

SCHEDULES TO THE ACCOUNTS

SCHEDULE : 1	31-03-2008	31-03-2007
	Rs. in Lacs	Rs. in Lacs
SHARE CAPITAL		
Authorized		
15,00,00,000 Equity Shares of Rs.2/- each (Previous Year 2,00,00,000 of Rs.10/-)	3000.00	2000.00
20,00,000 Preference Shares of Rs. 100/- each	2000.00	2000.00
	5000.00	4000.00
Issued		
1,58,22,024 Equity Shares of As.10/- each (Previous Year 1,58,22,024)	1582.20	1582.20
14,00,000 Redeemable Cumulative Preference Shares of 100/- each	1400.00	1400.00
	2982.20	2982.20
Subscribed & Paid-up		
1,57,90,524 Equity Shares of Rs.10/- each fully paid up (Previous Year 1,57,90,524)	1579.05	1579.05
14,00,000 8% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	1400.00	1400.00
	2979.05	2979.05

Notes :

1. Of the above shares 17,67,490 Equity Shares were allotted as fully paid up Bonus Shares by Capitalization of General Reserve.
2. During 1995-96 the company offered 23,62,745 Equity Shares of Rs.10/- each to the existing Shareholders in the ratio of 1 share for every 2 shares held, at a premium of Rs.30/- per share as per letter of offer dated December 21 , 1995. Out of the above shares, allotment of 1200 Equity Shares are kept in abeyance under Court order.
3. 63,39,289 Equity Shares of Rs.10/- each fully paid up at a premium of Rs.78/- per Equity Share were allotted to the Shareholders of erstwhile Eastern Jingying Ltd. and Sstella Silks Ltd. (since amalgamated) pursuant to the Scheme of Amalgamation without payment being received in cash.
4. During 2006-07 the Company allotted 23,00,000 Equity Shares of Rs.10/- each fully paid up at a premium of Rs.240.16 per Equity Share on preferential basis.

5. Equity Shares of the face value of Rs. 10/- each in the Authorised Share Capital of the Company have been sub-divided into 5 Equity Shares of the face value of Rs. 2/- each as per resolution passed by the members in the Annual General Meeting held on 26th September, 2007. The Authorised Equity Share Capital of the Company has been increased from Rs. 20.00 Crores divided into 2,00,00,000 Equity Shares of Rs. 10/- each to Rs. 30.00 Crores divided into 15,00,00,000 Equity Shares of Rs. 2/- each. The issued, subscribed and paid-up Equity Shares of the face value of Rs. 10/- each have not been sub-divided into Rs.2/- each as on the Balance Sheet date since the record date has been fixed as 7th July, 2008.
6. 6,00,000 Redeemable Cumulative Preference Shares were issued by Eastern Silks Industries Ltd. on 21.01.2004.
2,00,000 Redeemable Cumulative Preference Shares were issued by Eastern Jingying Ltd. on 09.02.2004.
6,00,000 Redeemable Cumulative Preference Shares were issued by Sstella Silks Ltd. on 26.03.2005. All the Preference Shares are carrying 8% dividend from the date of issue except 6,00,000 Redeemable cumulative Preference Shares allotted by erstwhile Sstella Silks Ltd. for which Dividend is Payable from 01.04.2005 and redeemable at par after a period of 60 months from the date of allotment of such Preference Shares. However, 6,00,000 Preference Shares allotted by the Company on 21.01.2004 shall not be redeemed till the full repayment of the Term Loan taken for the UNIT - II (Anekal) is made. The earliest date of redemption of Preference Share is 20th January, 2009.

SCHEDULE : 2		31-03-2008	31-03-2007
		(Rs. in Lacs)	(Rs. in Lacs)
RESERVES & SURPLUS			
Capital Reserve			
As per last Balance Sheet	2020.00		2320.41
Less: Depreciation on Revalued Assets	300.41		300.41
		1719.59	2020.00
Capital Redemption Reserve			
As per last Balance Sheet		1400.00	1400.00
Securities Premium Account			
As per last Balance Sheet	11428.75		5905.07
Add: Additions during the year	-		5523.68
		11428.75	11428.75
General Reserve			
As per last Balance Sheet	4350.00		3650.00
Add: Transferred from Profit & Loss Account	700.00		700.00

		5050.00	4350.00
Preference Share Redemption Reserve			
As per last Balance Sheet	880.00		600.00
Add: Transferred from Profit & Loss Account	280.00		280.00
		1160.00	880.00
Hedging Reserve Account		(1724.01)	-
Profit & Loss Account Balance			
Transferred from Profit & Loss Account		15637.47	11766.01
		34671.80	31844.76

SCHEDULE : 3	31-03-2008	31-03-2007
	Rs in Lacs	Rs in Lacs
LOAN FUNDS		
A) Secured Loans		
Long Term Loans From Banks and Financial Institution *		
Foreign Currency Term Loan	318.81	799.22
Rupee Term Loan	366.84	745.69
Secured by first pari passu hypothecation of movable Fixed Assets pertaining to the Unit II at Anekal, Karnataka, both present & future and mortgage of land & other immovable properties at Anekal .The Loans are additionally secured by personal guarantee of the Managing Director .		
Interest accrued but not due	3.34	7.36
	688.99	1552.27
Packing Credit-cum-Cash Credit Loan and Overdrafts From Banks		8213.34

(a) Secured by hypothecation of stocks of Raw Materials, Silk Waste, Silk Yarn, Stores & Spare Parts, Stock in Progress including Stock-in-Transit of Raw Materials, Semi-Finished Goods lying at different manufacturing units at Anekal, Nanajangud, Falta and/or at the centres of its vendors, Book Debts, Bills Receivable and Guarantees of ECGC Ltd. second pari passu charges on movable fixed assets situated at Anekal, Karnataka, both present & future and also mortgage of some immovable property in the Company, alongwith personal guarantee of the Managing Director.	9479.29	8212.09
Vehicles Loans from Banks		
Secured against hypothecation of vehicles	30.12	14.99
Interest accrued but not due	0.17	-
	10198.57	9779.35
* Aggregate amount repayable within one year Rs. 594.77 lacs (Previous Year Rs.887.88 lacs)		
B) Unsecured Loans		
Short Term Loan		
From Banks	2152.63	1569.87
From Others	24.73	24.73
Interest accrued but not due	4.04	5.91
	2181.40	1600.51
	12379.97	11379.86

SCHEDULE : 4	31-03-2008	31-03-2007
	Rs. in Lacs	Rs. in Lacs
DEFERRED TAX LIABILITY		
As per last Balance Sheet	1473.39	1151.46
Add: Addition/(Deduction) during the year	(67.59)	321.93
	1405.80	1473.39

SCHEDULE : 5**FIXED ASSETS**

Description of Assets	GROSS BLOCK			
	Cost as on 01.04.2007	Additions during the year	Sale/Deductions during the year	Total
	Rs	Rs	Rs	Rs
Land (Including Leasehold Land)	378.78		--	378.78
Building	2325.59	121.28		2446.87
Plant & Machinery	15831.96	6028.12	3.50	21856.58
Electric Installation	675.48	3.74		679.22
Office Equipments & Furniture	207.89	47.74	0.97	254.66
Vehicles	141.47	39.61		181.08
	19561.17	6240.49	4.47	25797.19
Capital work in progress	698.22	217.00	623.41	291.81
Total	20259.39	6457.49	627.88	26089.00
Previous Year's Figure	19610.94	675.59	27.14	20259.39

Cont'd (SCHEDULE 5: FIXED ASSETS)

Description of Assets	DEPRECIATION				NET BLOCK	
	Upto 01.04.2007	For the year	Adjustment during the Year	Total	W.D.V. as on 31.03.2008	W.D.V.as on 31.03.2007
	Rs	Rs	Rs	Rs	Rs	Rs
Land (Including Leasehold Land)					378.78	378.78
Building	641.16	118.72		759.88	1686.99	1684.43
Plant & Machinery	4755.19	1667.98	1.07	6422.10	15434.48	11076.77
Electric Installation	185.99	46.23		232.22	447.00	489.49
Office Equipments & Furniture	103.13	27.88	0.55	130.46	124.20	104.76
Vehicles	80.12	17.60		97.72	83.36	61.35
	5765.59	1878.41	1.62	7642.38	18154.81	13795.58

Capital work in progress	-	-	-	-	291.81	698.22
Total	5765.59	1878.41	1.62	7642.38	18446.62	14493.80
Previous Year's Figure	4431.57	1337.72	3.69	5765.60	14493.79	

Depreciation includes depreciation on revalued assets Rs. 300.41 (Previous year 300.41)

		31-03-2008	31-03-2007
SCHEDULE : 6		Rs. in Lacs	Rs. in Lacs
INVESTMENTS: Long Term (at Cost) other than trade			
Quoted:			
Fully paid Equity Shares of Rs.10/- each unless otherwise stated			
25000	Shri Securities Ltd.	1.89	1.89
32	Tata Consultancy Services Ltd. (Including 16 Bonus Equity Shares) Fully paid Equity Shares of Re. 1 each	0.14	0.14
2018	Union Bank of India	-	2.22
Unquoted:			
In Mutual Funds (Face Value of Rs. 10/- each)			
977995.110	J.P. Morgan India Equity Fund	100.00	-
(Nil)			
977995.110	AIG India Equity Fund	100.00	-
(Nil)			
251366.175	Tata Infrastrusture Fund	50.00	-
(Nil)			
285437.004	Fidelity Equity Fund	50.00	-
(Nil)			
309985.245	Sundaram BNP Paribas Select Midcap Fund	50.00	-
(Nil)			
256579.994	Reliance Equity Opportunities Fund	50.00	-
(Nil)			

272232.305	J.M. Emerging Leader Fund	30.00	-
(Nil)			
71184.510	Birla Sunlife Equity Fund	50.00	-
(Nil)			
5000000.000	HDFC Midcap Opportunities Fund	50.00	-
(Nil)			
635737.908	Prudential ICICI Infrastructure Fund	100.00	-
(Nil)			
248979.185	DSP Merrill Tiger Fund	50.00	-
(Nil)			
1955990.220	Reliance Equity Advantage Fund	200.00	-
(Nil)			
487807.870	ABN Amro China-India Fund	50.00	-
(Nil)			
750000.000	Sundram BNP Paribas Energy Opportunities Fund	75.00	-
(Nil)			
13680.983	JM Arbitrage Advantage Fund	1.39	-
B) Current Investments - In Mutual Funds (Face Value of Rs. 10/- each)			
(Nil) (637734.766)	Chola Monthly Income Plan	-	80.00
(Nil) (649783.135)	HDFC Mutual Fund Monthly Income Plan	-	80.00
(Nil) (691310.230)	HSBC Advantage India Fund	-	70.00
(Nil) (931424.736)	HSBC Liquid Plus Installment Growth (12)	-	93.86
(Nil) (520978.847)	JM Arbitrage Advantage Fund	-	52.12
(Nil) (792647.805)	Kotak Flexi FOF Series II (16)	-	79.26

(Nil) (450970.997)	Prudential ICICI Monthly Income Plan	-	80.00
(Nil) (1913070.095)	Prudential ICICI Income MRPG	-	250.00
(Nil) (481631.428)	Prudential ICICI Growth Plan	-	100.84
(Nil) (365068.419)	Reliance Equity Opportunities	-	58.27
(Nil)(659347.905)	Sundaram Monthly Income Plan	-	80.00
(Nil) (2235299.769)	Prudential ICICI E&D Fund (23)	-	228.56
(Nil)(641040.849)	Sundaram BNP PARIBAS Money Fund	-	98.87
		1008.42	1356.03
Aggregate value of Investments			
Quoted		2.03	4.25
Unquoted		1006.39	1351.78
		1008.42	1356.03
Market value of Quoted Investments		49.81	52.04

Note: Units of Mutual Funds Purchased & Sold during the year (Face Value of Rs. 10/- each)

No. of Units	Particulars	Cost Price	Cost Price
61509.941	HSBC Advantage India Fund (22,00,825.309 Units)	6.91	200.00
6983.132	DSPML Strategic Bond Fund	70.00	-
491202.562	DWS Money Plus Fund	50.00	-
10247.823	JM Arbitrage Advantage Fund	1.04	-
44389.994	Prudential ICICI Growth Plan	9.63	-
(Nil)	Chola Contra Fund (9,05,432.596 Units)		90.00
(Nil)	Chola Liquid INST.Plus(2) (6,89,979.417 Units)		101.79
(Nil)	DSPML Savings Plus M.Q.(28,29,232.146 Units)		312.11
(Nil)	DSPML India Tiger Fund (15,82,969.433 Units)		290.00
(Nil)	DSPML Savings Plus Moderate (5) (18,01,613.139 Units)		202.76
(Nil)	DSPML Liquid Plus Regular Growth(5) (10,659.486 Units)		108.69

(Nil)	Fidelity India Special S F (20,26,342.452 Units)		200.00
(Nil)	HDFC Cash Management Fund (22,17,538.997 Units)		400.00
(Nil)	HSBC Midcap Equity Fund (6,36,539.118 Units)		95.95
(Nil)	HDFC Equity Fund (2,93,915.940 Units)		90.00
(Nil)	Kotak Income Plus (43,71,985.375 Units)		497.99
(Nil)	Kotak Opportunities (6,25,956.322 Units)		90.00
(Nil)	Kotak Liquid Institutional(17) (11,07,531.403 Units)		111.08
(Nil)	Prudential ICICI Liquid Fund (28,82,409.233 Units)		500.00
(Nil)	Prudential ICICI M I P (26,58,290.373 Units)		312.67
(Nil)	Prudential ICICI Income MRPG (19,13,070.095 Units)		250.00
(Nil)	Prudential ICICI Emerging S F (10,33,070.095 Units)		200.00
(Nil)	Reliance Equity Opportunities (12,81,312.438 Units)		212.03
(Nil)	Reliance Floating Rate Fund (18,19,968.697 Units)		200.00
(Nil)	Reliance Monthly Y I F (39,06,646.769 Units)		500.00
(Nil)	RMIP Quaterely Dividend Plan (20,80,151.421 Units)		245.46
(Nil)	Sundram Select Midcap (18,98,436.537 Units)		379.39
(Nil)	SBI MF-MSFU Contra Fund (8,82,612.533 Units)		200.00
		137.58	5789.92

<u>SCHEDULE : 7</u>		31-03-2008	31-03-2007
		Rs in Lacs	Rs in Lacs
CURRENT ASSETS, LOANS & ADVANCES			
Current Assets			
Inventories: (as taken, valued & certified by the Management)			
Raw Materials (at lower of cost or net realizable value)	8464.59		6948.30
Stock in Progress (at estimated cost)	1618.73		1445.79
Finished Goods (at lower of cost or net realizable value)	6720.99		5868.46
Stores, Spare Parts, Dyes, chemicals etc (at cost)	86.07		108.61
		16890.38	14371.16

Sundry Debtors :			
Outstanding for a period exceeding six months			
Considered Good	7587.85		2830.04
Considered Doubtful	22.91		81.82
	7610.76		2911.86
Other Debts	6682.30		10503.51
	14293.06		13415.37
Less: Provision for Doubtful Debts	22.91		81.82
		14270.15	13333.55
Cash & Bank Balances			
Cash in hand	2.27		9.69
With Scheduled Banks			
In Current Accounts	529.08		602.82
In Fixed Deposit Accounts	1255.63		1855.57
In Foreign Currency Accounts	30.34		30.51
		1817.32	2498.59
Loans & Advances (Unsecured - Considered Good)			
Advances for Capital Assets	37.02		5150.00
Advances (Recoverable in cash or kind or value to be recieved)	9389.73		4457.37
Other Deposits	98.45		65.97
Advance Payment of Income Tax and Tax deducted at source	1599.23		1487.61
		11124.43	11160.95
		44102.28	41364.25

SCHEDULE : 8		31-03-2008	31-03-2007
		Rs in Lacs	Rs in Lacs
CURRENT LIABILITIES & PROVISIONS			
A. Currency Liabilities			
Sundry Creditors	3232.66		4330.29
Security Deposit	900.00		-
Advance Against Order	826.25		1276.16
Other Liabilities *	4428.03		1183.80
Book Overdraft - With Banks	11.44		2.46
		9398.38	6792.71
B. Provisions			
Provision for Taxation	1600.00		1775.00
Provision for Fringe Benefit Tax	13.44		-
Provision for Gratuity	15.73		7.44
Proposed Dividend on Equity Shares	710.57		710.57
Dividend on Preference Shares	224.00		112.00
Provision for Corporate Dividend Tax	158.83		139.80
		2722.57	2744.81
		12120.95	9537.52

* Other Liabilities includes change in the fair value of foreign exchange forward & currency option contracts Rs. 1,724.01

Note : No amount was due for credit to Investor Education and Protection Fund as at 31.03.2008

SCHEDULE : 9			
OTHER INCOME			
Export Incentives/Duty Drawback		657.73	454.34
Interest (Gross) (T.D.S Rs 22.51, Previous Year Rs.11.62)			
From Banks	92.12		64.05
From Others	2.10		

		94.22	
Dividend (Non-Trade)			
Long Term Investment	0.05		4.50
Current Investment	113.57		179.36
		113.62	
Profit on sale of Fixed Assets		0.57	0.38
Profit on sale of Investment			
Long Term *	136.39		438.71
Short Term (Current)	33.36		
		169.75	
Insurance Claim		1.14	3.05
Sundry Credit Balances Adjusted		3.60	4.74
Rent received		2.00	2.66
Provision for Bad debts written back		40.54	
Miscellaneous Income		0.26	2.19
Exchange Rate Difference (Net)			319.04
		1083.43	1473.02
<u>SCHEDULE : 10</u>			
INCREASE / (DECREASE) IN FINISHED GOODS			
Closing Stock - Work in Progress		1618.73	1445.79
Finished Goods		6720.99	5868.46
		8339.72	7314.25
Less: Opening Stock			
Less: Work in Progress	1445.79		1079.27
Finished Goods	5868.46		6701.96
Add: Transferred from raw Materials	285.83		131.56
		7600.08	
		739.64	(598.54)
<u>SCHEDULE : 11</u>			

RAW MATERIALS CONSUMED			
Opening Stock	6948.30		7749.34
Less: Transferred to Finished Goods	285.83	6662.47	131.56
Add : Purchases		13595.92	10850.86
		20258.39	18468.64
Less: Closing Stock		8464.59	6948.30
		11793.80	11520.34
<u>SCHEDULE : 12</u>		31-03-2008	31-03-2007
		Rs. in Lacs	Rs. in Lacs
MANUFACTURING, SELLING & OTHER EXPENSES			
Conversion, Machining & Other Direct Expenses		2946.06	1716.94
Stores, Spares & Accessories Consumed		239.34	119.97
Dyes, Chemicals etc consumed		178.87	131.06
Power & Fuel		600.28	542.47
Salary, Bonus & Allowances		380.39	309.24
Gratuity		31.74	8.06
Workers & Staff Welfare Expenses		55.67	45.49
Employer's Contribution to Provident Fund & Other Funds		74.07	42.56
Freight, Packing, Forwarding etc.		486.01	538.74
Brokerage & Commission		2635.07	2814.02
Sales Promotion		81.62	87.68
Import Licence Fees		8.70	18.89
Technical Consulting Fee		42.34	45.45
Legal, Professional & Syndication Charges		32.22	316.85
Rent (Net)		67.70	27.08
Rates & Taxes		12.10	14.89
Insurance		108.92	144.93
Traveling Expenses		96.22	88.92
Mailing & Communication Expenses		77.75	62.87

Bank Charges & Commission		296.91	230.51
Directors' Meeting Fee		1.23	1.82
Auditor's Remuneration:			
Audit Fees	4.49		2.25
Tax Audit Fees	0.73		0.56
For Other Services	5.10		1.13
Managerial Remuneration		72.43	45.16
Sales Tax		1.35	0.18
Provision for Doubtful Debts		-	81.82
Miscellaneous Expenses		210.82	191.21
Donation		8.45	-
Loss on sale of Fixed Assets		0.83	0.30
Loss on sale of Investments		0.07	40.85
Expenses relating to Previous Year		12.09	9.16
Repairs & Maintenance			
Building	2.50		3.88
Plant & Machinery	36.50		10.16
Others	19.86		18.13
		58.86	
Exchange Rate Difference		517.49	-
(Gain)/Loss on Forward Contracts / Derivatives		491.10	-
Preliminary expenses written off		0.25	0.25
		9837.27	7713.48
SCHEDULE : 13			
INTEREST			
To Banks		2297.62	2011.62
To Financial Institutions		-	10.72
To Others		-	0.01

2297.62

2022.35

SCHEDULE : 14**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****ACCOUNTING POLICIES :****1 A. Basis of Accounting**

The Company adopts the mercantile system of accounting and recognises income and expenditure on accrual basis in accordance with the applicable accounting standards. Export incentives, insurance and other claims, has been accounted for to the extent quantum thereof is ascertainable with reasonable accuracy.

B. Fixed Assets

Fixed assets are stated at original cost, if revalued at revalued amount, less depreciation. The cost of assets comprises its purchase price; direct expenses incurred including finance costs till it is put to use and the revalued amount, if any. The cost including additions, improvements, renewals, revalued amount and accumulated depreciation of assets, which are sold and/or discarded, are removed from the Fixed Assets and any profit or loss resulting there from is included in the Profit & Loss Account.

C. Depreciation

Depreciation is provided for on written down value method, except for Unit 1 & Unit 3, which is provided on Straight Line Method, at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on the Assets added/disposed off during the year is being provided on pro-rata basis.

Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The charge for depreciation on account of revaluation is withdrawn from capital reserve.

D. Foreign Currency Transactions, Derivatives instruments and hedge accounting

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates on the date of transaction and difference arising out of the settlement are dealt with in the Profit & Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Foreign currency loans availed for acquisition of fixed assets are restated at the exchange rate prevailing at year end and exchange rate difference arising on such transactions are adjusted in the Profit & Loss Account. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year-end exchange rates. The fluctuations are reflected under the

appropriate revenue head.

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 'Financial Instruments: Recognition and Measurement' (AS-30).

Hedging instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in shareholders' funds and the effective portion is recognized in profit & loss account.

Changes in the fair value of derivatives financial instruments that do not qualify for hedge accounting is recognized in profit & loss account as they arise.

Hedge accounting is discontinued when the hedging instruments expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in Reserves & Surplus is retained there until the forecasted transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's funds is transferred to profit & loss account for the year.

E. Expenditure during Construction Period

Expenditure during construction period is included under Capital Work-in-Progress and the same is allocated to the respective fixed assets on the completion of construction/erection/installation/production.

F. Valuation of Investments

Long-term investments are stated at cost of acquisition. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

G. Valuation of Inventories

Raw Materials and Finished Goods are valued at lower of cost or net realisable value.

Work-in-progress is valued at estimated cost.

Stores & spares parts, Dyes & chemicals, Packing materials are valued at cost.

Cost of inventories is ascertained at FIFO/Weighted average cost.

H. Employees Benefits

i) Short-term Employee Benefits - Short-term Employee Benefits (i.e. benefits payable within one year) are recognized in the period in which employee services are rendered.

ii) Post employment Benefits

a) Defined Contribution Plans - Contributions towards provident funds are recognized as expense. Provident fund contributions in respect of certain employees are made to Trusts administered by the Company, the interest rate payable to the members of the Trusts is not lower than the rate of interest declared annually by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall if any, is made good by the Company. The remaining provident fund contributions are made to employer established provident funds (other than covered employees)/government administered provident fund towards which the Company has no further obligations beyond its monthly contributions.

b) Defined Benefit Plans - Liability towards gratuity, covering eligible employees, is provided and funded on the basis of year end actuarial valuation.

Accrued liability towards Leave encashment benefits, covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognized as a charge.

Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees are recognized as charge.

Actuarial gains/losses arising in Defined Benefit Plans are recognized immediately in the Profit and Loss Account as income/expense for the year in which they occur.

I. Miscellaneous Expenditure

Expenses related to issue of fresh capital are being amortized over a period of 10 years.

J. Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

K. Deferred Taxation

Deferred Taxation is provided using the liability method in respect of taxation effect arising from material timing difference between the accounting and tax treatment of Income & Expenditure based on tax rates prevailing at the time of Balance Sheet date. Deferred Taxation so provided is reviewed at each Balance Sheet date for necessary adjustments.

L. Earning Per Share

Basic earning per share is calculated by dividing the net Profit for the year attributable to equity shareholders (after deducting the dividend on redeemable preference share) by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders (after deducting the dividend on redeemable preference share) by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

M. Events occurring after Balance Sheet Date

Events occurring after the balance sheet date have been considered in the preparation of financial statements.

N. Contingent Liabilities

Unprovided contingent liabilities are disclosed in the accounts by way of notes giving nature and quantum of such liabilities.

NOTES ON ACCOUNT

2. As per the Court order dated 7th February' 2005 of Hon'ble Kolkata High Court and 14th December' 2005 of Hon'ble Karnataka High Court, all the assets and liabilities of erstwhile Eastern Jingying Ltd. and Sstella Silks Ltd. automatically stand transferred in the name of the Company. Based on the Order, the Company has taken necessary steps to have the assets recorded with the relevant authorities in their name.

3. Certain Fixed Assets of the Company were revalued during 2003-04 on the basis of valuation of approved valuer and the increased valuation of Rs. 6,326.22 Lacs is reflected in Fixed Assets.

4. Accounting Standard - 14 states that the identity of the reserves has to be preserved as they appeared in the financial statement of the erstwhile Transferor Companies in the same form. The treatment as per AS-14 has not been followed fully as the High Court approving the Scheme of Amalgamation provided that after taking over all the assets and liabilities of the Transferor Companies as on 31st March 2004, and after accounting for the share premium of Rs.78/- per share as provided in the scheme, surplus, if any, arising after issuance of the new shares be credited to Capital Reserve of the Transferee Company and as such during 2004-05 a sum of Rs. 2,920.35 Lacs was credited in Capital Reserve.

5. Depreciation of Rs.300.41 Lacs on revalued assets has been provided during the year and such depreciation has been reduced from cost of fixed assets and also from capital reserve created on

amalgamation.

1. In respect of capital goods imported under EPCG Scheme, the Company has executed bonds of Rs1,986.39 Lacs in favour of President of India for import at a concessional rate of custom duty. The Company is under an obligation to export products for Rs 15,891.15 Lacs within a period of 8 years from the date of issue of licenses between 20th December 2002 to 27th February 2015. The Company has exported goods worth Rs 17,120.62 Lacs till 31st March, 2008.

6. Contingent Liabilities net provided for in respect of :

	2007-08 Rs. in Lacs	2006-07 Rs. in Lacs
(a) Letters of Credit	4,243.04	4,841.24
(b) Guarantees given by the Bankers	68.55	78.07
(c) Bills receivable discounted with Bankers	13,012.61	11,734.12
(d) Excise, Sales Tax, Custom Duty, ESIC & Other Claims	184.44	143.04

7. Claims against the Company not acknowledged as debts:

- i) Demand by the Department of Commercial Taxes, Government of Karnataka, levying a sum of Rs.20 lacs, as Entry Tax on Import of Plant & Machinery. The Company has obtained a Stay Order from the Hon'ble High Court of Karnataka during 1996.
- ii) Demand by the Commissioner of Customs, Bangalore for Rs. 109.77 lakhs have been stayed by the customs and Service Tax Act Appellate Tribunal, Chennai. The Company has deposited a sum of Rs. 38 lakhs with the Customs Authorities under protest.

8. Lining Fabrics valued at Rs.93.78 Lacs were imported in 2002-03 for usage in manufacturing of products for export. Due to the non-acceptance by the Customs Department of the methodology adopted by the Company for the co-relation between the material used and the material imported, an amount of Rs 148.50 Lacs was paid in protest towards Customs Duty on the said imports and shown under Advances. Since the final liability amount is unascertained and not acceptable by the Company in principle, no provision has been made in the accounts. The Adjudicating authority has passed an order confirming the demand of the customs department. The Company's appeal before the CESTAT was heard and an Order has been passed setting aside the Order

of the adjudicating authority and remanded for fresh hearing.

9. The Company's request for waiver of interest on loans obtained from two NBFC Companies is under consideration by the lenders. In view of the above, no further interest payable has been provided for.

10. During the year three Indian listed Companies namely Ethics Commercials Ltd., Lucky Goldstar Company Ltd and P.K.Textiles Ltd. became subsidiary of the Company due to control on the composition of Board of Directors.

11. Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. 93 Lacs (Previous Year Rs. 6,600 Lacs).

12. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information provided by the supplier.

13. As per Accounting Standard 15 "Employees Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below :

Defined Benefit Plan - The Employees' gratuity fund Scheme managed by The Life Insurance Corporation of India (LIC) is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for leave encashment is recognized in the same manner as gratuity.

Reconciliation of opening and

I. closing balances of Defined Benefit (Rs. in Lacs)
Obligation

	Gratuity (Funded)	Leave Encashment (Unfunded)
(a) Defined benefit obligation at the beginning of the year	53.83	16.09
(b) Current Service Cost	12.25	6.51
(c) Interest Cost	4.35	1.07
(d) Actuarial (Gain)/Loss	0.73	0.96

(e)	Benefits paid	(16.01)	(14.06)
(f)	Defined benefit obligation at the end of the year	55.15	10.57
II. Reconciliation of opening and closing balance of the fair value of Plan Assets			
(a)	Fair Value of Plan Assets at the beginning of the year	18.21	-
(b)	Expected Return on Plan Assets	1.60	-
(c)	Actuarial Gain / (Loss)	(0.73)	-
(d)	Contributions by Employer	24.42	14.06
(e)	Benefits paid	(16.01)	(14.06)
(f)	Fair Value of Plan Assets at the end of the year	28.22	-
III. Reconciliation of fair value of Assets and obligation			
(a)	Fair Value of Plan Assets	28.22	-
(b)	present value of obligation	55.15	10.57
(c)	Amount recognized in Balance Sheet	26.93	10.57
IV. Expense charged to the Profit and Loss Account			
(a)	Current Service Cost	12.25	6.51
(b)	Interest Cost	4.35	1.07
(c)	Expected Return on Plan Assets	(1.60)	-
(d)	Actuarial (Gain)/Loss	0.73	0.96
(e)	Total expense charged to the Profit and Loss Account	15.73*	8.54**

* Under the head "Gratuity" on Schedule - 12

** Under the head "Salary, Bonus & Allowances" on Schedule – 12

- V. Percentage of each Category of Plan Assets to total Fair value of Plan assets as at 31st March, 2008 100% with Life Insurance Corporation of India.
- VI. Actual Return on Plan Assets: 7%
- VII. Principal Actuarial Assumption as at 31st March 2008
- | | |
|--|-------|
| (a) Discount Rate (per annum) | 8.00% |
| (b) Expected Rate of Return on Plan Assets (per annum) | 8.00% |
| (c) Salary Escalation | 5.00% |
| (d) Inflation Rate | 5.00% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected rate of return on plan assets is based on the portfolio of assets held, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are reasonably diversified.

This being the first year of disclosure, previous year figures have not been furnished.

1. As the Company's business activities falls within a single primary business segment viz. Silk Textile yarn, Fabrics and Made-ups, no further reporting is necessary as per Accounting Standard – 17 issued by The Institute of Chartered Accountants of India.

14. Related Party Disclosure in-accordance with Accounting Standard - 18 issued by The Institute of Chartered Accountants of India.

(I) List of Related Parties

Name of the Person/Company

(a) Associates :-

Ethics Commercials Ltd.

Lucky Goldstar Company Ltd.

P.K.Textiles Ltd.

Tarun Fabrics Ltd.

Gemini Overseas Ltd.

(c) Key Management Personnel

Shri S.S. Shah (Chairman & Managing Director)

Shri Sundeep Shah (Executive Director)

Shri G. Venkatesh (President)

Shri Anil Jain (Chief Financial Officer)

(II) Transactions with Related Parties

	Subsidiaries*	Associates	Key Management Personnel
	(Rs. in Lacs)	(Rs. in Lacs)	including relatives (Rs. in Lacs)
Income & Expenditure:			
Purchase of Raw Materials & Finished Goods	-	14,755.79	
	(9,328.37)	(4,688.61)	
Sale of Goods	-	4,194.78	
	(3,203.80)	(4,270.66)	
Services Recieved	-	2,349.92	
	(730.27)	(483.07)	
Purchase of fixed assets	-	2,700.00	
	(-)	(-)	
Rent Received	-	0.17	
	(0.15)	(0.02)	
Rent Paid	-	0.72	
	(0.72)	(-)	
Remuneration Paid			85.71
			(54.90)
Balances as on 31-03-08			
i) Debtors / Receivables		3,339.23	
	(1,711.49)	(1,036.27)	

ii) Advances

9,037.57

(3,161.47) (3,506.50)

* Refer Note 11 as above.

15. As required under Accounting Standard - 22 issued by Institute of Chartered Accountants of India, the Company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under :

	As at 31.3.07	Tax effect for the year	As at 31.3.08
	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
Deferred Tax (Liability)			
Difference between book and tax depreciation	(1,473.39)	47.36	(1,426.03)
Deferred Tax Assets	-	-	-
Employees Benefits	-	20.22	20.22
Net Deferred Tax (Liability)/Assets	(1,473.39)	67.58	(1,405.81)

16. Managerial Remuneration :

(Remuneration to Managing Director & Executive Director)

	Managing Director		Executive Director	
	2007-08 Rs. in Lacs	2006-07 Rs. in Lacs	2007-08 Rs. in Lacs	2006-07 Rs. in Lacs
Salary & Bonus	36.00	22.50	23.76	13.60
House Rent Allowance	3.60	3.00	2.16	1.80
Contribution to Provident & Other Funds	4.32	2.70	2.59	1.56
Total	43.92	28.20	28.51	16.96

Computation of Net Profit for the purpose of calculation of Managing Director's and Executive Director's

Remuneration under Section 349 of the Companies Act, 1956 has not been given since no commission has been paid.

19. Derivative Instruments:

(a) During the year the company has re-evaluated its risk management program in respect of forecasted transactions. Upon completion of the formal documentation and testing for effectiveness, the company has designated certain foreign currency options in respect of forecasted transactions, which meet the criteria, as Cash Flow Hedges.

(b) Pursuant to The Institute of Chartered Accountants of India's (ICAI) announcement "Accounting for Derivatives" on the early adoption of Accounting Standard AS 30 "Financial Instruments recognition and measurements", the company has fully adjusted for mark to market losses aggregating to Rs.1,724.01 lakhs during the year, towards designated Foreign currency transactions. The same has been recognized directly under Reserves & Surplus.

(c) The Company uses forward Exchange Contracts and Currency Option to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative Instruments is as follows:

Forward Exchange Contracts

(Figures in Lakhs)

As at 31-03-2008

Currency Pair	Buy	Sell
EURO/USD	7.55	295.00
GBP/USD	20.00	60.00
USD/CHF	10.00	
AUD/USD	-	100.00
USD/INR	-	60.00

Derivatives

USD/YEN	40.00	
EURO/USD	30.00	10.00

(d) In respect of losses of Rs.375.00 lakhs incurred on derivative instruments, the Company has been legally advised that these contracts have no liability and therefore not enforceable. However, as a matter of abundant caution, the Company has charged the same to the Profit & Loss Account for the year as per Accounting

Standard AS 30 issued by The Institute of Chartered Accountants of India. The company is in the process of taking legal advice and based on the legal advice suitable remedial measures shall be considered.

20. Earning Per Shares (EPS)

	2007-08	2006-07
Profit after tax	5,813.82	5,766.61
Less:		
Dividend on Redeemable Cumulative Preference Shares (including tax thereon)	131.03	131.03
Profit considered for calculating EPS	5,682.79	5,635.58
Weighted average number of Equity Shares of Rs.10/- each	1,57,90,524	1,57,90,524
Earning per share (Basic & Diluted)	Rs. 35.99	Rs. 35.69

21. Previous Year's figures have been re-arranged, and/or re-grouped and/or re-furbished wherever necessary.