Independent Director All members are financially literate and have accounting expertise. Mr.V.K.Vora, the Company Secretary, acts as the Secretary of the Committee.</p> <p>Demerger of Textile Undertaking of Forbes Gokak Limited into the Company became effective from 21.06.2007 as from 01.04.2007 and shares of the Company were allotted to the shareholders of Forbes Gokak Limited on 28.09.2007. The shares of the Company were listed on Bombay Stock Exchange Limited on 19.03.2008.</p> <p>2 Audit Committee meetings were held on the following dates - 27.12.2007 27.03.2008 The gap between two consecutive Audit Committee Meetings was not more than four months.</p>		
<p>4. Remuneration Committee</p>			
<p>i. Brief description of terms of reference</p>	<p>The Remuneration Committee is responsible for determining the compensation payable to the Managing Director and Whole-time Directors based on industry practice and performance of the individuals.</p>		
<p>ii. Composition, name of members and Chairperson. & iii. Attendance during the year/held during his tenure.</p>	<p>Name</p>	<p>No. of Meetings held during his tenure</p>	<p>No. of Meetings attended by him</p>
	<p>Mr. Shapoor P. Mistry (Chairman)</p> <p>Mr. D. G. Prasad</p> <p>Mr. H. S. Billimoria</p> <p>Mr. Ramaotar Goyal</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>

iv. Remuneration Policy	The Remuneration Committee would determine and recommend to the Board the compensation of the Managing and Whole-time Directors. The Remuneration Committee would make regular appraisal of their performance. The compensation policy and strategy of the Company is to be competitive, by following bench-marking for determining performance and compensation structure. The Company does not have stock options. The other details are as under :				
V. A. Details of remuneration to Wholetime directors as per the format listing out the following :	Mr. H.S.Bhaskar				
	Rs.				
(a) Salary and allowance	14,74,720				
(b) Benefits and perquisites	2,24,288				
(c) Bonus/Commission/	7,00,000				
(d) Pension-contribution to PF & Superannuation Fund	1,44,288				
(e) Break-up of fixed components and performance linked incentives with performance criteria	Item (c) is Performance Linked, others are fixed. Performance criteria include level of the profits, reduction of costs, improvement of liquidity, steps taken for growth of business.				
(f) Service Contract	31.7.2007 to 31.7.2010 Subject to retirement policy of the Company.				
(g) Notice Period	Six months				
(h) Severance fees	Nil				
(i) Stock Options details (if any):	Nil				
V. B. Details of remuneration paid to Non-Wholetime Directors and number of shares held by them in the Company	Name	No.of shares	Directors' fees Rs.	Commission paid * Rs.	Total Rs.
	Mr. Pallonji S. Mistry	Nil	20,000	Nil	20,000
	Mr. Shapoor P. Mistry	Nil	10,000	Nil	10,000
	Mr. K.C.Mehra (upto 9.8.2007)	Nil	Nil	Nil	Nil
	Mr. Cyrus P. Mistry	Nil	10,000	Nil	10,000
	Mr. Ashok Barat	Nil	40,000	Nil	40,000
	Mr. D. G. Prasad	Nil	* 40,000	Nil	* 40,000
	Mr. C. G. Shah	7	20,000	Nil	20,000
	Mr. H. S. Billimoria	Nil	40,000	Nil	40,000
	Mr. Ramaotar Goyal	Nil	40,000	Nil	40,000
	* paid to Export Import Bank of India.				

5. Shareholders Committee :			
i. Name of non-executive director heading the committee.	Mr. Shapoor P. Mistry (Chairman)		
ii. Name and designation of Compliance Officer	Mr. V. K. Vora Company Secretary		
iii. No. of Shareholders complaints received so far.	Pending as on 28.09.2007	Total 10 *	Of which Court Cases 10 *
iv. No. of complaints not solved to the satisfaction of the shareholders.	Add: Received	0	0
	Less: Solved to the satisfaction of the Shareholders	0	0
v. No. of pending share transfer.	Balance	<u>10</u>	<u>10</u>
	* The pending complaints as on 28.09.2007 represent the cases of erstwhile Forbes Gokak Ltd. (now known as Forbes & Company Ltd.) which were continuing for the shares of the Company which were allotted to the Shareholders of erstwhile Forbes Gokak Ltd. (now known as Forbes & Company Ltd.) consequent upon demerger of its Textile Undertaking into the Company.		
6. General Body Meetings :			
i. Location and time where last three AGMs held <u>Note</u> : This is the second AGM of the Company.	AGM on 13 th August, 2007 at 11.00 a.m. at Registered Office of the Company , 1 st floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore 560 025	Not Applicable	Not Applicable
(ii) Details of Special Resolutions passed in the first AGM	(1) AGM – 13 th August, 2007 : a) Payment of minimum remuneration from 31 st July, 2007 to 30 th July, 2010 to Mr. H. S. Bhaskar calculated in the manner provided in Part II of the Schedule XIII of the Companies Act, 1956. b) Authority pursuant to Section 163 of the Companies Act, 1956, to keep Register and Index of Members and Debentureholders and Annual Return etc. at a place other than the registered office of the Company.		
iii. Whether special resolutions were put through postal ballot last year, details of voting pattern.	No special resolution was put through postal ballot during the year ended 31.3.2008.		
iv. Persons who conducted the postal ballot exercise.	Not Applicable		
v. Procedure for postal ballot	Not Applicable		
vi. Whether any special resolution is proposed to be conducted through postal ballot.	No		
7. Disclosures :			
i. Materially significant related party transactions that may have potential conflict with the interests of the Company at large.	Materially significant related party transactions are disclosed as a part of the Annual Accounts as required under the Accounting Standard 18 relating to Related Party Disclosure.		

<p>ii. Details of non-compliance by the company, penalties strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital market during the last 3 years.</p> <p>iii. Whistle Blower policy affirmation that no person has been denied access to the Audit Committee.</p> <p>iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.</p>	<p>The Company has ensured necessary compliance with the requirements of the Stock Exchange, SEBI and other authorities related to capital market and the details of non-compliance and penalties are not applicable.</p> <p>No person has been denied access to the Audit Committee.</p> <p>The Company was listed on Bombay Stock Exchange Ltd. on 19th March, 2008 and has since been complying with all mandatory requirements. The Company will adopt any or all non-mandatory requirements as the Board deems necessary and advisable from time to time.</p>																
<p>8. Means of Communications :</p> <p>i. Quarterly results.</p> <p>ii. In which newspapers quarterly results are normally published .</p> <p>iii. Any Website where results or Official & news are displayed.</p> <p>iv</p> <p>v. The presentation made to institutional investors or to the analysts.</p> <p>vi. Whether Management Discussion and Analysis is a part of Annual Report or not.</p>	<p>The Company was listed on Bombay Stock Exchange Ltd. on 19th March, 2008. The results for quarter ending 31st March, 2008 onwards are published in newspapers.</p> <p>Quarterly Results for quarter ending 31st March, 2008 onwards were published in Asian Age and Sanyukta Karnataka.</p> <p>Results are made available on the website belonging to the Company being www.gokakmills.com and is made available to the Bombay Stock Exchange Ltd. in the form which would enable them to place them on their website i.e. www.bseindia.com</p> <p>The Company does not have a practice of making presentation to institutional investors and analysts.</p> <p>Management Discussion and Analysis is a part of Annual Report.</p>																
<p>9. General Shareholders Information :</p> <p>i. AGM – Date, time and venue</p> <p>ii. Financial Year</p> <p>iii. Book Closure Date</p> <p>iv. Dividend Payment date</p> <p>v. Listing on Stock Exchange</p> <p>vi. Stock Code</p> <p>vii. Market Price Data – High/Low during each month of the Financial Year.</p>	<p>Next AGM of the Company is scheduled on Saturday, the 30th August, 2008 at 2.00 p.m. at Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560001.</p> <p>Financial year of the Company ends on 31st March, each year and the last year has ended on 31st March, 2008.</p> <p>No dividend payment is proposed for the year ended 31st March, 2008. Book Closure from 14th August, 2008 to 30th August, 2008.</p> <p>Not Applicable</p> <p>Shares of the Company are listed on Bombay Stock Exchange Ltd., Mumbai.</p> <p>Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642I01014.</p> <p>The shares of the Company were listed and permitted for trading on the Bombay Stock Exchange with effect from Wednesday, 19th March, 2008. Market price data for the share of face value Rs.10 each are as under:</p> <table border="1" data-bbox="609 1679 1503 1880"> <thead> <tr> <th>Month</th> <th>GTL Share High</th> <th>GTL Share Low</th> <th>No. of shares</th> <th>BSE Index High</th> <th>BSE Index Low</th> <th>BSE 500 High</th> <th>BSE 500 Low</th> </tr> </thead> <tbody> <tr> <td>Mar.,2008</td> <td>189.80</td> <td>64.55</td> <td>910682</td> <td>17227.58</td> <td>14677.24</td> <td>6991.67</td> <td>5773.51</td> </tr> </tbody> </table>	Month	GTL Share High	GTL Share Low	No. of shares	BSE Index High	BSE Index Low	BSE 500 High	BSE 500 Low	Mar.,2008	189.80	64.55	910682	17227.58	14677.24	6991.67	5773.51
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viii Registrars and Share Transfer Agents and Share Transfer System	<p>(a) Shares of the Company held in physical form can be transferred by lodging Transfer Deeds and Share Certificates with Registrars and Share Transfer Agents, TSR Darashaw Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400011. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560025.</p> <p>(b) Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt of documents provided, all documents are valid and complete in all respects. The Company has constituted Share Transfer and Shareholders' Grievance Committee of the Board of Directors of the Company. The Shareholders have option of converting their holding in dematerialised form and effecting the transfer in dematerialised mode.</p>																																																																		
ix.a. Distribution of Shareholding. (As on 31.3.2008)	<p>- Distribution by category</p> <table border="1" data-bbox="609 653 1506 1014"> <thead> <tr> <th>Category</th> <th>No.of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Promoters</td> <td>47,80,845</td> <td>73.56</td> </tr> <tr> <td>Central/State Government Institutions</td> <td>55,171</td> <td>0.85</td> </tr> <tr> <td>Nationalised Banks</td> <td>10,150</td> <td>0.16</td> </tr> <tr> <td>Nationalised Insurance Companies and Mutual Funds</td> <td>4,08,986</td> <td>6.29</td> </tr> <tr> <td>FII and NRI / FBC</td> <td>48,960</td> <td>0.75</td> </tr> <tr> <td>Public</td> <td>11,95,196</td> <td>18.39</td> </tr> <tr> <td>Total</td> <td>64,99,308</td> <td>100.00</td> </tr> </tbody> </table> <p>- Distribution by size of holding</p> <table border="1" data-bbox="609 1050 1506 1503"> <thead> <tr> <th>Holding</th> <th>No. of Shareholders</th> <th>No. of Shares</th> <th>% to capital</th> </tr> </thead> <tbody> <tr> <td>1 to 25</td> <td>6193</td> <td>86,858</td> <td>0.34</td> </tr> <tr> <td>26 to 50</td> <td>3,626</td> <td>1,33,955</td> <td>1.04</td> </tr> <tr> <td>51 to 100</td> <td>1,162</td> <td>93,397</td> <td>2.02</td> </tr> <tr> <td>101 to 500</td> <td>1,236</td> <td>2,81,692</td> <td>3.60</td> </tr> <tr> <td>501 to 1000</td> <td>137</td> <td>97,792</td> <td>1.87</td> </tr> <tr> <td>1001 to 5000</td> <td>99</td> <td>1,95,353</td> <td>3.31</td> </tr> <tr> <td>5001 to 10000</td> <td>8</td> <td>55,845</td> <td>1.44</td> </tr> <tr> <td>10001 & above</td> <td>19</td> <td>55,54,416</td> <td>86.38</td> </tr> <tr> <td>Total</td> <td>12,480</td> <td>64,99,308</td> <td>100.00</td> </tr> </tbody> </table>			Category	No.of Shares	%	Promoters	47,80,845	73.56	Central/State Government Institutions	55,171	0.85	Nationalised Banks	10,150	0.16	Nationalised Insurance Companies and Mutual Funds	4,08,986	6.29	FII and NRI / FBC	48,960	0.75	Public	11,95,196	18.39	Total	64,99,308	100.00	Holding	No. of Shareholders	No. of Shares	% to capital	1 to 25	6193	86,858	0.34	26 to 50	3,626	1,33,955	1.04	51 to 100	1,162	93,397	2.02	101 to 500	1,236	2,81,692	3.60	501 to 1000	137	97,792	1.87	1001 to 5000	99	1,95,353	3.31	5001 to 10000	8	55,845	1.44	10001 & above	19	55,54,416	86.38	Total	12,480	64,99,308	100.00
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ix.b. Dematerialisation of shares and liquidity (As on 31.3.2008)	<p>Status of dematerialisation of shares and liquidity as on 31.3.2008</p> <table border="1" data-bbox="609 1550 1506 1891"> <thead> <tr> <th>Details</th> <th>No. of shares</th> <th>% of Share Capital</th> <th>No. of Accounts</th> </tr> </thead> <tbody> <tr> <td>National Securities Depository Ltd.</td> <td>57,12,065</td> <td>87.89</td> <td>5,506</td> </tr> <tr> <td>Central Depository Services (India) Ltd.</td> <td>3,85,869</td> <td>5.94</td> <td>1,326</td> </tr> <tr> <td>Total dematerialized</td> <td>60,97,934</td> <td>93.83</td> <td>6,832</td> </tr> <tr> <td>Physical</td> <td>4,01,374</td> <td>6.17</td> <td>5,648</td> </tr> <tr> <td>Total</td> <td>64,99,308</td> <td>100.00</td> <td>12,480</td> </tr> </tbody> </table>			Details	No. of shares	% of Share Capital	No. of Accounts	National Securities Depository Ltd.	57,12,065	87.89	5,506	Central Depository Services (India) Ltd.	3,85,869	5.94	1,326	Total dematerialized	60,97,934	93.83	6,832	Physical	4,01,374	6.17	5,648	Total	64,99,308	100.00	12,480																																								
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x. Outstanding GDR/ADR/ Warrants or any Convertible instruments, Conversion date and likely impact on equity	The Company has not issued any of these instruments so far.
xi. Plant locations	<u>Mills :</u> 1. Gokak Falls (Dist. Belgaum-Karnataka State 591 308) <u>Factories:</u> 1. Bagalkot Road, Marihal Village, Dist. Belgaum, Karnataka State 591167 2. D-190B, Phase - VI, Focal Point, Ludhiana 141010, Punjab.
xii. Address for Correspondence	Investors are requested to please direct all transfer requests, correspondence, queries, to Registrars and Share Transfer Agents at the following address : TSR Darashaw Ltd. Unit: Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400 011 Tel. : 91 22 6656 8484 Fax : 91 22 6656 8494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday) E-mail: csg-unit@tsrdarashaw.com Website : www.tsrdarashaw.com Investors, if they so prefer, can send transfer request, correspondence and queries to the Company at the following address – Company Secretary Gokak Textiles Limited 1 st floor, 45/3 Gopalkrishna Complex, Residency Cross Road, Bangalore 560 025 Telephone: 080 25589942, 080 25597442 Email. vkvora@forbes.co.in

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai, 7th July, 2008

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the year ended 31st March, 2008.

For GOKAK TEXTILES LIMITED

H.S.BHASKAR
Executive Director & CEO.

Mumbai, 7th July, 2008

Annexure forming part of Directors' Report for the year ended 31st March, 2008.
Attendance of each Director at the Board of Directors meetings and at the last Annual General Meeting.

	Directors during the Year	Category	No. of Board Meetings held during his tenure during the year	No. of Board Meetings attended	Attendance at the last Annual General Meeting
1.	Mr. Pallonji S. Mistry	Non-Executive Promoter	5	4	No
2.	Mr. Shapoor P. Mistry	Non-Executive Promoter	5	4	No
3.	Mr. K. C. Mehra \$	Non-Executive Non-Independent	2	2	No
4.	Mr. Cyrus P. Mistry	Non-Executive Promoter	5	2	No
5.	Mr. Ashok Barat	Non-Executive Non-Independent	5	4	Yes
6.	Mr. D. G. Prasad	Non-Executive Independent (Nominee)	5	5	No
7.	Mr. H. S. Bhaskar *	Executive	5	4	Yes
8.	Mr. C. G. Shah **	Non-Executive Non-Independent	5	2	No
9.	Mr. H. S. Billimoria ***	Non-Executive Independent	5	3	No
10.	Mr. Ramaotar Goyal ****	Non-Executive Independent	5	3	No

* Mr.H.S.Bhaskar has been appointed with effect from 31st July, 2007.

** Mr.C.G.Shah has been appointed with effect from 9th August, 2007.

*** Mr.H.S.Billimoria has been appointed with effect from 26th September, 2007.

**** Mr.Ramaotar Goyal has been appointed with effect from 26th September, 2007.

\$ Mr. K. C. Mehra has ceased to be a Director with effect from 9th August, 2007.

ANNEXURE `AB`

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 31st March, 2008 is Chairman/a Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956, and also excluding Committee positions other than Audit Committee and Shareholders' Grievance Committee in accordance with Clause 49 (IV) (B) of the Listing Agreement) is as follows :

Name of the Director	No. of Directorships in other Boards	No. of other Committees (other than Gokak Textiles Ltd.) in which Chairman/Member	
		Chairman	Member
Mr. Pallonji S. Mistry	9	1	-
Mr. Shapoor P. Mistry	13	Nil	2
Mr. K. C. Mehra *	9	Nil	Nil
Mr. Cyrus P. Mistry	10	Nil	1
Mr. Ashok Barat	4	Nil	Nil
Mr. D. G. Prasad	3	Nil	1
Mr. H. S. Bhaskar	Nil	Nil	Nil
Mr. C. G. Shah	6	Nil	3
Mr. H. S. Billimoria	3	Nil	Nil
Mr. Ramaotar Goyal	1	Nil	Nil

The number of directorships and the positions held on Board Committees by the directors are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act and the Listing Agreement.

* Mr. K.C. Mehra has ceased to be a Director with effect from 9th August, 2007.

ANNEXURE 'AC'

**Details of Directors whose re-appointment/appointment is proposed at the Forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	Mr. Shapoor P. Mistry	Mr. Pallonji S. Mistry	Mr. H. S. Billimoria	Mr. R. Goyal
Date of Birth	6 th September, 1964	1 st June, 1929	7 th July, 1951	23 rd February, 1942
Date of first Appointment	29 th November, 2006	17 th January, 2007	26 th September, 2007	26 th September, 2007
Qualification	B.A. (England) – Business & Economics	Inter Arts	B.Com (Hon.) F.C.A. (England & Wales) F.C.A. (India)	B.Com., F.C.A.
Relationships between directors inter se	Promoter Director Related to Mr. Pallonji S. Mistry and Mr. Cyrus P. Mistry	Promoter Director Related to Mr. Shapoor P. Mistry and Mr. Cyrus P. Mistry	Not related to any director of the Company.	Not related to any director of the Company.
Expertise in specific functional areas	Mr. Shapoor P. Mistry is the Chairman of Forbes & Co. Ltd. and Eureka Forbes Ltd. and Managing Director of Shapoorji Pallonji & Co. Ltd. He is also a Director of several public limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr. Pallonji S. Mistry is the Chairman of Shapoorji Pallonji Group. He is also a Director of several public limited companies. His expertise includes formation of business plans, risk evaluation, business investment strategy and property and infrastructure development.	Mr. Hoshang S. Billimoria is the CEO of Next Gen Publishing Ltd. He is the Chairman of Travel Corporation (I) Ltd. and a Director of several public limited companies. He has wide and varied experience in running business and financial management.	Mr. R. Goyal's expertise includes corporate planning, re-structuring of projects, implementing new projects/plants from grass roots, developing Management Information System and Margin Enhancement Programmes. He is a director of the following public company. He retired as President Director of Lenzing-SPV, Indonesia, an internationally known Viscose fibre producer in the world.
List of Companies in which Directorship held as on 31 st March, 2008	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd. 2. Cyrus Investments Ltd. 3. Eureka Forbes Ltd. 4. Forbes Bumi Armada Ltd. 5. Forbes Infotainment Ltd. 6. Forvol International Services Ltd. 7. Forbes & Company Ltd. 8. Shapoorji Pallonji & Co.Ltd. 9. Shapoorji Pallonji Infrastructure Capital Co.Ltd. 10. Shapoorji Pallonji Finance Ltd. 11. Shapoorji Pallonji Power Co.Ltd. 12. United Motors (India) Ltd. 13. The Indian Hotels Co Ltd.	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd. 2. Cyrus Investments Ltd. 3. Forvol International Services Ltd. 4. Forbes & Company Ltd. 5. Shapoorji Pallonji & Co. Ltd. 6. Shapoorji Pallonji Infrastructure Capital Co.Ltd. 7. Shapoorji Pallonji Finance Ltd. 8. Shapoorji Pallonji Power Co. Ltd. 9. United Motors (India) Ltd.	<u>PUBLIC COMPANIES</u> 1. HDFC Asset Management Co.Ltd. 2. Thomas Cook (I) Ltd. 3. Travel Corporation (I) Ltd.	<u>PUBLIC COMPANIES</u> Rimura Finlease & Technology Ltd.
Member of the Board Committees	1. <u>Share Transfer & Investor Relations Committee</u> United Motors (India) Ltd. Gokak Textiles Ltd. <u>Remuneration Committee</u> 2. Forbes & Company Ltd.	1. <u>Share Transfer & Investor Relations Committee</u> Forbes & Company Ltd. 2. <u>Remuneration Committee</u> Forbes & Company Ltd. Shapoorji Pallonji Finance Ltd.	1. <u>Audit Committee</u> Thomas Cook (I) Ltd. HDFC Asset Management Co.Ltd. Gokak Textiles Ltd. 2. <u>Share Transfer & Investor Relations Committee</u> Thomas Cook (I) Ltd. Gokak Textiles Ltd. 3. <u>Remuneration Committee</u> HDFC Asset Management Co.Ltd. Gokak Textiles Limited	1. <u>Audit Committee</u> Gokak Textiles Ltd. 2. <u>Remuneration Committee</u> Gokak Textiles Ltd.
No. of shares held	Nil	Nil	Nil	Nil

CERTIFICATE OF COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

TO
THE MEMBERS OF
GOKAK TEXTILES LIMITED

I have examined the compliance of conditions of corporate governance by GOKAK TEXTILES LIMITED for the year ended 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd. The Company was listed on the Bombay Stock Exchange Ltd. on 19th March, 2008.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the Directors and the Management, I certify that the Company has generally complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

I have also to state that no investor grievance is pending for a period exceeding one month against the Company as per the information furnished by the Company's Registrars, other than those which are a subject matter of litigation.

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

A.D.GUPTA
COMPANY SECRETARY IN WHOLETIME – PRACTICE
FCS 300 – Certificate of Practice No.1210

Mumbai, 7th July, 2008.

AUDITORS' REPORT TO THE MEMBERS OF GOKAK TEXTILES LIMITED

1. We have audited the attached Balance Sheet of **GOKAK TEXTILES LIMITED** as at March 31, 2008 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branch not visited by us. The Branch Auditor's Report has been forwarded to us and has been appropriately dealt with.
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branch.
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) Attention is drawn to Schedule 21 note no. 4 in respect of insurance claim amounting to Rs 322.48 lacs disclosed as advances recoverable considered good pending the settlement of claim by the insurance company.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2008, and taken on record by the Board of Directors, we report that, none of the Director is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

Vinayak M Padwal
Partner
(Membership No. 49639)

Mumbai, July 07, 2008

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **GOKAK TEXTILES LIMITED** for the year ended 31st March, 2008.

- 1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
(ii) As informed to us the fixed assets have been verified by the Company during the year and no material discrepancies were noticed.
(iii) In our opinion, the disposal of fixed assets during the year does not affect the going concern assumption.
- 2) (i) The Management has conducted physical verification of inventory at reasonable intervals.
(ii) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(iii) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 3) (i) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
(ii) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- 4) 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, for the purchase of inventory and fixed assets and for the sale of goods and services.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that Section.
(b) In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) During the year under audit, the Company has not accepted fixed deposits from the public.
- 7) The Company has an internal audit system, which in our opinion is commensurate with the size of the Company and the nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company in respect of the cost records as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or Cess outstanding on account of any dispute other than following:

Name of Statute	Amount (Rs. Lac)	Period to which the amount relates	Forum where dispute is pending
Entry Tax	1,44,58,194	Oct.,04 to Mar.,07	High Court of Karnataka at Bangalore
Income tax	3,00,912	2001-02 & 2002-03	CIT (A)
Excise Duty	13,25,43,100	July,04 to Feb.,06	High Court of Karnataka at Bangalore
	14,73,02,206		

- 10) In our opinion and according to the records produced before us the Company has been registered for a period of less than five years and hence the clause (x) is not applicable.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
- 14) In our opinion, the Company has maintained proper records of the transactions and contracts in respect of investments purchased and sold during the year and timely entries have been made therein.
- 15) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) According to the information and explanations given to us and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.
- 17) On the basis of an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

Vinayak M Padwal
Partner
(M. No. 49639)

Mumbai, July 07, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SOURCES OF FUNDS :			
1. SHAREHOLDERS' FUND			
(a) Share Capital	"1"	6,49,93,080	5,00,000
(b) Reserves & Surplus	"2"	78,56,49,770	-
		<u>85,06,42,850</u>	<u>5,00,000</u>
2. DEFERRED GOVERNMENT GRANT		9,400	-
3. LOAN FUNDS:			
(a) Secured	"3"	150,91,69,879	-
(b) Unsecured	"4"	4,27,96,478	-
		<u>155,19,66,357</u>	<u>-</u>
4. DEFERRED TAX LIABILITY	"5"	18,65,95,155	-
TOTAL		<u><u>258,92,13,762</u></u>	<u><u>5,00,000</u></u>
APPLICATION OF FUNDS			
5. Fixed Assets			
(a) Gross Block		379,61,02,529	-
(b) Less: Depreciation / impairment		210,48,55,295	-
(c) Net Block	"6"	169,12,47,234	-
(d) Capital work-in-progress		7,96,06,752	-
		<u>177,08,53,986</u>	<u>-</u>
5. INVESTMENTS	"7"	51,002	-
6. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	"8"	91,44,51,960	-
(b) Sundry Debtors	"9"	27,13,14,770	-
(c) Cash and Bank Balances	"10"	1,75,62,587	4,98,702
(d) Other Current Assets	"11"	19,735	-
(e) Loans and Advances	"12"	34,11,53,672	1,498
		<u>154,45,02,724</u>	<u>5,00,200</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	"13"	70,78,97,649	35,990
(b) Provisions	"14"	1,82,96,301	-
		<u>72,61,93,950</u>	<u>35,990</u>
NET CURRENT ASSETS		81,83,08,774	4,64,210
7. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		-	21,540
8. Profit & Loss Account		-	14,250
TOTAL		<u><u>258,92,13,762</u></u>	<u><u>5,00,000</u></u>
Significant Accounting Policies	"20"		
Notes to Accounts	"21"		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached
For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

VINAYAK M PADWAL
Partner

Mumbai, 7th July, 2008

Signatures to Balance Sheet and Schedules 1 to 14, 20 and 21

SHAPOOR P. MISTRY	}	Chairman
PALLONJI S. MISTRY		Directors
ASHOK BARAT	}	Directors
D. G. PRASAD		Executive Director & CEO
H. S. BHASKAR	}	Directors
C. G. SHAH		Directors
H. S. BILLIMORIA		Directors
RAMAOTAR GOYAL		Directors
S. RAGHUNATHAN		Chief Finance Officer
V. K. VORA		Company Secretary

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2008

	Schedule	For the year ended 31st March, 2008 Rupees	For the year ended 31st March, 2007 Rupees
INCOME			
Sales (Gross)		329,66,84,276	-
Less : Excise duty		1,35,49,089	-
Sales (Net)		328,31,35,187	-
Other Income	“15”	13,46,45,166	6,672
		<u>341,77,80,353</u>	<u>6,672</u>
EXPENDITURE			
Materials consumed and purchase of goods	“16”	197,28,94,082	
Manufacturing and other expenses	“17”	128,18,49,218	20,922
Inventory change	“18”	(7,30,59,585)	-
Interest and financial charges (net)	“19”	14,80,75,663	-
Depreciation		12,23,01,329	-
(Net off Government Grant Rs 1,55,099)		<u>345,20,60,707</u>	<u>20,922</u>
PROFIT / (LOSS) BEFORE TAXATION		(3,42,80,354)	(14,250)
Less: Provision For Taxation			
- Fringe Benefit Tax		23,14,349	-
- Deferred Tax		2,27,59,123	-
		<u>2,50,73,472</u>	<u>-</u>
PROFIT / (LOSS) AFTER TAXATION		(5,93,53,826)	(14,250)
Balance Brought Forward		(14,250)	-
Transferred under the Scheme of Demerger	“21(1)”	12,89,86,160	-
Balance Carried To Balance Sheet		<u>6,96,18,084</u>	<u>(14,250)</u>
Basic & Diluted Earnings per share	“21(23)”	(9.20)	(0.29)
Significant Accounting Policies	“20”		
Notes to Accounts	“21”		

The Schedules referred to above form an integral part of the Profit & Loss Account

As per our Report attached
For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

VINAYAK M PADWAL
Partner

Mumbai, 7th July, 2008

Signatures to Profit & Loss Account and Schedules 15 to 21

SHAPOOR P. MISTRY	Chairman
PALLONJI S. MISTRY	} Directors
ASHOK BARAT	
D. G. PRASAD	
H. S. BHASKAR	Executive Director & CEO
C. G. SHAH	} Directors
H. S. BILLIMORIA	
RAMAOTAR GOYAL	
S. RAGHUNATHAN	
V. K. VORA	Chief Finance Officer Company Secretary

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

	For the year ended 31st March, 2008 Rupees	For the year ended 31st March, 2007 Rupees
A Cash flow from operating activities:		
(Loss) Before Tax	(3,42,80,354)	(14,250)
Depreciation	12,24,56,428	-
Govt Grant	(1,55,099)	-
Misc exp written off	21,540	-
Interest expenses	4,13,40,908	-
Interest receivable	(19,735)	-
Provision for retirement benefits	28,225	-
Foreign exchange gain	(88,57,392)	-
Profit on sale of fixed assets	(72,96,646)	-
Provision for doubtful debts	37,75,617	-
Incorporation expenses	-	9,450
Operating Profit/(Loss) before Working capital changes	11,70,13,492	(4,800)
Adjustment for		
Inventory	(14,38,62,711)	-
Trade and other receivable	3,46,49,707	-
Trade payables	21,64,84,348	5,000
Cash generated from Operating activity	22,42,84,836	200
FBT Paid	(23,14,349)	(1,498)
Net cash used in operating activity	22,19,70,487	(1,298)
B Cash flow from investing activity		
Purchase of fixed assets	(11,00,37,204)	-
Proceeds from sale of fixed assets	1,82,06,059	-
Advances for Capital WIP	(4,12,59,669)	-
Purchase of investments	(50,002)	-
Net cash used in investing activity after extraordinary items	(13,31,40,816)	-

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

	For the year ended 31st March, 2008 Rupees	For the year ended 31st March, 2007 Rupees
C Cash flow from financing activities		
Proceeds/(repayment) of borrowings (Net)	(3,99,85,620)	
Interest paid.....	(4,13,40,908)	
Issue of fresh capital		5,00,000
Net Cash from financing activities.....	(8,13,26,528)	5,00,000
Net increase in cash and cash equivalents (A+B+C).....	75,03,143	4,98,702
Cash and Cash equivalents (Opening Balance).....	4,98,702	-
Cash and Cash equivalents transferred as per demerger.....	95,60,742	-
Cash and cash equivalent (Closing Balance).....	1,75,62,587	4,98,702
Notes:		
1 Cash and cash equivalent (Closing Balance)		
Cash, cheques on hand and remittances in transit.....	6,94,075	4,98,702
Balances with Scheduled Banks		
on Current Accounts	1,57,39,954	-
on Deposit Accounts.....	4,63,738	-
on Margin Accounts.....	6,64,820	-
	1,75,62,587	4,98,702
2 Figures in brackets indicate cash outflow.		

As per our Report attached
For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

VINAYAK M PADWAL
Partner

Mumbai, 7th July, 2008

Signatures to Cash Flow Statement

SHAPOOR P. MISTRY	}	Chairman
PALLONJI S. MISTRY		Directors
ASHOK BARAT		
D. G. PRASAD		
H. S. BHASKAR		Executive Director & CEO
C. G. SHAH	}	Directors
H. S. BILLIMORIA		
RAMAOTAR GOYAL		
S. RAGHUNATHAN		
V. K. VORA		Chief Finance Officer Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

	As at 31st March 2008 Rupees	<i>As at 31st March 2007 Rupees</i>
SCHEDULE “1” - SHARE CAPITAL		
AUTHORISED:		
70,00,000 (previous year 50,000) Shares of Rs.10 each	<u>7,00,00,000</u>	<u>5,00,000</u>
ISSUED AND SUBSCRIBED:		
64,99,308 (Previous year 50,000) Equity Shares of Rs.10 each fully paid-up	6,49,93,080	<i>5,00,000</i>
(64,49,308 shares issued to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash) (Of the above 41,63,176 shares are held by Sterling Investment Corporation Private Limited)	<u>6,49,93,080</u>	<u>5,00,000</u>
SCHEDULE “2” - RESERVES AND SURPLUS		
General Reserve		
Opening Balance	-	-
Add: Transferred on 01.04.2007 under the Scheme of Demerger (Refer schedule 21 Note no. 1)	87,98,67,718	-
Less: Transferred to Deferred Tax Liability as on 01.04.2007 under the Scheme of Demerger (Refer schedule 21 Note no. 1) ...	<u>(16,38,36,032)</u>	-
	71,60,31,686	-
Profit and Loss Account		
Opening Balance	(14,250)	-
Add: Transferred on 01.04.2007 under the Scheme of Demerger (Refer schedule 21 Note no. 1)	12,89,86,160	-
Less: Loss as per Profit & Loss Account	<u>(5,93,53,826)</u>	-
	<u>6,96,18,084</u>	-
	78,56,49,770	<u>-</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE "3" - SECURED LOANS		
FROM BANKS:		
a) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by first pari passu (40%) charge over the fixed assets acquired out of the loan disbursed jointly with IDBI Limited) (Repayable within a year Rs.1,59,97,659).....	1,73,35,743	-
b) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by exclusive charge of hypothecation of machinery alongwith accessories / spares acquired / to be acquired under the Scheme) (Repayable within a year Rs.30,00,000)	3,93,44,336	-
c) Foreign Currency Term Loan of US \$ 1.87 Million from Export-Import Bank of India Secured by first exclusive charge on specific movable fixed assets acquired under the loan. (Repayable within a year Rs.1,89,24,400).....	1,89,24,400	-
d) Cash Credit and Packing Credit from Banks against hypothecation of all stocks including Raw Material, Stock-in-Process, Finished Goods, Stores and Book-Debts.		
(i) Cash Credit and Packing Credit.....	23,38,31,450	
(ii) Demand Loan	22,00,00,000	
	45,38,31,450	-
e) Term Loan from Export-Import Bank of India under Technology Upgradation Fund Scheme. (Secured by an exclusive and specific charge against movable fixed assets acquired under the scheme) (Repayable within a year Rs.1,95,60,000).....	4,89,00,000	-
f) Long Term Working Capital Foreign Currency Loan from Export-Import Bank of India, secured by first charge on all the movable fixed assets (whether installed or not) of the Gokak Mills Division and Forbes Campbell Knitwear Division (Repayable within a year Rs.3,59,82,186).....	8,99,55,627	-
g) Rupee Term Loan from IDBI Limited under Technology Upgradation Fund Scheme. (Secured by first pari passu (60%) charge over the fixed assets acquired out of the loan disbursed jointly with New India Co-operative Bank Limited) (Repayable within a year Rs.1,51,70,993).....	1,71,70,993	-
h) Term Loan from Export-Import Bank of India under Technology Upgradation Fund Scheme (Secured by first hypothecation charge on specific moveable fixed assets acquired/to be acquired under the scheme and by equitable mortgage charge on land and building of Gokak Mills Division and Forbes Campbell Knitwear Division on a pari passu basis with State Bank of India) (Repayable within a year Rs.3,84,00,000).....	22,17,34,546	-
Balance Carried Forward	90,71,97,095	-

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

	As at 31st March 2008 Rupees	<i>As at 31st March 2007 Rupees</i>
Balance Brought Forward.....	90,71,97,095	-
i) Term Loan from Export-Import Bank of India under Technology Upgradation Fund Scheme (secured by exclusive charge by way of hypothecation of the specific moveable fixed assets acquired/ to be acquired out of the loan and mortgage of immovable fixed assets of Gokak Mills Division and Forbes Campbell Knitwear Division). (Repayable within a year Rs.1,92,00,000).....	6,05,37,618	-
j) Rupee Term Loan from State Bank of India under Technology Upgradation Fund Scheme (Secured by first charge on the goods and specific movable assets acquired/ to be acquired under the loan) (Repayable within a year Rs.3,36,00,000).....	20,94,62,804	-
k) Term Loan from State Bank of India under Technology Upgradation Fund Scheme (Secured by first hypothecation charge on specific moveable fixed assets acquired/ to be acquired under the scheme and by equitable mortgage charge on Land and Building of Gokak Mills Division and Forbes Campbell Knitwear Division located at Gokak Falls and Marihal respectively on a pari passu basis with Export-Import Bank of India.) (Repayable within a year Rs.3,84,00,000).....	21,39,72,362	-
l) Long Term Working Capital rupee loan from Export-Import Bank of India, (secured by pari passu first charge by way of hypothecation of entire moveable fixed assets of the company excluding assets exclusively charged and by way of pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs.3,75,00,000)	5,00,00,000	-
m) Term Loan from Export-Import Bank of India under Technology Upgradation Fund Scheme for setting up of mini Hydel Power Plant of 4.5 MW at Gokak Mills Division, Gokak Falls, Belgaum, Karnataka. (Secured by exclusive charge over the entire movable fixed assets and immovable properties of the Hydel power plant and pari passu first mortgage of the immovable fixed assets of Gokak Mills Division and Forbes Campbell Knitwear Division). (Repayable within a year NIL)	6,80,00,000	-
	150,91,69,879	-

SCHEDULE “4” - UNSECURED LOANS

Sales Tax Deferment loan (Amount due within a year Rs 1,88,40,000)	2,65,90,478	-
Intercorporate Borrowings	1,62,06,000	-
	4,27,96,478	-

SCHEDULE “5” - DEFERRED TAX LIABILITY

Transferred under the Scheme of Demerger	163,836,032	-
(Refer Schedule 21 Note 1)		
Add: Addition for the year	22,759,123	-
	186,595,155	-

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE 6: FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Transferred as on 01.04.2007 under the Scheme of Demerger *	Cost of additions during the year	Cost of deductions during the year	Total Cost as at 31.03.2008	Transferred as on 01.04.2007 under the Scheme of Demerger *	Depreciation during the year	Depreciation on deductions during the year	Total Depreciation as on 31.03.2008	Balance as on 31.03.2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets									
Computer Software	67,71,593	-	-	67,71,593	36,30,047	13,45,848	-	49,75,895	17,95,698
Tangible Assets									
Leasehold Land.....	1,50,000	-	-	1,50,000	1,50,000	-	-	1,50,000	-
Freehold Land.....	22,45,450	-	-	22,45,450	-	-	-	-	22,45,450
Factory Building.....	44,01,43,126	2,75,14,899	39,53,017	46,37,05,009	12,94,93,683	1,46,08,488	-	14,41,02,171	31,96,02,838
Residential Building.....	5,60,00,920	5,66,009	-	5,65,66,929	1,28,50,168	9,18,224	-	1,37,68,392	4,27,98,537
Canal Lining.....	1,22,884	-	-	1,22,884	1,16,740	-	-	1,16,740	6,144
Plant and Machinery	315,09,45,826	7,52,65,102	2,65,45,739	319,96,65,189	181,38,99,368	10,21,17,173	2,01,68,767	189,58,47,774	130,38,17,415
Furniture, Fixtures and Office Equipment.....	4,64,63,658	43,12,605	4,01,087	5,03,75,176	3,22,94,179	21,99,715	6,282	3,44,87,612	1,58,87,564
Vehicles.....	1,78,01,503	23,78,589	36,79,793	1,65,00,299	1,36,34,902	12,66,980	34,95,170	1,14,06,711	50,93,588
TOTAL	372,06,44,960	11,00,37,204	3,45,79,636	379,61,02,529	200,60,69,087	12,24,56,428	2,36,70,219	210,48,55,295	169,12,47,234

* Refer Schedule 21 Note 1

Note:

- The charge for depreciation in the Profit and Loss Account is net off Government grants Rs 1,55,099.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE “7” - INVESTMENTS	As At 31st March 2008 Rupees	As At 31st March 2007 Rupees
LONG TERM INVESTMENTS: At Cost		
A TRADE INVESTMENTS:		
Unquoted Equity Shares		
P. T. Gokak Indonesia	11,306,548	-
(1375 Equity Shares of US\$ 1000 Each)		
B OTHER INVESTMENTS:		
Unquoted Equity Shares		
New India Co-Operative Bank Ltd		
(5,000 Equity Shares Of Rs 10 Each)	50,002	-
	1,13,56,550	-
Less: Provision for diminution in the value of investments	(1,13,05,548)	-
	51,002	-
SCHEDULE “8” - INVENTORIES		
(At lower of cost or net realisable value)		
(i) Stores And Spares Parts	7,35,53,956	-
(ii) Raw Materials	38,32,26,425	-
(Including Goods In Transit Rs.13,17,282)		
(iii) Stock-In-Process	9,38,86,612	-
(iv) Finished Goods		
(Including Goods In Transit Rs.3,44,66,955)	36,37,84,967	-
	91,44,51,960	-
SCHEDULE “9” - SUNDRY DEBTORS		
(I) Debts outstanding for a period exceeding six months:		
(a) Secured, Considered Good	1,71,45,172	-
(b) Unsecured, Considered Good	70,83,218	-
(c) Considered Doubtful	6,25,85,331	-
	8,68,13,721	-
(ii) Other Debts:		
(a) Unsecured, Considered Good	24,70,86,380	-
(b) Considered Doubtful	181,146	-
	24,72,67,526	-
	33,40,81,247	-
Less: Provision For Doubtful Debts	(6,27,66,477)	-
	27,13,14,770	-
SCHEDULE “10” - CASH AND BANK BALANCES:		
(i) Cash, Cheques on Hand and Remittances in transit	6,94,075	-
(ii) Balances with Scheduled Banks		
on Current Accounts	1,57,39,954	498,702
on Deposit Accounts	4,63,738	-
on Margin Accounts	6,64,820	-
	1,75,62,587	498,702

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE "11" - OTHER CURRENT ASSETS	As At 31st March 2008 Rupees	As At 31st March 2007 Rupees
Interest & Dividend accrued on Investments	19,735	-
	<u>19,735</u>	<u>-</u>
SCHEDULE "12" - LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances Recoverable in Cash or in kind or for value to be received:		
Secured	23,20,960	-
Unsecured, Considered Good	22,94,60,189	-
Considered Doubtful	1,97,696	-
	<u>23,19,78,845</u>	<u>-</u>
Less: Provision for Doubtful advances	(1,97,696)	-
Taxes paid less provision (other than deferred tax)	25,03,338	1,498
Balances with Central Excise, Customs and Port Trust	10,68,69,185	-
	<u>34,11,53,672</u>	<u>1,498</u>
SCHEDULE "13" - CURRENT LIABILITIES		
Acceptances	47,74,76,565	
Sundry Creditors (Refer Schedule 21 Note 5)	16,27,40,813	-
Due to Group Companies	53,83,811	30,990
Customers' Security Deposits, and advances from customers	1,63,62,956	-
Other Liabilities	3,57,54,067	5,000
Interest accrued but not due on loans	1,01,79,437	-
	<u>70,78,97,649</u>	<u>35,990</u>
(There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.)		
SCHEDULE "14" - PROVISIONS		
Retirement Benefits	1,82,96,301	-
	<u>1,82,96,301</u>	<u>-</u>
SCHEDULE "15" - OTHER INCOME		
Income from Services rendered - (Gross) (Tax deducted at source Rs 1,57,160)	58,36,773	-
Sale of Additional Licences	2,69,27,726	-
Duty Drawback on Export	4,41,41,144	-
Export Incentives	90,02,855	-
Other Income	4,14,40,022	6,672
Profit on sale of fixed assets (net)	72,96,646	-
	<u>13,46,45,166</u>	<u>6,672</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE "16" - MATERIAL CONSUMED AND PURCHASE OF GOODS

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
Raw Materials Consumed:		
Opening Stock	30,72,24,326	-
Add: Purchases	203,52,67,776	-
Less: Closing Stock	38,32,26,425	-
	<u>195,92,65,677</u>	-
Purchases of Trading Stocks	1,36,28,405	-
	<u>197,28,94,082</u>	-

SCHEDULE "17" - MANUFACTURING AND OTHER EXPENSES

Stores and Spares consumed		13,79,60,059	-
Processing Charges		2,35,08,973	-
Power and Fuel		40,53,52,395	-
Payments to and Provisions for Employees:			
Salaries, Wages, Bonus and Commission	29,97,62,320		-
Gratuity	1,31,50,115		-
Ex-Gratia payments	84,77,152		-
Contribution to Provident Fund and Other Funds	2,99,79,322		-
Workmen and Staff Welfare Expenses	4,05,41,192		-
Company's Contribution to Employees' State Insurance Scheme	94,82,225	40,13,92,326	-
Commission to Dealers		3,55,25,516	-
Brokerage and Discount		51,41,296	-
Freight and Forwarding charges		11,26,24,622	-
Repairs to:			
- Plant and Machinery	4,31,89,276		-
- Buildings	46,11,780		-
- Others	350,48,800	8,28,49,856	-
Rent		74,92,172	-
Rates and taxes		51,97,181	-
Insurance		95,07,149	-
Stamps, Telegrams, Stationery, Printing and Telephones		87,74,319	3,765
Legal and Professional Charges		60,29,364	2,295
Bad Debts/Advances written off		2,462	-
Provision for Doubtful Debts		39,05,897	-
Auditors' Remuneration:			
Audit Fees (including branch audit fees Rs1,51,688)	16,51,688		5,000
Other Matters	18,235		-
Out of Pocket Expenses	31,936	17,01,859	-
Excise duty		42,25,529	-
Miscellaneous Charges		2,65,01,886	9,862
Common establishment expenses		41,56,357	-
		<u>128,18,49,218</u>	<u>20,922</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE "18" - INVENTORY CHANGE

	Rupees	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
Opening Stocks			
Stock-in-Process	8,77,52,074		-
Finished Goods	29,62,33,803		-
		38,39,85,877	-
Less: Closing Stocks			
Stock-in-Process	9,38,86,612		-
Finished Goods	36,37,84,967	45,76,71,579	-
Decrease / Increase in Excise Duty		6,26,117	-
		(7,30,59,585)	-

SCHEDULE "19" - INTEREST AND FINANCIAL CHARGES (NET)

Interest on fixed loans (Gross)	4,13,40,908	-
Other interest	9,39,83,188	-
Bank Charges /Finance Expenses	1,56,38,752	-
	15,09,62,848	-
Less: Interest received from customers	28,87,185	-
	14,80,75,663	-

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE “20” – SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The Financial Statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable accounting standards issued by The Institute of Chartered Accountants of India.

2. Use of Estimates:

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management’s evaluation of relevant fact and circumstances as on the date of financial statements. The actual outcome may diverge from the estimates.

3. Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at cost or as revalued as the case may be, less accumulated depreciation. Cost includes expenses related to acquisition and installation of the concerned assets. Exchange differences arising on account of repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets from a country outside India is adjusted to the carrying cost of the respective assets.

Cost of leasehold land and building thereon are amortised over the period of the lease.

Depreciation is provided on pro-rata basis on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956, except for vehicle which is depreciated on written down value method. Items costing less than and up to Rs.5,000 are fully depreciated.

4. Borrowing Cost:

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

5. Investments:

Investments, which are long term, are stated at cost less provision for diminution in value, where applicable. Dividend income is accounted when the right to receive payments is established and known.

6. Inventories:

Inventories are valued at lower of cost and net realisable value. Cost is determined as follows:

Sr No	Particulars	Method of determining cost
1	Stores, Spare and Loose Tools	Weighted average
2	Raw Materials:	
	(i) Cotton & Other Fibers	Specific identification for Mills unit and FIFO basis for Knitwear unit.
	(ii) Others	Weighted average
3	Stock-In-Process	Aggregate of material cost and production overheads and other attributable expenses up to stage of completion.
4	Finished Goods:	
	(a) Produced	Aggregate of material cost, production overheads and excise duty paid/payable thereon.
	(b) Traded Goods	
	(i) Yarn	First-In-First-Out
	(ii) Textile	Weighted average

Provision is made for the cost of obsolescence and other anticipated losses, wherever considered necessary.

7. Revenue Recognition:

Sales are accounted for on dispatch of goods to the customers and are net of excise duty and sales returns. Income from service activity is accounted as per the terms of service contract.

8. Foreign Currency Transactions:

a. Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year-end rate and difference in translation and realised gains and losses on foreign exchange transactions (other than for fixed assets acquired from a country outside India) are recognised in the profit and loss account.

- b. In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets from a country outside India, the variation in the liability arising out of the exchange rates on repayment or restatement at the year end is adjusted to the cost of acquisition of the fixed assets.
- c. Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense, except in respect of fixed assets acquired from a country outside India where such gains or losses are adjusted in the carrying amount of the respective fixed assets.

9. Research and Development expenses:

No intangible asset arising from revenue expenditure pertaining to the research is recognised. Expenditure on research is charged to the revenue when incurred. Intangible assets arising from development are recognised if and only if expenditure attributable to the intangible assets are reliably measurable as under and all of the following are demonstrated.

- a. Technical feasibility of completing the asset for use or sale;
- b. Intention and ability to use or sell it;
- c. Utility of the asset if intended for internal use or the market for the asset for sale; and
- d. Availability of resources to complete the development.

Capital expenditure on research and development is capitalised in accordance with the policy stated in above.

10. Employee Benefits:

Short-term Employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, performance incentives, etc., are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the employee renders the related service.

Post Employment Benefits:

Defined Contribution Plans:

Payments made to a defined contribution plan such as Provident Fund are charged as an expense in the Profit and Loss Account as they fall due.

Defined Benefit Plans:

Gratuity for the eligible employees is considered as defined benefit obligation and provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.

Other long-term benefits

Other Long-term Employee benefits viz. Leave Encashment is provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet. Actuarial gain/losses, if any, are immediately recognised in the Profit and Loss Account.

11. Government Grants:

Government grants, which relate to specific fixed assets, are treated as deferred income and recognised in the Profit and Loss account over the useful life of the relevant fixed asset. The amount of Government grant allocated to income is netted off against the depreciation charge for the year and the amount allocable in subsequent years is shown as Deferred Government grants. Government grants / subsidies related to revenue are recognised in the Profit and Loss Account over periods matching them with the related costs which they intended to compensate.

12. Impairment:

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such condition exists, the company estimates the recoverable amount of the assets. If the recoverable amount of such assets or recoverable amount of cash generating units to which the assets belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

13. Provisions, Contingent Liabilities, Contingent Assets:

A provision is recognised when enterprise has present obligation as a result of past event; it is probable that an outflow of resources will be required to the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Reimbursement against a provision is recognised as a separate asset based on virtual certainty. Contingent Assets are not recognised.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

SCHEDULE “21” – NOTES TO ACCOUNTS

1. Pursuant to a Scheme of Demerger of the Textile Division of Forbes Gokak Limited (the Demerged Company) into Gokak Textiles Limited (the Company), under the provisions of Sections 391 to 394 of the Companies Act, 1956, effective from 1st April 2007, approved by the shareholders of the respective companies and sanctioned by the Bombay High Court and the High Court of Karnataka at Bangalore, assets and liabilities of the said undertaking on 31st March, 2007 has been transferred to this Company. As per the Scheme, the assets and liabilities transferred are as under:

	(Rs Lac)
Fixed Assets	17,529.23
Investments	0.01
Current Assets	14,310.42
Current Liabilities	(5,096.45)
Deferred Government Grant	(1.65)
Loans	(16,008.09)
Net Assets transferred	<u>10,733.47</u>

As per the scheme of demerger 1 fully paid equity share of Rs 10 each of the Company is issued and allotted for every 2 equity shares of Rs 10 each of the Demerged Company. Accordingly 64,49,308 equity shares of Rs 10 each fully paid issued to the equity shares.

The difference between the net assets transferred and the equity shares issued is recorded as a Profit and Loss Account balance to the extent of twice the share capital of the Company and balance in General Reserve account. The deferred tax assets and deferred tax liability is determined by the demerged entity as on April 1, 2007 and adjusted the same against the General Reserve.

Accordingly Rs 1,289.68 lacs is credited to Profit and Loss Account of the Company and Rs 8,798.68 lac is credited to General Reserve. Further Deferred Tax Liability determined on 01.04.2007 amounting to Rs 1,638.36 lacs is adjusted against General Reserve.

2. Contingent Liabilities not provided for:

Sr No	Particulars	Current Year (Rs.)
(A)	Bills discounted	24,54,74,985
(B)	Guarantees issued by bank	67,50,000
	Corporate Guarantee to Export Import Bank of India \$31,00,000 (on behalf of P. T. Gokak Indonesia)	13,58,42,000
(C)	Taxes in dispute :-	
	Entry Tax/Special Entry tax	1,14,58,194
	Sales Tax	20,26,149
	Income tax matters	3,00,912
	Excise Demands	13,25,43,100
(D)	Labour Matters in Dispute	2,95,08,313
(E)	Bonds given by Company in favour of Customs Authorities	31,85,65,733

3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 20,17,70,437 (net of advances Rs. 4,33,78,450);
4. On March 9, 2008, there was a fire in Knitwear unit factory premises in which a part of the Building, Plant and Machinery and Inventory amounting to Rs 322.48 lacs were destroyed. The Company has made an insurance claim for an amount Rs 322.48 lacs towards partial loss of Plant and Machinery, Building and Inventory. In the opinion of the management, based on insurance documents the said claim is recoverable in full. The claim amount is shown as advances recoverable pending settlement of the claim.

5. Due to Micro, Small and Medium enterprises:
- No amount has been claimed from the Company under the Interest on delayed payments to Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.
 - Sundry creditors include Rs. 57,00,958 due to Micro, Small and Medium enterprises.
 - The total amount outstanding to small and medium size enterprises for more than 30 days is Rs 17,63,312. The names of such small scale industrial undertakings are as under:
 - Jafar Engineering Work
 - Aditi Packing Industries
 - New Pack Industries
 - Sumeet Paper Cones Industries
 - Kalpataru Industries
 - Vaishali Packing Industries
 - Rishab Forms.

6. The Company incurred the following expenditure on research and development which has been certified as such by the Management and relied upon by the Auditors without verification.
- On Tangible Fixed Assets Rs. Nil (Previous Year Rs Nil)
 - On items which have been expensed out during the year Rs. 80,88,921 (Previous Year Rs. Nil)
7. The amount of exchange differences:
- Included in the Profit and Loss Account is a net income of Rs.1,92,11,527 (Previous year Rs. Nil).
 - Reduced from the carrying amount of fixed assets is a gain of Rs Nil (Previous year Rs. Nil).

8. Earnings in foreign exchange for

Particulars	Current Year (Rs.)
Export of goods calculated on F.O.B. basis	129,49,70,146
Freight and insurance recoveries	4,93,23,216
	<u>134,42,93,362</u>

The above excludes exports to Nepal Rs. 1,07,32,429, to Russia Rs 2,30,14,364 (Previous Year Rs. Nil), the proceeds in respect of which are recovered in Indian Rupees.

9. During the year no amounts has been remitted in foreign currencies on account of dividends during the year.
10. Value of Imports calculated on C.I.F. basis (Excluding value of items locally purchased):

Particulars	Current Year (Rs.)
(a) Raw Materials	3,88,90,817
(b) Stores, Spares and Tools	2,90,69,344
(c) Capital Goods	2,70,21,651
	<u>9,49,81,812</u>

11. Expenditure in foreign currency:

Particulars	Current Year (Rs.)
(a) Commission to Overseas Agents (Net after tax)	1,79,66,473
(b) Foreign Travel	8,48,981
(c) Interest	2,79,51,942
(d) Others	65,84,963
	<u>5,33,52,359</u>

12. Raw Materials consumed:

Particulars	Current Year			Previous Year		
	Quantity	% to Total	Value	Quantity	% to Total	Value
	M.T.	Consumption	Rupees	M.T.	Consumption	Rupees
A) Cotton						
(i) Locally Purchased						
(a) Cotton & waste	27,855	88.79	156,74,19,178	-	-	-
(b) Staple Fibre	1,584	7.66	13,52,31,574	-	-	-
(c) Yarn		1.91	3,37,01,361			
(d) Fabric		0.06	9,78,034			
(e) Accessories		1.59	2,80,39,060			
	29,439	100.00	176,53,69,207	-	-	-
(ii) Direct Imports at landed cost						
(a) Cotton	157	43.33	1,90,80,528	-	-	-
(b) Staple Fibre	134	41.59	1,83,15,871	-	-	-
(c) Fabric		0.21	92,101			
(e) Accessories		14.87	65,49,248			
	291	100.00	4,40,37,748	-	-	-
Total (A)	29,730		180,94,06,955	-	-	-
(B) Dyes & Chemicals						
(i) Local #		99.94	14,97,70,722	-	-	-
(ii) Imported #		0.06	88,000	-	-	-
Total (B)		100	14,98,58,722	-	-	-
Total Raw Material Consumption (A+B)			195,92,65,677	-	-	-

13. Stores and Spare Parts consumed:

Particulars	Current Year		Previous Year	
	% to Total	Value	% to Total	Value
	Consumption	Rupees	Consumption	Rupees
(i) Direct imports at landed cost	17	2,28,44,298	-	-
(ii) Others	83	11,51,15,761	-	-
Total	100	13,79,60,059	-	-

14. The company has entered into following derivative instruments:

The outstanding Forward Exchange Contracts entered into by the Company as on March 31, 2008:

Particulars	Amount (USD)	Buy/Sell	Cross Currency (Rs.)
Loans Payable	\$ 233,750	Buy	96,21,150
	\$ 444,444	Buy	1,83,11,093
Export	\$ 7,602	Sell	3,07,709

15. Interest Rate Swaps to hedge against fluctuations in interest rate changes : NIL

16. Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate. : NIL

17. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :
Amounts receivable in foreign currency on account of the following:

Export of goods	Rs. 16,03,02,275	USD	40,61,370
	Rs. 19,73,600	GBP	25,322
	Rs. 2,42,52,375	Euro	3,94,333

18. Licensed, Installed and Utilised Capacity

Sr No	PRODUCT	UOM	Capacity		ACTUAL	
			Licensed	Installed	Production	UOM
1	Yarn	SPINDLES	1,45,310	1,21,188	23,807	M.T.
2	Blended Yarn				1,537	M.T.
3	Cotton Canvas	LOOMS	60	24	27,84,472	MTRS.
4	Terry Towel				1,88,653	PCS.
5	Knitted Garments	PIECES	60,00,000	42,56,000	23,96,460	

Note:

1. Installed capacity has been certified by the Management and accepted by Auditors without verification, this being a technical matter.
2. Actual production of yarn excludes internal consumption of 1,842.70 M.T.

19. Purchase of goods

Sr No	PRODUCT	PURCHASES		
		Qty	UOM	Amount (Rs.)
1	Terry Towel	7,570	-	5,11,865
2	Purchase for Resale of Yarn/Fabric	116	M.T.	1,21,27,016
3	Trading (Cotton)	2	M.T.	9,89,524
				1,36,28,405

20. Turnover (net)

Sr No	PRODUCT	SALES		
		Qty	UOM	Amount (Rs.)
1	Yarn	23,255	M.T.	249,71,64,826
2	Blended Yarn	1,260	M.T.	16,59,13,253
3	Cotton Canvas	27,22,095	MTRS.	20,71,47,067
4	Fabric	2,62,653	MTRS.	2,50,44,304
5	Terry Towel	2,06,701	PCS.	1,00,85,129
6	Purchase for Resale of Yarn/Fabric	153	M.T.	1,64,98,314
7	Trading (Cotton)	2	M.T.	2,71,800
8	Textiles Goods	-		8,97,644
9	Other Sales	-	-	1,63,87,271
10	Knitted Garments	23,65,956	PCS	34,37,25,579
				328,31,35,187

21. Inventory Finished Goods

Sr No	PRODUCT	Closing Stock		
		Qty	UOM	Amount (Rs.)
1	Yarn	2,147	M.T.	23,61,07,517
2	Blended Yarn	401	M.T.	5,44,53,179
3	Cotton Canvas	6,30,790	MTRS.	4,86,81,906
4	Fabric	11,196	MTRS.	6,43,129
5	Terry Towel	2,95,787	PCS.	34,76,055
6	Textiles Goods	-		7,77,780
7	Knitted Garments	3,19,365	PCS	1,96,45,401
				36,37,84,967

Comprise dissimilar items which cannot be practically aggregated

22. Related Party Disclosures

a. Name of Related Party and description of related party

i. Parties where control exists

Shapoorji Pallonji & Company Limited – The ultimate holding company

Other related parties with whom the Company had transactions during the year :-

ii. Enterprises over which key management personnel exercise significant influence :-

Forbes & Company Limited

Forbes Doris & Naess Maritime Limited

Forbes Technosys Limited

Volkart Fleming Shipping & Services Limited

Eureka Forbes Ltd.

b. Transaction with related party (Amount in Rs.)

Sr. No.	Name	Nature of Transactions			Closing Balance
		Goods & Material	Services	Interest	
1	Forbes & Company Limited	2,42,08,210	1,75,81,282	90,030	(11,49,236)
2	Forbes Doris & Naess Maritime				23,685
3	Forbes Technosys Ltd.				1,50,744
4	Volkart Fleming Shipping & Services Ltd.		39,53,442	15,61,770	(2,04,69,565)
5	Eureka Forbes Ltd.	1,49,930			1,917
6	Shapoorji Pallonji & Co. Ltd.				1,62,642

23. Earning Per Share:

Current Year

a. Calculation of weighted average number of equity shares

Number of shares at the beginning of the year

50,000

Number of equity shares outstanding at the end of the year

64,99,308

Weighted average number of equity shares outstanding during the year

33,27,517

b. Loss after tax available for equity shareholders

(5,93,53,827)

c. Basic and diluted earnings per share

(9.20)

24. Deferred Tax:

Major components of deferred tax arising on account of timing differences as at the year end are as follows:

Sr No	Particulars	Amount (Rs.)
Deferred Tax Asset		
1	Provision for retirement benefits	13,88,062
2	Provision for doubtful debts	2,13,34,326
3	Provision for leave encashment	43,12,260
Deferred Tax liability		
4	Depreciation	21,36,29,802
Net Deferred Tax Liability		18,65,95,154

25. Directors Remuneration

	Current Year (Rs.)
(a) Salary and allowance	14,74,720
(b) Benefits and perquisites	2,24,288
(c) Bonus/Commission	7,00,000
(d) Pension contribution to P.F. & Superannuation Fund	1,44,288
TOTAL	25,43,296

26. Previous year accounts have been audited by another firm of chartered accountants. Balances as on 31st March, 2007 have been considered as opening balance for the purpose of these financial statements.

27. Previous years' figures have been regrouped and rearranged wherever necessary.

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No: 038839 State Code : 08
Balance Sheet Date : 31.03.2008

II. Capital raised during the year (Amount Rs. in Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

Total Liabilities	25,89,214	Total Assets	25,89,214
Sources of Funds		Application of Funds	
Paid up Capital	64,993	Net Fixed Assets	17,70,854
Reserves and Surplus	7,85,650	Investments	51
Secured Loan	15,09,170	Net Current Assets	8,18,309
Unsecured Loan	42,796	Miscellaneous Expenditure	—
Deferred Government Grant	10		
Deferred Tax Liability (Net)	1,86,595		

IV. Performance of Company (Amounts Rs. in Thousands)

Turnover	34,17,780
Total Expenditure	34,52,060
Profit / Loss before tax	(34,280)
Profit / Loss after tax	(59,354)
Earning per share in Rs.	(9.20)
Dividend Rate %	—

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	5205110	Product Description	Cotton Yarn
Item Code No. (ITC Code)	52091250	Product Description	Cotton Canvas
Item Code No. (ITC Code)	61091000	Product Description	Knitted Garments

SHAPOOR P. MISTRY *Chairman*
PALLONJI S. MISTRY
ASHOK BARAT } *Directors*
D.G.PRASAD

H.S.BHASKAR *Executive Director & CEO*

C.G.SHAH
H.S. BILLIMORIA
RAMAOTAR GOYAL } *Directors*

S. RAGHUNATHAN *Chief Finance Officer*
V.K. VORA *Company Secretary*

Mumbai, 7th July, 2008



Registered Office : 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560025.
2ND ANNUAL GENERAL MEETING ON SATURDAY, THE 30TH AUGUST, 2008 AT 2.00 P.M.
VENUE : Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001.

ATTENDANCE SLIP

1. I certify that I am a registered Shareholder of the Company.
2. I certify that I am a proxy appointed by the above-named shareholder(s)
3. Please strike out whichever is not applicable.

 (Shareholder's/Proxy's Full Name)

 (Shareholder's/Proxy's Signature)

Regd. Folio:

* DP ID No.

* Client ID No.

- (1) Shareholder/Proxy holder must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
- (2) Shareholders are requested to advice change in their address, if any, to the Company's Registrars and Share Transfer Agents, TSR Darshaw Ltd. Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. The information should be signed by all the shareholders registered under the Ledger Folio.
- * Applicable for Shareholder's holding shares in electronic form.

----- ✂ ----- TEAR HERE ----- ✂ -----



Registered Office : : 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560025.

PROXY FORM

I/We _____ of _____
 in the district of _____ being a member(s) of the above-named Company, hereby appoint
 _____ of _____ in the district of _____ or failing him
 _____ of _____ in the district of _____
 as my/our proxy to attend and vote for me/us on my/our behalf at the 2nd Annual General Meeting of the Company to be held on Saturday, the
 30th August, 2008 and at any adjournment thereof.
 Signed this _____ day of _____ 2008.

Please Affix
 Re. 1
 Revenue
 Stamp

FOR OFFICE USE ONLY

PROXY NO. :

Signature(s) of the Shareholder(s)

REGD FOLIO :

* DP ID No.

* Client ID No

NO OF SHARES

* Applicable for shareholder's holding shares in electronic form.

Note : Kindly deposit the Proxy Form at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting. Proxy need not be a shareholder of the Company.



Range of Products Manufactured from our Yarn

