



# **Garware**

## **Polyester Limited**

**Annual Report 2004-2005**



<b>BOARD OF DIRECTORS</b>	: S. B. GARWARE	<i>Chairman &amp; Managing Director</i>
	: S.S. GARWARE (Mrs.)	
	: R.P. CHHABRA	
	: S.N. BAHETI	<i>Nominee of IDBI</i>
	: M. GARWARE MODI (Mrs.)	<i>Vice Chairperson &amp; Jt. Managing Director</i>
	: SARITA GARWARE (Ms.)	<i>Jt. Managing Director</i>
	: A. B. BHALERAO	<i>Director - Technical</i>
	: B. MORADIAN	
	: N.P. CHAPALGAONKAR	
	: GAUTAM DOSHI	
<b>GENERAL MANAGER (LEGAL) &amp; COMPANY SECRETARY</b>	: Prasenjit Guha	
<b>BANKERS</b>	: Indian Overseas Bank Dena Bank The Federal Bank Limited State Bank of Mysore Bank of India	
<b>AUDITORS</b>	: Shah & Co. Chartered Accountants	
<b>SOLICITORS &amp; ADVOCATES</b>	: Crawford Bayley & Co.	
<b>REGISTERED OFFICE</b>	: Naigaon, Post Waluj Aurangabad - 431 133	
<b>CORPORATE OFFICE</b>	: Garware House, 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057	
<b>WORKS</b>	: L-5 & L-6, Chikalthana Industrial Area, Dr. Abasaheb Garware Marg, Aurangabad 431 210  Naigaon, Post Waluj, Aurangabad 431 133.  A-1 & A-2, MIDC, Ambad, Nasik 422 010.  50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057.  Plot No. 449/2, Masat, Silvassa 396 230.	
<b>OFFICES</b>	: 403, Madam Bhikaji Cama Bhawan, 11, Bhikaji Cama Place, New Delhi 110 066.  37/1B, Hazra Road, Kolkata 700 029.  Old No. 40, New No. 91, Shiyali Mudali Street, Pudupet, Chennai 600 002.	
<b>REGISTRARS &amp; TRANSFER AGENTS</b>	: Intime Spectrum Registry Limited	

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## NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-eighth Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Thursday, the 29th September, 2005 at 11.30 a.m. to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mrs. Monika Garware Modi, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. B. Moradian, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R.P. Chhabra, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

### Special Business:

7. To consider and if thought fit, to pass with or without modification(s), as a Special Resolution, the following :-

"RESOLVED THAT subject to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and other approvals as may required, consent of the company be and it is hereby accorded to the re-appointment of Shri S. B. Garware as Managing Director of the Company for a further term of five years with effect from 1st November, 2004 and that the draft Agreement between the Company and Shri S. B. Garware, setting out the terms and conditions including remuneration placed before the meeting duly initialled by Mr. R. P. Chhabra, Director of the Company, for the purpose of identification, be and it is hereby approved."

"RESOLVED FURTHER THAT if in any financial year during the currency of the tenure, the Company has no profits or the profits of the Company are inadequate, the Company will pay to Shri S. B. Garware the remuneration as specified in the aforesaid draft Agreement as minimum remuneration."

8. To consider and if thought fit, to pass with or without modification(s), as a Special Resolution, the following :-

"RESOLVED THAT subject to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and other approvals as may be required, consent of the Company be and it is hereby accorded to the re-appointment of Mrs. Monika Garware Modi as Joint Managing Director of the Company for a term of five years with effect from 1st November, 2004 and that the draft Agreement between the Company and Mrs. Monika Garware Modi, setting out the terms and conditions including remuneration placed before the meeting duly initialled by Mr. R. P. Chhabra, Director of the Company, for the purpose of identification, be and it is hereby approved."

"RESOLVED FURTHER THAT if in any financial year during the currency of the tenure, the Company has no profits or the profits of the Company are inadequate, the Company will pay to Mrs. Monika Garware Modi the remuneration as specified in the aforesaid draft Agreement as minimum remuneration."

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9. To consider and if thought fit, to pass with or without modification(s), as a Special Resolution, the following :-

“RESOLVED THAT subject to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and other approvals as may be required, consent of the company be and it is hereby accorded to the re-appointment of Ms. Sarita Garware as Joint Managing Director of the Company for a term of five years with effect from 1st November, 2004 and that the draft agreement between the company and Ms. Sarita Garware, setting out the terms and conditions including remuneration placed before the meeting duly initialled by Mr. R. P. Chhabra, Director of the Company, for the purpose of identification, be and it is hereby approved.”

“RESOLVED FURTHER THAT if in any financial year during the currency of the tenure, the Company has no profits or the profits of the Company are inadequate, the Company will pay to Ms. Sarita Garware the remuneration as specified in the aforesaid draft Agreement as minimum remuneration.”

By Order of the Board of Directors

**Prasenjit Guha**  
*General Manager (Legal) &  
Company Secretary*

Mumbai, 17th August, 2005

**Registered Office:**

Naigaon, Post Waluj,  
AURANGABAD 431 133

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to Item nos. 7, 8 and 9 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, September 19, 2005 to Thursday, September 29, 2005 (both days inclusive).
6. The Dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid to those Members whose names appear in the Register of Members of the Company on 29th September, 2005, in respect of shares held in physical form and in respect of shares held in the electronic form, to those 'Deemed Members' whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Services Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 17th September, 2005.
7. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.



8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all dividends remaining unpaid/unclaimed upto the financial year ended 31st March, 1994 have been transferred to the General Reserve Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial years ended 31st March, 1995, 31st December, 1995 and 31st December, 1996 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection Fund (IEPF) set up by the Central Government. It may be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

9. Members holding shares in physical form are requested to forward all applications for transfer and all other shares related correspondence, including intimation for change of address, if any, to the Registrar and Share Transfer Agents of the Company at the following address:

INTIME SPECTRUM REGISTRY LIMITED

(Unit: Garware Polyester Limited)

C-13, Pannalal Silk Mill Compound,

L.B.S. Marg, Bhandup (West),

Mumbai – 400 078.

Tel No. 5555 5454 / 2592 3837

Fax: 5555 5353 / 2567 2693

10. In terms of the Regulations of NSDL & CDSL, the Bank Account details of Beneficial Owners of Shares in demat form will be printed on the dividend warrants as furnished by the Depository Participants (DP). The Company will not entertain any request for change of bank details printed on their dividend warrants. In case of any changes in your bank please inform your DP immediately.
11. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Detail(s) (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.

**ANNUAL REPORT 2004-2005****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item Nos. 7**

At the Annual General Meeting held on 30th December 2002, Shri S. B. Garware was re-appointed as Managing Director of the Company by Members for a term of five years with effect from 1st July, 2002. On account of overall increase in the volume of business of the Company, the duties and responsibilities of Shri S. B. Garware, Chairman & Managing Director of the Company, have substantially increased.

The Remuneration Committee of the Company's Board of Directors reviewed the remuneration package of Shri S. B. Garware, with a view to align such package with the practices prevailing in the corporate world and came to a conclusion that a revision was called for. The Remuneration Committee decided to revise the remuneration payable to Shri S. B. Garware keeping in mind the additional responsibilities shouldered by him. In view of such revision, his existing terms was mutually terminated and he was re-appointed for a fresh term of five years with effect from 1st November, 2004 on the terms set out in the draft Agreement.

The Board of Directors has, at its meeting held on 29th October, 2004, approved the revised terms of remuneration payable to Shri S. B. Garware, so as to be commensurate with his duties and responsibilities, subject to necessary approvals.

The draft Agreement between the Company and Shri S. B. Garware contains, *inter alia*, the following terms and conditions :-

- a) Salary : Rs. 10,00,000/- per month.
- b) Commission : Shri S. B. Garware will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.
- c) Perquisites : Shri S. B. Garware will be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. The monetary value of the perquisites will be calculated in accordance with the Income-Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 35% of salary.

Shri S. B. Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: -

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income-Tax Act, 1961.
  - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
  - iii) Encashment of leave at the end of his tenure.
- d) Shri S. B. Garware will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
  - e) Shri S. B. Garware will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.



- f) Shri S. B. Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred by him in performance of his duties on behalf of the Company.
- g) Shri S. B. Garware will not, so long as he functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Shri S. B. Garware as Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 29th October, 2004.

The draft Agreement and the Resolution of the Annual General Meeting referred to in the Resolution under Item No. 7 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11:00 a.m. and 01:00 p.m., prior to the date of the meeting.

Shri S. B. Garware is concerned or interested in the Resolution. Mrs. S. S. Garware, Mrs. Monika Garware Modi and Ms. Sarita Garware, Directors of the Company, being related to Shri S. B. Garware, may be deemed to be concerned or interested in the Resolution. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

This may also be treated as an abstract of the draft Agreement and the Memorandum of Interest of Directors therein pursuant to the provisions of Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution.

#### **Item No. 8**

Mrs. Monika Garware Modi was appointed as Joint Managing Director of the Company by the members at the Annual General Meeting (AGM) held on 29th September, 2003 for a term of five years with effect from 1st July, 2003, and the terms of her remuneration were approved by the members at the AGM held on 28<sup>th</sup> September, 2004. On account of overall increase in the volume of business of the Company, the duties and responsibilities of Shri S.B.Garware, the Chairman & Managing Director of the Company, has increased manifold over the years. In order to enable Shri S.B.Garware to concentrate on policy matters of the Company, it is considered advisable that Mrs. Monika Garware Modi should assist Shri S. B. Garware in discharging his duties more effectively. In the process of assisting Shri S. B. Garware, Mrs. Monika Garware Modi will shoulder additional responsibilities.

Mrs. Monika Garware Modi has been associated with the Company from April, 1989. She bears an excellent academic career. She graduated from Vasaar College, one of the renowned institutions in the U.S.A. and then did her M.B.A. degree from Lubin Business School, Pace University, New York, U.S.A. She has requisite knowledge and experience to manage the corporate affairs and to shoulder the additional responsibilities cast on her.

The Remuneration Committee of the Company's Board of Directors reviewed the remuneration package of Mrs. Monika Garware Modi, with a view to align such package with the practices prevailing in the corporate world and came to a conclusion that a revision was called for. The Remuneration Committee decided to revise the remuneration payable to Mrs. Monika Garware Modi, keeping in mind the additional managerial responsibilities shouldered by her. In view of such revision, her existing terms of appointment was mutually terminated and she was re-appointed for a fresh term of five years with effect from 1st November, 2004 on the terms set out in the draft Agreement.

The Board of Directors has, at its meeting held on 29th October, 2004, approved the revised terms of remuneration and perquisites payable to Mrs. Monika Garware Modi, so as to be commensurate with her duties and responsibilities, subject to necessary approvals.



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The draft Agreement between the Company and Mrs. Monika Garware Modi, *inter alia*, contains the following terms and conditions :

- a) Salary : Rs. 5,50,000/- per month.
- b) Commission : Mrs. Monika Garware Modi will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.
- c) Perquisites : Mrs. Monika Garware Modi will be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. The monetary value of the perquisites will be calculated in accordance with the Income-Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 30% of salary.  
  
Mrs. Monika Garware Modi shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: -
  - i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income-Tax Act, 1961.
  - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
  - iii) Encashment of leave at the end of her tenure.
- d) Mrs. Monika Garware Modi will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- e) Mrs. Monika Garware Modi will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
- f) Mrs. Monika Garware Modi will also be entitled to receive from the Company travelling, hotel and other expenses incurred by her in performance of her duties on behalf of the Company.
- g) Mrs. Monika Garware Modi will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Mrs. Monika Garware Modi as Joint Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 29th October, 2004.

The draft Agreement and the Resolution of the Annual General Meeting referred to in the Resolution under Item No. 8 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11:00 a.m. and 01:00 p.m., prior to the date of the meeting.

Mrs. Monika Garware Modi is concerned or interested in the Resolution. Shri S. B. Garware, Mrs. S. S. Garware and Ms. Sarita Garware, Directors of the Company, being related to Mrs. Monika Garware Modi, may be deemed to be concerned or interested in the Resolution. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

This may also be treated as an abstract of the draft Agreement and the Memorandum of Interest of Directors therein pursuant to the provisions of Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution.



#### Item No. 9

At the Annual General Meeting held on 30th December, 2002, Ms. Sarita Garware was appointed as Joint Managing Director for a term of five years with effect from 1st July, 2002. On account of overall increase in the volume of business of the Company, the duties and responsibilities of Mrs. Monika Garware Modi, Vice Chairperson & Joint Managing Director of the Company, have increased manifold over the years. It is therefore considered advisable that Ms. Sarita Garware should assist her in discharging her duties more effectively. In the process of assisting Mrs. Monika Garware Modi, Ms. Sarita Garware will shoulder additional responsibilities.

Ms. Sarita Garware has been associated with the Company as Director since 1993 and as Whole-time Director from April, 1994 to March, 1997. She is an M.B.A. from European University in Switzerland with specialisation in marketing. She has requisite knowledge and experience to manage the corporate affairs and to shoulder the additional responsibilities cast on her.

The Remuneration Committee of the Company's Board of Directors reviewed the remuneration package of Ms. Sarita Garware, with a view to align such package with the practices prevailing in the corporate world and came to a conclusion that a revision was called for. The Remuneration Committee decided to revise the remuneration payable to Ms. Sarita Garware keeping in mind the additional responsibilities shouldered by her. In view of such revision, her existing terms of appointment was mutually terminated and she was re-appointed for a fresh term of five years with effect from 1st November, 2004 on the terms set out in the draft Agreement.

The Board of Directors has, at its meeting held on 29th October, 2004, approved the revised terms of remuneration and perquisites payable to Ms. Sarita Garware, so as to be commensurate with her duties and responsibilities, subject to necessary approvals.

The draft Agreement between the Company and Ms. Sarita Garware, *inter alia*, contains the following terms and conditions : -

- a) Salary : Rs. 4,50,000/- per month.
- b) Commission : Ms. Sarita Garware will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.
- c) Perquisites : Ms. Sarita Garware will be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. The monetary value of the perquisites will be calculated in accordance with the Income-Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 30% of salary.

Ms. Sarita Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: -

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income-Tax Act, 1961.
- ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of leave at the end of her tenure.

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- d) Ms. Sarita Garware will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- e) Ms. Sarita Garware will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
- f) Ms. Sarita Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred by her in performance of her duties on behalf of the Company.
- g) Ms. Sarita Garware will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Ms. Sarita Garware as Joint Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 29th October, 2004.

The draft Agreement and the Resolution of the Annual General Meeting referred to in the Resolution under Item No. 9 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11:00 a.m. and 01:00 p.m., prior to the date of the meeting.

Ms. Sarita Garware is concerned or interested in the Resolution. Shri S. B. Garware, Mrs. S. S. Garware and Mrs. Monika Garware Modi, Directors of the Company, being related to Ms. Sarita Garware, may be deemed to be concerned or interested in the Resolution. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

This may also be treated as an abstract of the draft Agreement and the Memorandum of Interest of Directors therein pursuant to the provisions of Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution.

By Order of the Board of Directors

**Prasenjit Guha**  
*General Manager (Legal) &  
Company Secretary*

*Mumbai, 17th August, 2005*

**Registered Office:**  
Naigaon, Post Waluj,  
AURANGABAD 431 133



**Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting**

<b>Name of the Directors</b>	Mrs. Monika Garware Modi	Mr. B. Moradian	Mr. R.P. Chhabra
<b>Date of Birth &amp; Age</b>	04.06.1963 (42 years)	13.11.1950 (54 years)	23.03.1940 (65 Years)
<b>Appointed on</b>	31.03.1989	29.10.2001	31.07.2001
<b>Qualifications</b>	M.B.A. from Lubin Business School, New York, U.S.A.	B.E. (Mech.) from VJTI, MMS from JBIMS.	M.A. LL.B, CAIIB (Part I)
<b>Expertise in specific functional areas</b>	<ul style="list-style-type: none"> <li>● Business Administration</li> <li>● HRD (Total Managerial Experience – 16 years)</li> </ul>	<ul style="list-style-type: none"> <li>● Marketing</li> <li>● Productivity</li> <li>● H.R.D (Total Managerial Experience – 30 years)</li> </ul>	<ul style="list-style-type: none"> <li>● Industrial finance and restructuring and revival packages in respect of sick units.</li> <li>● Term lending arrangements and financial restructuring. (Total Managerial Experience – 33 years)</li> </ul>
<b>Directorship held in other public companies</b>	<ul style="list-style-type: none"> <li>● Garware Chemicals Limited</li> <li>● Garware Industries Limited</li> <li>● Cadila Pharmaceuticals Limited</li> <li>● Casil Finance Limited</li> <li>● Casil Health Products Limited</li> <li>● Karnavati Engineering Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Garware Industries Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Garware Chemicals Limited</li> </ul>
<b>Memberships/ Chairmanships of Committees across public companies</b>	Nil	<ul style="list-style-type: none"> <li>● Garware Polyester Limited <ul style="list-style-type: none"> <li>a) Share &amp; Debenture Transactions cum Investors' Grievances Committee – Chairman</li> <li>b) Audit Committee – Member</li> <li>c) Remuneration Committee - Member</li> </ul> </li> <li>● Garware Chemicals Limited <ul style="list-style-type: none"> <li>Remuneration Committee - Member</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Garware Polyester Limited <ul style="list-style-type: none"> <li>a) Audit Committee – Chairman</li> <li>b) Remuneration Committee – Chairman</li> <li>c) Share &amp; Debenture Transactions Cum Investors' Grievances Committee - Member</li> </ul> </li> <li>● Garware Chemicals Limited <ul style="list-style-type: none"> <li>Audit Committee – Chairman</li> </ul> </li> </ul>

**ANNUAL REPORT 2004-2005****DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2005****TO THE MEMBERS,**

Your Directors present the Forty-eighth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2005.

**Financial Results**

	<b>2004-05</b>	(Rs. in Crores)	
		2004-05	2003-04
Operating Profit before Interest & Depreciation		<b>111.01</b>	109.45
Less: Interest & Financial Charges	<b>44.36</b>		48.22
Depreciation	<b>31.05</b>		32.29
		<b>75.41</b>	80.51
		<b>35.60</b>	28.94
Add: Prior period item		<b>0.00</b>	0.17
		<b>35.60</b>	29.11
Less : Income Tax	<b>15.03</b>		9.39
Wealth Tax	<b>0.03</b>		0.03
		<b>15.06</b>	9.42
Net Profit for the year		<b>20.54</b>	19.69
Add: Balance brought forward from previous year		<b>33.19</b>	16.46
<b>Balance available for Appropriation</b>		<b>53.73</b>	36.15
<b>Appropriations :</b>			
Proposed Dividend		<b>2.18</b>	2.18
Tax on Dividend		<b>0.31</b>	0.28
Education cess on Dividend Tax of Previous Year		<b>0.01</b>	0.00
Transferred to General Reserve		<b>0.55</b>	0.50
Balance carried to Balance Sheet		<b>50.68</b>	33.19
		<b>53.73</b>	36.15

**Dividend**

Your Directors recommend for consideration at the Annual General Meeting, declaration of dividend of Re. 1/- (10%) per share, on 2,18,41,364 Equity Shares for the year ended 31<sup>st</sup> March, 2005, which will absorb Rs. 249.60 lakhs (including Tax). The requisite provision for dividend has been made in the accounts for the year ended 31<sup>st</sup> March, 2005.

**Operations**

Gross sales rose by 18.25% from Rs. 756 crores to Rs. 894 crores. Exports rose from Rs. 161 Crores to Rs. 237 Crores, an increase of 47.20%. Sales growth was driven by an increase in volume as well as improved realizations. Your Company has consciously focused on exports and on a diversified portfolio of value added products, viz. Sun Control films, speciality thick films etc., to insulate the Company from competitive pressures in the commodity segments of the business. This strategy has helped your Company to maintain its margins for the year under review. However, the pressure on margins is likely to continue for some more time until prices of oil and major raw materials stabilize at reasonable levels.



Your Company's increased thrust on exports has cushioned the adverse impact of falling prices in the domestic market. This was possible despite continuing anti dumping levies by EU and US authorities.

The current year's working is in line with expectations.

#### **Research & Development**

Company's R & D Centre is accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, and is engaged in research on new applications as well as development of new products, improvement of manufacturing processes and debottlenecking activities. Your Company's thrust on R & D activities has paid rich dividends.

#### **Future outlook**

Internationally, the polyester film market is growing at an estimated rate of 8 - 10% per annum. Domestically, the market is growing more robustly. Such growth coupled with your Company's initiatives in research and development augurs well for the future.

Efforts are underway to make further inroads into lucrative overseas markets in China, Brazil, Japan and Australia. The initial response to your Company's products is highly encouraging. Although sizeable capacity additions in the polyester film industry, in recent times, have resulted in softening of prices, your Company's focus on niche products in remunerative markets will have a salutary effect on gross margins in future.

#### **Legal cases**

In the last Directors' Report, your Directors had apprised you on the status of legal matters. Unit Trust of India (UTI) had challenged the orders passed by the Hon'ble Bombay High Court by filing Special Leave Petition before the Supreme Court. In a landmark Judgement, the Hon'ble Supreme Court has dismissed the Petition filed by UTI. Hence, the Scheme of Compromise and Arrangement is binding on UTI. Regarding ICICI's application pending before Debts Recovery Tribunal (DRT), the same has been disposed off consequent to filing of Consent Terms by ICICI and your Company with DRT.

#### **Subsidiaries**

Pursuant to Section 212 of the Companies Act, 1956 the accounts of Garware Polyester International Limited and Global Pet Films Inc., subsidiaries of the Company, are annexed.

#### **Safety, Health & Environmental Protection**

Your Company has initiated various measures on safety awareness including safety audits, providing health care to its employees, maintaining ecological balance in and around the units and undertaking periodical environmental audits.

#### **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of your Company confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

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**Directors**

Mrs. Monika Garware Modi, Mr. B. Moradian and Mr. R.P. Chhabra retire by rotation and being eligible, offer themselves for re-appointment.

**Audit Committee**

The Audit Committee comprises of three independent Directors viz., Mr. R.P. Chhabra, Mr. B. Moradian and Mr. S.N. Baheti.

**Remuneration Committee**

The Remuneration Committee comprises of three independent Directors, viz., Mr. R.P. Chhabra, Mr. B. Moradian and Mr. S.N. Baheti.

**Corporate Governance**

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Reports on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of conditions of Corporate Governance, form part of this Report.

**Auditors**

The retiring Auditors, Messers Shah & Co., are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to appoint Auditors and fix their remuneration.

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

**Other Statutory Information**

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary at the Corporate Office of the Company.

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report is annexed.

**Industrial Relations**

The relations between the Employees and the Management remained cordial during the year under review. Your Directors wish to place on record their appreciation of the contribution made by the Employees at all levels.

**Acknowledgements**

Your Directors wish to place on record their appreciation of the whole-hearted co-operation received by the Company from the various departments of the Central & State Governments, Company's Bankers and Financial & Investment Institutions during the year under review.

For and on behalf of the Board of Directors

Mumbai, 17th August, 2005

**S.B. GARWARE**  
Chairman & Managing Director



## ANNEXURE TO DIRECTORS' REPORT

(Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A) CONSERVATION OF ENERGY

Your Company is focused on energy conservation, as key component of its overall strategy for remaining globally competitive. Regular studies are conducted to analyse quantitative energy consumption pattern, and variances are rigorously scrutinised and accordingly continuous efforts were made towards further improving efficiency. Following major successful energy conservation efforts were made during the year.

1. At Batch Polymerisation Plant, Waluj, HP Ejectors were replaced by LP Ejectors for two lines of production, thereby reducing furnace oil consumption in steam boilers. Waste L. P. steam available is being used now.
2. At Waluj Complex, Power factor is improved from 0.99 to unity, thereby getting additional Power Factor incentive, marginal reduction in maximum demand.
3. Energy saving device 'Electromiser' is installed for Batch Polymerisation Plant, Waluj, thereby saving energy in lighting system.

### (B) TECHNOLOGY ABSORPTION

#### I. Research and Development (R & D)

##### 1. Specific areas in which R & D carried out by the Company

- a. Coated white film for front-lit, matt for back-lit digital printing
- b. Holographic film for diversified applications
- c. Ceramic film
- d. UL certification for ER & Opaque film

##### 2. Benefit derived as a result of the above R & D

These products give increased contribution due to value addition.

##### 3. Expenditure on R & D / Product Development :

(Rs. in Lakhs)

a. Capital	6.33
b. Recurring	191.76
c. Total	198.09
d. Total R & D expenditure as a Percentage to total turnover	0.39%

#### II. Technology absorption, adaptation and innovation

##### 1. Efforts made towards technology absorption, adaptation and innovation:

Productivity of Line – 1 & Line – 5 increased without affecting film quality.

Technology developed for Super Clear Film production on Line – 4, making it suitable for some of the critical applications.



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Improvement in Extruder system.

Line –5 Slitting upgradation.

The product mix vis-à-vis line capability is reviewed to maximize the overall output of the products. Manufacturing process is modified to achieve better process efficiency, product quality and yield.

**2. Benefits derived as a result of above efforts:-**

Above efforts have resulted in improvement of product output, quality and reduction in wastage.

**3. Technology imported during the last five years:-**

- a. Laser drafting film
- b. Coated OHP film
- c. SRC (hard-coat) formulations

**(C) FOREIGN EXCHANGE EARNING AND OUTGO****I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.**

1. The export marketing activities are being consolidated to maintain the share of exports in the total production. Newer markets are being explored.
2. Constant endeavour is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. The Company has established warehousing and marketing outfits in USA and UK.

**II. Total Foreign Exchange used and earned (Rs. in Crores)**

Used : 35.66

Earned (FOB) : 236.88

(including dividend received)

For and on behalf of the Board of Directors

Mumbai, 17th August, 2005

**S.B. GARWARE**  
Chairman & Managing Director



## CORPORATE GOVERNANCE REPORT

The Code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) has already been implemented by your Company in terms of the listing agreement with Stock Exchange, Mumbai. The Board of Directors supports the broad principles of Corporate Governance and accordingly implemented the same from financial year 2001-2002.

### Company's philosophy on Code of Governance

The philosophy of the Company is to enhance the long term economic value of the Company, its shareholders at large by adopting better corporate practices in fair and transparent manner. Given below is the report on corporate governance:

The Report on Corporate Governance is divided into six parts: -

- (1) Board of Directors – Composition
- (2) Committees of the Board
- (3) Remuneration of Directors
- (4) Disclosures
- (5) Means of Communication
- (6) Shareholder information

### 1. COMPOSITION OF THE BOARD OF DIRECTORS (as on 31st March, 2005)

Name of Director	Executive/ Non Executive/ Independent	No. of other Directorships in Public Ltd. Companies	Membership of Board Committees
Shri. S.B.Garware	Executive – Chairman & Managing Director	3	—
Mrs. S.S.Garware	Non-Executive	2	—
Mrs. M.Garware Modi	Executive-Vice Chairperson & Joint Managing Director	5	—
Ms. Sarita Garware	Executive- Joint Managing Director	1	1
Mr. S.N. Baheti +	Non-Executive, Independent	—	2
Mr. A.B. Bhalerao	Executive, Director-Technical	2	1
Mr. R.P. Chhabra	Non-Executive, Independent	1	4*
Mr. B. Moradian	Non-Executive, Independent	1	3**
Mr. N.P. Chapalgaonkar	Non-Executive, Independent	—	—
Mr. Gautam Doshi	Non-Executive, Independent	7	5

+ Nominee, IDBI

\* Chairman of Audit Committee

\*\* Chairman of Share & Debenture Transactions cum Investors' Grievances Committee

### BOARD MEETINGS

The Company places before the Board all the relevant and necessary data/information at its meetings such as production, sales, exports, review of business, any legal proceedings by/against the Company, share transfers, quarterly financial results, minutes of: (a) previous Board Meetings, (b) Audit Committee Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meeting and such other relevant information.

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During the year under review, four Board Meetings were held – on 29th June, 2004; 22nd July, 2004; 29th October, 2004 and 27th January, 2005.

The last Annual General Meeting (AGM) was held on 28th September, 2004.

The attendance of Directors at the Board Meetings, and at the aforesaid Annual General Meeting was as under:

<b>Name of Directors</b>	<b>Number of Board Meetings attended</b>	<b>Whether present at the previous AGM</b>
Shri S.B. Garware	4	No
Mrs. S.S. Garware	2	No
Mrs. M.Garware Modi	1	No
Ms. Sarita Garware	4	Yes
Mr. S.N. Baheti	3	No
Mr. A.B. Bhalerao	3	Yes
Mr. R.P. Chhabra	4	Yes
Mr. B. Moradian	3	Yes
Mr. N.P. Chapalgaonkar	3	Yes
Mr. Gautam Doshi	3	Yes

**2. COMMITTEES OF THE BOARD**

The Board has constituted Committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the various Committees of the Board:

**(a) Audit Committee**

The Board of the Company has constituted an Audit Committee comprising of the following Independent Directors:

- |                  |   |          |
|------------------|---|----------|
| Mr. R.P. Chhabra | – | Chairman |
| Mr. B. Moradian  | – | Member   |
| Mr. S.N. Baheti  | – | Member   |

The Company Secretary, Mr. Prasenjit Guha, acts as the Secretary to the Committee.

**Brief description of terms of reference are:**

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.
- Reviewing the adequacy of the Audit and Compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter which may be referred to it by the Board.

The Minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

**Meetings and attendance during the year:**

During the year under review, four Audit Committee meetings were held – on 29th June, 2004; 22nd July, 2004; 29th October, 2004 and 27th January, 2005.



Name of Members	Audit Committee Meetings Attended
Mr. R.P. Chhabra	4
Mr. B. Moradian	3
Mr. S.N. Baheti	3

**(b) Share & Debenture Transactions cum Investors' Grievances Committee**

The Board of the Company has constituted a Share & Debenture Transactions cum Investors' Grievances Committee comprising of the following Directors:

- Mr. B. Moradian – Chairman  
 Ms Sarita Garware – Member  
 Mr. R. P. Chhabra – Member

The Company Secretary, Mr. Prasenjit Guha, acts as the Compliance Officer.

The terms of reference of the above Committee are as follows:

- To consider and approve transfer of shares and debentures, issuance of duplicate share/debenture certificates etc.
- Redressal of shareholders'/investors' complaints relating to transfer of shares/debentures, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, interest on debentures, etc.

**Details of complaints received and redressed during the year from 1st April, 2004 to 31st March, 2005.**

As per information received from Registrar M/s. Intime Spectrum Registry Limited, during the year, the Company received 214 complaints from shareholders, which were resolved.

**Share Transfer Details:**

During the year, the Committee met 25 times. As on 31st March, 2005, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Directors at the aforesaid Committee Meeting was as under:

Name of Members	Meetings Attended
Mr. B. Moradian	24
Ms Sarita Garware	25
Mr. R.P. Chhabra	25

**Investors' Grievances:**

The Registrars and Transfer Agents, viz. Intime Spectrum Registry Limited under supervision of the Secretarial Department of the Company redresses the Investors' Grievances.

**(c) Remuneration Committee**

The Board of the Company has constituted a Remuneration Committee comprising of the following Directors:-

- Mr. R.P. Chhabra – Chairman  
 Mr. B. Moradian – Member  
 Mr. S.N. Baheti – Member

The terms of reference of the above committee are to review the remuneration payable to Managing/ Whole time Directors. The Committee met twice on 29th June, 2004 and 29<sup>th</sup> October, 2004.

**ANNUAL REPORT 2004-2005****3. REMUNERATION TO DIRECTORS:**

The Managing Director, Joint Managing Directors and Director-Technical are paid remuneration as per the Agreements entered into/ to be entered into between them and the Company, subject to necessary approvals. Non-Executive Directors are paid sitting fees of Rs.5,000/- for every Board Meeting with effect from January, 2005 and Rs. 1000/- for every Committee Meeting attended by them.

The details of remuneration paid to the Directors of the Company for the year ended 31st March, 2005, are given below: -

	Rs. in Lakhs
(a) Salary and Perquisites	268.23
(b) Commission	124.07
(c) Sitting Fees to Non-Executive Directors	1.13
Total	<u>393.43</u>

Service contract in respect of Managing Director, Joint Managing Directors and Director-Technical is for five years.

Performance-linked Bonus : Nil

Stock option details, if any : Nil

**4. DISCLOSURES:**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the Company at large are separately disclosed in this Report.

No penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years.

**5. MEANS OF COMMUNICATION**

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange, and announces the said financial results to the Stock Exchange, Mumbai where the shares of the Company are listed. Further, the quarterly/half yearly results in the prescribed proforma are published in the leading newspapers.

The Company's website is: [www.garwarepoly.com](http://www.garwarepoly.com)

Report on Management Discussion and Analysis forms part of this Annual Report.

**6. GENERAL SHAREHOLDER INFORMATION****(a) Registered Office:**

Naigaon, Post Waluj,  
Aurangabad – 431 133

**(b) Registrars and Share Transfer Agents :**

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078.  
Tel. No.: 5555 5454  
Fax No.: 5555 5353  
e-mail : [isrl@vsnl.com](mailto:isrl@vsnl.com)

Contact Person: Mr. Mahadevan / Mr. Mangesh Gomane

**(c) Address for Correspondence**

Garware Polyester Limited,  
Garware House,  
50-A, Swami Nityanand Marg,  
Vile Parle (East), Mumbai-400 057.  
Tel No: 5698 8000 – 15  
Fax No: 2824 8155 / 66  
e-mail:pg@garwarepoly.com

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078.  
Tel. No.:5555 5454/2592 3837  
Fax No.: 5555 5353/2567 2693  
e-mail : isrl@vsnl.com

**(d) Plant Locations**

: Waluj, Chikalthana, Nasik,  
Mumbai and Silvassa.

**(e) Listing on Stock Exchange**

Shares of the Company are listed on the Stock Exchange, Mumbai, under Stock Code No.500655, ISIN No. for dematerialised shares is INE 291A01017.

The Company has paid Annual Listing Fees for the year 2005-06 to the above Stock Exchange. The Company has also paid custodial charges to National Securities Depository Ltd. and Central Depository Services (India) Limited for 2005-2006.

**(f) Share Price Data on The Stock Exchange, Mumbai**

Month	Share Price Data		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April 2004	37.30	32.10	5925.58	5655.09
May 2004	36.30	26.40	5757.30	4505.16
June 2004	33.55	28.35	4963.75	4644.00
July 2004	38.80	31.30	5170.32	4843.77
August 2004	47.10	34.90	5252.78	5033.69
September 2004	47.10	42.90	5616.87	5198.72
October 2004	51.30	44.20	5776.85	5581.49
November 2004	52.15	45.95	6234.29	5704.10
December 2004	52.85	47.50	6602.69	6227.83
January 2005	50.10	43.25	6679.20	6102.74
February 2005	57.90	46.30	6713.86	6530.06
March 2005	50.85	44.75	6915.09	6367.86

**(g) Share Transfer System**

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents if the same are clear in all respects and thereafter the same are duly approved by Share & Debenture Transactions cum Investors' Grievances Committee. Since the Company's shares are compulsorily traded in demat segment on the Stock Exchange, Mumbai, bulk of the transfers takes place in electronic form.

**(h) Dematerialisation of Shares and Liquidity**

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL), for which purpose the Company has entered into Agreements with the respective Institutions.

## ANNUAL REPORT 2004-2005

The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchanges by all investors. Nearly 84% of the equity shares of the Company have been dematerialised by investors and bulk of transfers take place in the demat form.

## (i) Distribution of Shareholdings as on 31st March, 2005

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	39,181	96.12	36,01,351	16.49
501 to 1000	874	2.14	6,99,901	3.20
1001 to 2000	366	0.90	5,58,564	2.56
2001 to 3000	107	0.26	2,74,604	1.26
3001 to 4000	49	0.12	1,77,637	0.81
4001 to 5000	35	0.09	1,66,255	0.76
5001 to 10000	59	0.15	4,31,339	1.98
10001 and above	91	0.22	1,59,31,713	72.94
<b>Total</b>	<b>40,762</b>	<b>100.00</b>	<b>2,18,41,364</b>	<b>100.00</b>

## (j) Categories of shareholding as on 31st March, 2005.

Sr. No.	Category	No. of Shares held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	78,42,426	35.90
2.	Other Garware family Members and their Associates	4,96,998	2.27
3.	Mutual Funds and UTI	24,376	0.11
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/Non-Govt. Institutions)	8,57,121	3.93
5.	Private Corporate Bodies	57,28,622	26.23
6.	Foreign Institutional Investors	25,239	0.12
7.	NRIs	4,42,213	2.02
8.	Indian Public	64,24,369	29.42
	<b>Grand Total</b>	<b>2,18,41,364</b>	<b>100.00</b>

## (k) Outstanding GDRs/ADRs/Warrants or any convertible instruments and conversion date and likely impact on equity : Not Applicable

## (l) Information on Annual General Meetings:

Details of the last 3 Annual General Meetings (AGM) held by the Company are as under:

	Date	Venue	Time
45th AGM	30th December, 2002	Registered Office: Naigaon, Post Waluj, Aurangabad-431 133	11.00 a.m.
46th AGM	29th September, 2003	As above	11.30 a.m.
47th AGM	28th September, 2004	As above	11.30 a.m.



None of the Special Resolutions passed during the last three AGMs were required to be passed through postal ballot.

No special resolution for this year is required to be passed through postal ballot.

**(m) Financial Calender**

<b>Financial Year 1st April, 2004 to 31st March, 2005</b>	
Board Meeting for approval of Audited Accounts for the year ended 31st March, 2005.	17th August, 2005
Posting of Annual Reports	On or before 3rd September, 2005
Book Closure Dates	19th September, 2005 to 29th September, 2005 (both days inclusive)
Last date for receipt of Proxy Forms	27th September, 2005
48th Annual General Meeting	Date : 29th September, 2005 Time : 11.30 a.m. Venue : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133
Dividend payment date	On or after 29th September, 2005.

## AUDITORS' REPORT ON CORPORATE GOVERNANCE

TO THE MEMBERS OF GARWARE POLYESTER LIMITED

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the year ended 31st March 2005, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For SHAH & CO.  
Chartered Accountants

INDULAL H. SHAH  
Partner

Mumbai, 17th August, 2005



## ANNUAL REPORT 2004-2005

## REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

1. **Industry Structure and Development**

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging, etc. The worldwide capacity for the product has substantially gone up in the recent past and currently stands at 2.2 million MT. The consumption of the film is approximately 2 million MT. The domestic manufacturing capacity has also seen installation and commissioning of new plants adding up almost 45,000 MT as additional capacity by the end of 2004-05. On account of general industrial downturn and technological obsolescence of sectors like motor insulation, cable wrap, magnetic media and imaging sectors the demand growth in these sectors has been relatively slow. The demand for polyester films is expected to grow at 15% as against growth rate of 8% with domestic demand increasing from 85,000 TPA in 2002 to 1,90,000 TPA in 2007. With this, India could become the second largest market for polyester films by 2007 next only to USA. The inflow of additional capacity of the films expected from some of the recent manufacturers is likely to enhance the overall supplies.

The restrictive trade practices, as reported in the last Annual Report, continues to plague the exports of Indian product to EU and USA. With marginal firming up of price in EU and U.S.A., the two major markets for films, small exports have been made. Besides, China is also exhibiting large export potentials. The demand for polyester film in packaging segment have shown robust and healthy growth and it is expected that a part of the additional supplies will be absorbed in the domestic market in the near future.

2. **Opportunities and threats**

The significant additions to Polyester films capacities is expected to result in excess supply and consequently put pressure on pricing. The Company is constantly endeavoring to explore newer opportunities by introducing value added products. Some of the value added products like EM6 – LO, Anti Fog, Super Clear, Holographic Films recently developed have found good acceptability both in the domestic and export markets. With increased focus on R & D, the Company hopes to maintain its growth.

3. **Outlook****Exports :****Plain Film :**

As reported earlier, in view of the protectionist policy followed by USA and EU, the volume of exports of plain film to these countries has been adversely affected. The Company is awaiting review of the anti-dumping measures by these countries so that access to these markets is restored. However, international prices have shown some uptrends and are expected to remain firm during the year. The Company expects and will endeavour substantial increase in export volumes, particularly, in speciality segments of value added products.

The Company's wholly owned subsidiary in UK, viz., Garware Polyester International Limited (GPIL) which is handling European markets and Global Pet Films, Inc. (GPF), a wholly owned subsidiary of GPIL, which is handling American markets, are expected to grow their business, given the response to the Company's popular brands, such as 'Garfilm', and 'Global Window Film'.

**Sun Control Film :**

Export of Sun Control Films has been steadily growing, thereby contributing to the Company's profitability substantially. The Company has been able to successfully make its presence felt by penetrating into newer markets such as Indonesia, China, etc. More than 80% of production of Sun Control films is exported.

**Local :**

The Indian flexible packaging film industry is highly competitive. With the anticipated growth in packaging film segment, the prices in local markets are expected to firm up. Sun control films in domestic market



will continue to be sold in different price ranges in the form of car kits. Besides, the Company's safety films which are widely used in banks, Embassy offices, Consular offices, etc., being basically value-added products, will continue to contribute increasingly to the Company's operations.

#### 4. Review of Operations

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the applicable accounting standards.

The abridged Profit & Loss statement for the financial year ended 31st March, 2005 is as follows :

(Rs. in lakhs)

	2004-05	2003-04	% change
Net Sales	51,389.94	43,901.96	17.05
Other Income	369.41	266.18	38.78
Profit before Interest, Depreciation & Tax	11,101.20	10,945.02	1.42
Interest & Financial Charges	4,436.03	4,821.98	(8.00)
Depreciation	3,104.90	3,228.48	(3.83)
Prior period item	—	16.55	—
Profit before Tax	3,560.27	2,911.11	22.30
Provision for Tax	1,505.94	942.26	59.82
Profit after Tax	2,054.33	1,968.85	4.34
Earnings per share (Rs.)	9.41	9.01	4.44
Market Capitalisation	10,440.17	7,710.00	35.41

#### 5. Risks and concerns

Due to steep increase in crude oil prices, the raw material prices during the year under review had been exhibiting an increasing trend. Though the Company has been in a position to pass on the increases, there has always been a time lag. In view of excess supplies it has sometimes not been possible to fully pass on to the same to the consumers. There will therefore be pressures on the profitability.

The Company will continue to focus on cost control and cost effective measures and give dedicated and specified thrust to exports.

Some of the Company's products are commodity grade and are to a large extent fungible with competitors' products. Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand.

Taxes and other levies imposed by the Central or State governments in India that affect the industry include Customs duties, Excise duties, Sales tax, Income tax, Fringe Benefit tax, Value Added tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect the Company's competitive position and profitability.

The Company is a large exporter of films to many countries, and for the year ended March 31, 2005, nearly 85% of revenue from exports were denominated in U.S. Dollars and 12% were denominated in Euros. Though the foreign exchange earned from export sales offsets to some extent the debt repayment risk resulting from any potential depreciation of the Rupee against the U.S. Dollar and the Euro, there can be no assurance that the foreign exchange earned from export sales will be sufficient to pay all the Company's obligations under U.S. Dollar denominated borrowings. In addition, any changes in exchange rates may adversely affect the profitability of its export sales.

The Company is subject to risks arising from interest rate fluctuations, which could adversely affect its business, financial condition and results of operations.

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The Company is exposed to interest rate risk on the floating rate debt and on additional debt financing that may be periodically needed for the capital expenditures associated with future expansion plans. Upward fluctuations in interest rates increase the cost of both existing and new debt. The interest rate that will be able to secure in a future debt financing will depend on market conditions at the time, and may differ from the rates on the existing debt. This may adversely impact performance planned capital expenditures and cash flows. Although the Company may in the future enter into hedging arrangements against interest rate risks, there can be no assurance that these arrangements will successfully protect the Company from losses due to fluctuations in interest rates.

**6. Internal control systems and efficiency**

The Company has put in place a system of internal controls and checks which are supplemented by a regular internal audit procedure commensurate with the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary.

**7. Management Developments in HR**

Your Company has a well qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing units of the Company continued to remain cordial throughout the year 2004-05. There was no industrial unrest during the year.

**8. Cautionary statement**

The statements in report of the Board of Directors and the Management Discussion & Analysis Report describing the Company's outlook, estimates or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company takes no responsibility for keeping the members updated on changes in these factors except as may be statutorily required from time to time.



## AUDITORS' REPORT

TO THE MEMBERS OF GARWARE POLYESTER LIMITED

We have audited the attached Balance Sheet of GARWARE POLYESTER LIMITED as at 31st March, 2005, and also 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph (3) above, we state 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 appears from our examination of those books.
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in the report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- (e) As per the legal opinion obtained by the Company, none of the Directors are disqualified as on 31st March, 2005 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. Accordingly, as informed to us no written representation has been received from any of the Directors and as such we are unable to comment whether they are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account subject to :

Note No. K under Schedule 3 of Secured Loans regarding interest applied at the restructured rate on the debentures with Unit Trust of India (UTI) and read together with the other notes in Schedule 12 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
- (ii) In the case of the Profit and Loss Account, of the '**PROFIT**' of the Company for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For SHAH & CO.  
Chartered Accountants

INDULAL H. SHAH  
Partner

Mumbai, 17th August, 2005

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**ANNEXURE TO THE AUDITORS' REPORT  
(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the management during the year. We are informed that no material discrepancies have been noticed by the management on such verification.
- (c) The company has not disposed off substantial part of fixed assets during the year. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
- (ii) (a) The inventories have been physically verified during the year by the Management in our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and have been properly dealt with in the books of account.
- (iii) (a) 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 Companies Act, 1956.
- (b) The company has not granted any loans during the year to the parties covered in the register maintained u/s 301 of the companies Act, 1956, except for a loan of Rs. 3,567.05 Lakhs given to M/s. Garware Chemicals Limited which is covered in the register maintained under section 301 of the Companies Act, 1956 and which has been adjusted against the allotment of Equity & Preference Shares under scheme of reconstruction. (Refer Note No. 11 in Schedule 12 B). Hence the provisions of clauses 4 (iii) (b), 4 (iii) (c), 4 (iii) (d), 4 (iii) (f) and 4 (iii) (g) of the order are not applicable for the year under report.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the management.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public during the year covered by our audit report. In respect of unclaimed deposits matured in the earlier years that are outstanding during the year, the Company has complied with the provisions of Section 58 A, 58 AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court of any other Tribunal.



- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the year under review for any of the products of the company.
- (ix) (a) According to the information and explanation given to us the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As explained to us, no undisputed amounts payable in respect of above were in arrears as at 31st March 2005 for a period of more than six months from the date they became payable.
- (b) The following dues have not been deposited on account of dispute.
- | <u>Nature of dues</u> | <u>Amount</u>  | <u>Forum where dispute is pending</u> |
|-----------------------|----------------|---------------------------------------|
| Sales Tax             | Rs. 4.59 Lakhs | Allahabad High Court                  |
- (x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders, except a sum of Rs. 359.35 lakhs payable to Unit Trust of India (UTI) (Refer Note No. K under Schedule 3 of Secured Loans).
- (xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As the company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) As the company is not dealing in or trading in share, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the term loans on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, the company has not applied short term borrowings for long term use.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For SHAH & CO.  
Chartered Accountants

INDULAL H. SHAH  
Partner

Mumbai, 17th August, 2005

**ANNUAL REPORT 2004-2005**

**BALANCE SHEET AS AT 31ST MARCH, 2005**

	Schedule	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>FUNDS EMPLOYED :</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	2,177.90	2,177.88
Reserves & Surplus	2	10,144.68	8,339.95
		<b>12,322.58</b>	10,517.83
<b>BORROWINGS</b>			
Secured Loans	3A	47,809.84	48,292.71
Unsecured Loans	3B	811.68	1,078.86
		<b>48,621.52</b>	49,371.57
<b>TOTAL</b>		<b>60,944.10</b>	<b>59,889.40</b>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	71,717.69	70,529.31
Less: Depreciation		33,014.01	30,046.30
Net Block		38,703.68	40,483.01
Capital Work in Progress		404.39	81.70
		<b>39,108.07</b>	40,564.71
<b>INVESTMENTS</b>	5	<b>3,802.57</b>	235.57
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	8,762.21	7,022.51
Sundry Debtors		4,918.01	3,749.55
Cash and Bank Balances		435.31	485.45
Other Current Assets		3,473.79	2,512.69
Loans and Advances		3,153.01	5,810.19
		<b>20,742.33</b>	19,580.39
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	2,580.76	2,388.52
Provisions		858.18	577.72
		<b>3,438.94</b>	2,966.24
<b>Net Current Assets</b>		<b>17,303.39</b>	16,614.15
Deferred Tax Assets		730.07	1,955.05
Deferred Revenue Expenditure		0.00	519.92
<b>TOTAL</b>		<b>60,944.10</b>	<b>59,889.40</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005




**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005**

	Schedule	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs. in Lakhs)
<b>INCOME :</b>			
Sales including Excise duty		55,391.64	48,040.16
Inter-Divisional Transfers (as per contra)		34,033.30	27,558.83
Gross Sales		89,424.94	75,598.99
Less: Excise duty		4,001.70	4,138.20
Net Sales		85,423.24	71,460.79
Other Income	8	369.41	266.18
Increase / (Decrease) in Finished and Semi-finished Goods	9	1,070.97	935.17
		<b>86,863.62</b>	<b>72,662.14</b>
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	25,916.51	20,145.46
Inter-Divisional Transfers (as per contra)		34,033.30	27,558.83
Manufacturing & other expenses	11	15,812.61	14,012.83
Interest & financial charges (Refer Note No.12 in Schedule 12B)		4,436.03	4,821.98
		<b>80,198.45</b>	<b>66,539.10</b>
<b>Profit before Depreciation</b>		<b>6,665.17</b>	<b>6,123.04</b>
Depreciation		3,104.90	3,228.48
<b>Profit for the year before tax &amp; Prior period items</b>		<b>3,560.27</b>	<b>2,894.56</b>
Add: Prior Period Items (Net)		0.00	16.56
Less: Income tax of Prior period (Net)		0.00	0.01
<b>Profit before Tax</b>		<b>3,560.27</b>	<b>2,911.11</b>
Less : Provision for Taxation:			
Deferred Tax		1,224.98	739.02
Current Tax		277.81	199.96
Wealth Tax		3.15	3.28
<b>Profit after Tax</b>		<b>2,054.33</b>	<b>1,968.85</b>
Add: Balance brought forward from previous year		3,318.15	1,645.69
<b>Profit available for appropriation</b>		<b>5,372.48</b>	<b>3,614.54</b>
<b>APPROPRIATIONS :</b>			
Proposed Dividend		218.41	218.41
Tax on Dividend		30.63	27.98
Education cess on Dividend tax of Previous Year		0.56	0.00
Transfer to General Reserve		55.00	50.00
		<b>304.60</b>	<b>296.39</b>
<b>Balance carried to Balance sheet</b>		<b>5,067.88</b>	<b>3,318.15</b>
Earning per Share (Refer Note No.17 in Schedule 12B) (Rupees)		<b>9.41</b>	<b>9.01</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005



## ANNUAL REPORT 2004-2005

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>	<u>2,500.00</u>
<b>Issued, Subscribed and Paid-up:</b>		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14
Less: Unpaid Allotment Call money (from others)	<u>6.24</u>	<u>6.26</u>
	<u>2,177.90</u>	<u>2,177.88</u>
<b>Out of the above :</b>		
(i) 16,50,600 Equity Shares of Rs 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves.		
(ii) 6,60,000 Equity Shares of Rs 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
(iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs.		
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs.40/- per share against 23,90,400 detachable warrants.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Share Premium :</b>		
Balance as per last Balance Sheet	48.70	48.70
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	1,356.05	1,356.05
<b>General Reserve :</b>		
Balance As per Last Balance Sheet	3,617.05	0.00
Add: Loan to Garware Chemicals Ltd., (GCL) Written off in prior years, now brought back as per GCL's offer, in terms of IDBI's letter dated 24th June, 2004.	0.00	3,567.05
Transfer from Profit and Loss Account	<u>55.00</u>	<u>50.00</u>
	3,672.05	3,617.05
<b>Profit &amp; Loss Account</b>	<u>5,067.88</u>	<u>3,318.15</u>
TOTAL	<u>10,144.68</u>	<u>8,339.95</u>


**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	Notes		As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 3</b>				
<b>A. SECURED LOANS</b>				
I. Debentures / Bonds (Refer Note No.5 and 6 in Schedule 12B)				
(i) 12.5% Non Convertible / Privately Placed Debentures	A to D	<b>9,413.65</b>	10,856.38	
Less : Redeemed during the year		<b>1,442.71</b>	1,442.73	
		<b>7,970.94</b>		9,413.65
(ii) 0'Coupon Bonds / Debentures. Less : Restructured / Redeemed during the year	E	<b>4,967.57</b>	6,231.67	
		<b>1,039.01</b>	1,264.10	
		<b>3,928.56</b>	4,967.57	
(iii) Interest accrued and due		<b>544.07</b>	404.32	
		<b>12,443.57</b>		14,785.54
II. From Banks				
Cash / Packing Credit Accounts	F	<b>4,267.93</b>	3,701.66	
Working Capital Demand Loan		<b>11,491.67</b>	7,673.47	
Interest accrued and due		<b>22.88</b>	0.00	
		<b>15,782.48</b>		11,375.13
III. Term Loans				
(i) Financial Institutions	G			
a) Rupee Loan		<b>1,780.49</b>	7684.41	
b) Foreign Currency Loan		<b>4,567.26</b>	0.00	
		<b>6,347.75</b>		7,684.41
(ii) Banks	H			
a) Rupee Loan		<b>1,002.35</b>	1,667.08	
b) Foreign Currency Loan		<b>3,952.75</b>	4494.12	
		<b>4,955.10</b>		6,161.20
(iii) Hire Purchase / Vehicle Finance	I	<b>20.23</b>	25.72	
		<b>11,323.08</b>		13,871.33
IV. Deferred interest	J	<b>8,260.71</b>		8260.71
<b>TOTAL</b>		<b>47,809.84</b>		48,292.71

**Notes :**

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 913.82 Lakhs (Previous year Rs 939.05 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs.1,258.40 Lakhs (Previous year Rs. 1,455.11 Lakhs) are secured by first charge / mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs.100/- each aggregating to Rs. 5,468.93 Lakhs (Previous year Rs. 6,620.28 Lakhs) are secured by first charge / mortgage ranking pari-passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs.100/- each aggregating to Rs.329.79 Lakhs (Previous year Rs. 399.21 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs.100/- each aggregate Rs.3,928.56 Lakhs (Previous year Rs.4,967.57 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs.2,073.32 Lakhs (Previous year Rs.2,074.32 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.1,855.24 Lakhs (Previous year Rs.2,893.25 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs.6,347.75 Lakhs (Previous year Rs. 7,684.41 Lakhs) are secured / to be secured as under:
- (1) An amount of Rs. 2,951.47 Lakhs (Previous year Rs. 3,713.01 Lakhs) is secured by:
- (a) A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

- (b) Hypothecation charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- Specified movables for securing borrowings for the Company's Working Capital Requirements and,
  - Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export is of Rs. 3,171.28 Lakhs (Previous year Rs. 3,971.40 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- (H) The total Term Loans of Rs. 4,955.10 Lakhs (Previous year Rs. 6,161.20 Lakhs) from Banks are secured as under:
- Term Loans of Rs. 953.45 Lakhs (Previous year Rs. 1,154.18 Lakhs) is secured by :
    - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital Requirements, and
      - Specified assets charged to the Company's bankers as security for Term Loans.
  - Term Loans of Rs. 2,344.66 Lakhs out of Rs.2,393.56 Lakhs (Previous year Rs.2,868.76 Lakhs out of Rs.2,927.96 Lakhs) has been converted into foreign currency loan. These are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - Term loan of Rs.1,608.09 Lakhs (Previous year Rs.1,625.36 Lakhs out of Rs.2,079.06 Lakhs) has been converted into foreign currency loan. The same is secured by:
    - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital Requirements and,
      - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March 2005 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.
- (K) All the Financial Institutions / Banks, except Unit Trust of India (UTI) have given their sanctions for restructuring of Non Convertible Debentures / Term Loans including unpaid interest thereon as on 31st March 2001. Consent terms with Exim Bank and ICICI Bank Limited, have been filed before the Debt Recovery Tribunal at Mumbai. Further, the petition filed by the Company in Bombay High Court Under Sections 391/394 for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non Convertible Debenture Holders" which includes UTI has been approved by the Bombay High Court. UTI had gone to the Supreme Court and the case arising out of S.L.P. (Civil) No. 20174 of 2004 has been dismissed vide Civil Appeal No. 3196 of 2005. As such the Interest applied on the debentures is at the restructured rate.

## B UNSECURED LOANS

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	601.68	678.61
(ii) Short Term Loan from others	210.00	400.00
(iii) Interest accrued and due	0.00	0.25
TOTAL	811.68	1,078.86


**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**
**SCHEDULE 4**
**FIXED ASSETS**
**(Rs. in Lakhs)**

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/Revaluation As at 01.04.2004	Additions during the year	Sales/Transfer during the year	Cost/Revaluation As at 31.03.2005	Up to 31.03.2005	As at 31.03.2005	As at 31.03.2004
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	<b>6,992.13</b>	6,992.13
2.	Land (Leasehold)	1,820.94	0.00	0.00	1,820.94	0.00	<b>1,820.94</b>	1,820.94
3.	Buildings	7,284.86	286.01	0.00	7,570.87	3,349.33	<b>4,221.54</b>	4,372.82
4.	Plant & Machinery	47,202.03	801.25	0.00	48,003.28	23,796.78	<b>24,206.50</b>	25,717.03
5.	Electrical Installations	2,792.35	33.09	0.00	2,825.44	2,027.38	<b>798.06</b>	890.44
6.	Moulds	287.54	0.00	0.00	287.54	287.54	<b>0.00</b>	0.00
7.	Laboratory Equipments	180.99	9.75	0.00	190.74	113.91	<b>76.83</b>	78.18
8.	Furniture & Fixtures	448.28	16.50	0.00	464.78	357.68	<b>107.10</b>	120.06
9.	Office Equipments	397.19	31.68	1.48	427.39	283.32	<b>144.07</b>	139.45
10.	Vehicles	466.16	33.94	121.37	378.73	278.04	<b>100.69</b>	133.70
11.	Capital Expenditure On Research & Development	190.99	6.33	0.00	197.32	187.06	<b>10.26</b>	6.12
12.	Data Processing Equipments	930.27	152.46	59.78	1,022.95	809.49	<b>213.46</b>	148.46
13.	Expenditure On Tech. know-how/Product Development	1,378.12	0.00	0.00	1,378.12	1,366.02	<b>12.10</b>	63.68
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	<b>0.00</b>	0.00
	<b>Total</b>	<b>70,529.31</b>	<b>1,371.01</b>	<b>182.63</b>	<b>71,717.69</b>	<b>33,014.01</b>	<b>38,703.68</b>	<b>40,483.01</b>
	Previous Year	69,337.89	1,214.32	22.90	70,529.31	30,046.30	40,483.01	42,501.70
	Capital Work-in-Progress						<b>404.39</b>	81.70

**NOTES :**

- Buildings include Rs.0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
  - on Capital Expenditure on R & D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
  - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery leased, over its Lease period.
- No Write-off has been made in respect of lease relating to Leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs.6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2005 (Rs. in Lakhs)		As at 31.03.2004 (Rs. in Lakhs)	
<b>SCHEDULE 5</b>				
<b>INVESTMENTS (AT COST)</b>				
<b>A. In Government Securities (Unquoted) :</b>				
1.	10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	—	—	—
2.	7 years National Savings Certificates of the face value of Rs.0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	—	—	—
<b>B. In Shares :</b>				
<b>I Quoted</b>				
1.	50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01	
2.	1,410 Equity Shares (including 1,255 Bonus Shares) of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up .	0.04	0.04	
3.	2,80,000 Equity Shares of Garware Marine Industries Ltd., of the face value of Rs.10/- each, fully paid-up.	—	—	
4.	4,00,000 Equity Shares of Garware Wall Ropes Ltd., of the face value of Rs.10/- each, fully paid-up.	56.80	56.80	
5.	58,900 Equity Shares of Bank of India, of the face value of Rs.10/- each, fully paid-up.	26.51	26.51	
		<b>83.36</b>	<b>83.36</b>	
<b>II Unquoted</b>				
1.	2,500 Equity Shares of The New India Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25	
2.	2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid up.	0.25	0.25	
3.	500 shares of The Co-operative Stores Ltd., (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05	
4.	10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each fully paid-up.	8.00	8.00	
5.	4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd., of the face value of Rs. 25/- each fully paid up.	1.00	1.00	
6.	4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd., of the face value of Rs. 25/- each fully paid-up.	1.00	1.00	
7.	1,000 Equity Shares of Poornawadi Co-op. Bank Ltd., of the face value of Rs.100/- each fully paid-up.	1.00	1.00	
8.	1,77,76,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees. (1,07,01,000 shares allotted during the year) (Refer note No. 11 in Schedule 12B).	1,077.19	7.09	
9.	2,49,69,000 - 0.01 % Optionally Convertible Cumulative Redeemable Preference Shares of Garware Chemicals Ltd., of the face value of Rs.10/-each, fully paid up, allotted during the year (Refer note no. 11 in Schedule 12B).	2,496.90	0.00	18.64
		<b>3,585.64</b>		
<b>III In Subsidiary Company (Unquoted)</b>				
1.	2,50,000 ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.	133.57	133.57	
	<b>TOTAL</b>	<b>3,802.57</b>	<b>235.57</b>	
		<b>Cost</b>	<b>Market value</b>	<b>Cost</b> <b>Market value</b>
NOTE : Aggregate amount of company's investments:				
	Quoted	83.36	220.72	83.36
	Unquoted	3,719.21		152.21
	<b>TOTAL</b>	<b>3,802.57</b>		<b>235.57</b>



**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management )		
(a) Stores, Spare parts & Packing materials (At cost)	2,779.75	2,475.23
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,939.29	1,575.08
(ii) Finished goods (At cost or market value whichever is lower)	617.04	549.94
(iii) Semi-finished goods (At cost )	3,426.13	2,422.26
	<b>8,762.21</b>	7,022.51
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	8.40	0.70
(ii) Considered Doubtful	503.05	538.07
	511.45	538.77
Less : Provision for Doubtful Debts	503.05	538.07
	8.40	0.70
(b) Other Debts (Including Rs 653.47 Lakhs due from subsidiary companies, Previous year Rs.310.90 Lakhs)	4,909.61	3,748.85
	<b>4,918.01</b>	3,749.55
<b>III. Cash and Bank Balances :</b>		
(a) Cash on hand	28.13	28.41
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	232.13	300.14
In Margin Accounts (Including Rs.145.76 Lakhs as Term Deposit, Previous year Rs.142.99 Lakhs)	175.05	156.90
	<b>435.31</b>	485.45
<b>IV. Other Current Assets:</b>		
(a) Export benefits/Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,286.30	834.42
(b) Other receivables	2,187.49	1,678.27
	<b>3,473.79</b>	2,512.69
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received (Including Rs.163.82 Lakhs due from Associate Company previous year Rs.42.62 Lakhs)	958.01	892.52
(ii) Sacrifice / Premium on restructured Term loans	385.37	410.45
(iii) Advance against Capital Expenditure	11.25	0.54
(iv) Deposits with Customs & Excise authorities	786.53	223.94
(v) Deposits with others	410.24	378.06
(vi) Advance Payment of Income Tax and TDS	601.56	337.63
(vii) Loan to Associate Company viz. Garware Chemicals Ltd (Refer Note No.11 in Schedule 12 B)	0.05	3,567.05
	<b>3,153.01</b>	5,810.19
TOTAL	<b>20,742.33</b>	<b>19,580.39</b>

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A) Current Liabilities :</b>		
(i) Sundry Creditors (Refer Note No.21 in Schedule 12 B) (Including Rs.10.73 Lakhs due to Associate Company)	1,667.16	1,480.91
(ii) Other Liabilities (Including Rs.124.07 Lakhs due to Directors, Previous year Rs.90.00 Lakhs and Rs.120.25 Lakhs due to Subsidiary Companies, Previous year Rs.76.90 Lakhs)	781.75	736.46
(iii) Deposits and advances from customers & others	119.02	134.46
(iv) Unclaimed Dividend	4.07	6.87
(v) Share & Debenture Application Money Refundable	0.00	6.98
(vi) Unclaimed Debenture and Interest	8.06	8.78
(vii) Interest accrued but not due on Loans	0.00	12.99
(viii) Unclaimed Matured Deposits	0.70	1.07
	<u>2,580.76</u>	<u>2,388.52</u>
<b>B) Provisions :</b>		
(i) Provision for Taxation	609.14	331.33
(ii) Provision for Proposed Dividend	218.41	218.41
(iii) Tax on Dividend	30.63	27.98
	<u>858.18</u>	<u>577.72</u>
TOTAL	<u><u>3,438.94</u></u>	<u><u>2,966.24</u></u>

## SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT

	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs. in Lakhs)
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Insurance claims	20.44	19.74
Income from Investments (Gross)	31.23	12.06
Interest on short term deposits with banks and others (Gross) (TDS Rs.4.06 Lakhs, Previous Year Rs.5.65 Lakhs)	17.31	39.89
Miscellaneous income	62.21	29.91
Profit on sale of fixed assets (Net)	4.46	1.79
Provision for doubtful debts	35.02	0.00
Less:- Bad debts Written off	<u>32.02</u>	<u>0.00</u>
	<u>3.00</u>	<u>0.00</u>
Excess Provision / Sundry Credit Balances written back	22.70	21.32
Rent (TDS Rs. 0.38 Lakhs, Previous year Rs. 0.38 Lakhs)	3.70	3.00
Sales Tax / Excise refund	9.08	3.34
Gain on Exchange Rate Fluctuations	195.28	135.13
TOTAL	<u><u>369.41</u></u>	<u><u>266.18</u></u>

## SCHEDULE 9

## INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

<b>Opening Stock:</b>		
Finished goods	549.94	548.63
Semi finished goods	2,422.26	1,488.40
	<u>2,972.20</u>	<u>2,037.03</u>
<b>Closing Stock:</b>		
Finished goods	617.04	549.94
Semi finished goods	3,426.13	2,422.26
	<u>4,043.17</u>	<u>2,972.20</u>
Increase / (Decrease)	<u><u>1,070.97</u></u>	<u><u>935.17</u></u>


**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)**

	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs. in Lakhs)
<b>SCHEDULE 10</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1,575.08	1,912.92
Add: Purchases and Expenses	26,280.72	19,807.62
	<b>27,855.80</b>	<b>21,720.54</b>
Less: Closing Stock	1,939.29	1,575.08
TOTAL	<b>25,916.51</b>	<b>20,145.46</b>
<b>SCHEDULE 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses:</b>		
Stores, Spares and Packing Materials consumed (Net)	2,671.74	1,976.28
Power and Fuel	3,670.46	3,773.75
Processing Charges	681.59	558.17
Water Charges	94.52	90.11
	<b>7,118.31</b>	<b>6,398.31</b>
<b>B. Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages and Bonus	1,739.24	1,424.90
Contribution to Provident and other funds	239.04	222.89
Staff Welfare Expenses	233.98	212.26
	<b>2,212.26</b>	<b>1,860.05</b>
<b>C. Administrative, Selling and General Expenses:</b>		
Rent, Hire charges and Compensation (Net)	38.53	50.95
Rates, Taxes and Licence Fees	30.47	37.87
Insurance (Net)	541.93	529.50
Freight and Forwarding (Net)	1,662.33	1,299.68
Research and Development Expenses	191.76	214.73
Repairs and Maintenance of:		
(i) Plant and Machinery	609.10	463.04
(ii) Buildings	244.71	172.17
(iii) Other Assets	307.42	270.60
	<b>1,161.23</b>	<b>905.81</b>
Advertisement Expenses	108.40	132.15
Additional Sales Tax / Turnover Tax	24.59	94.95
Travelling & Conveyance	438.49	444.96
Postage, Telegrams & Telephones	112.68	117.59
Lease Rentals	58.09	63.70
Commission on Sales	275.70	270.58
Donations	35.59	1.00
Legal and Professional charges (Refer Note No.9 in Schedule 12 B)	414.17	522.03
Auditors' Remuneration		
(i) Audit fees	6.00	6.63
(ii) Tax Audit fees	3.00	3.30
(iii) For Certification / Others	3.19	3.86
(iv) Reimbursement of out of pocket Expenses	0.81	0.59
	<b>13.00</b>	<b>14.38</b>
Miscellaneous Expenses	894.21	805.88
Loss on Swap	87.44	0.00
	<b>6,088.61</b>	<b>5,505.76</b>



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## SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT (Contd.)

	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs. in Lakhs)
<b>SCHEDULE 11 (contd.)</b>		
<b>D. Managerial Remuneration:</b>		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	157.75	90.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	45.43	25.92
(iii) Other Perquisites	43.79	21.28
	<u>246.97</u>	137.20
(b) To Whole Time Director :		
(i) Salary	14.40	14.40
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	4.15	4.15
(iii) Other Perquisites	2.71	1.93
	<u>21.26</u>	20.48
(c) Commission to Managing & Joint Managing Directors	124.07	90.00
(d) Directors' sitting fees	1.13	1.03
	<u>393.43</u>	248.71
TOTAL	<u><u>15,812.61</u></u>	<u><u>14,012.83</u></u>



## SCHEDULE 12:

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

##### 2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the assets to working condition for its intended use including interest and other incidental expenses upto the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital Reserve Account.

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum
- On Capital Expenditure on R&D and Assets other than Plant & Machinery, on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987, on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- On Plant & Machinery given on lease, the depreciation provided on the basis of lease period.
- No write-off is being made in respect of leasehold land.

##### 3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. 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.

##### 4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation but excluding interest).

##### 5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss/gain, arising from such transaction, is charged to the relevant revenue heads in the Profit & Loss Account.
- Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

##### 6. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.

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## SCHEDULE 12 (Contd.)

**7. Duties**

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

**8. Retirement Benefits**

Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India.

**9. Lease Rentals**

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

**10. Contingent Liabilities**

No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

**11. Research and Development**

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

**12. Sales**

Sales are accounted for inclusive of excise duty and sales tax, and are net of discounts and returns.

**13. Taxation**

(a) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.

(b) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.

**14. Deferred Revenue Expenditure**

Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.

**15. Borrowing Cost**

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

**B. NOTES:-**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.321.43 Lakhs (Previous Year Rs.111.46 Lakhs) against which an advance of Rs.11.25 Lakhs (Previous year Rs.0.54 Lakhs) has been paid.
2. The Company has given counter-guarantees for Rs.284.50 Lakhs (Previous year Rs.292.07 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
3. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.8,812.14 Lakhs (Previous year Rs.6,082.53 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.3,676.45 Lakhs (Previous year Rs.2,677.08 Lakhs).
5. Secured Loans:
  - (i) All the Secured Loans have been restructured after obtaining the consent of all Financial Institutions, except UTI (Refer Note No. K of Schedule 3).
  - (ii) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 1,442.71 Lakhs was redeemed during the current year (Previous year Rs.1,442.73 Lakhs).
  - (iii) Zero Coupon Bonds aggregating to Rs. 3,928.56 Lakhs are payable as under:
    - a) A sum of Rs. 99.60 Lakhs on said account represents the amount of overdue payable to UTI.
    - b) Amount of Rs. 1,130.54 Lakhs is payable to Exim Bank in quarterly instalments till 1st January, 2010 and balance of Rs. 2,698.42 Lakhs is payable with premium of Rs. 2,293.66 Lakhs from 1st April, 2006.
    - c) Amount of Rs. 388.85 Lakhs is payable in 2005-2006.
  - (iv) The amount settled on account of sacrifice & premium with respect to EXIM Bank is being written off over the life of the loan.
  - (v) Amount of Term Loans / Debentures, other than Zero Coupon Bond, repayable within one year is Rs. 4,255.08 Lakhs (Previous year Rs. 4,926.34 Lakhs).
  - (vi) An amount of Rs. 545.00 Lakhs being sacrificed and premium settled with EXIM Bank and ICICI Bank Limited (Term Loan) has been written off during the year.



## SCHEDULE 12 (Contd.)

- (vii) The amount of sacrifice mentioned in the sanction letters of Export Import Bank of India and ICICI Bank Limited (Term Loan) has been negotiated and settled. The same in respect of Industrial Development Bank of India Limited (IDBI), has been negotiated and IDBI has agreed in principle to settle the same vide its letter dated 17th August, 2005. The balance portion pertaining to other Institutions / Banks is being negotiated and obligations under the same will be accounted in the books as and when settled.
6. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.  
As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.
7. Claims against the Company not acknowledged as debts Rs.9.76 Lakhs. (Previous year Rs.13.16 Lakhs)
8. Contingent liability not provided for in respect of Sales Tax Rs.4.59 Lakhs. (Previous year Rs. 14.07 Lakhs) and Excise Duty Rs. NIL (Previous year Rs. 3.63 Lakhs)
9. Legal and Professional Charges include Rs.3.33 Lakhs (Previous year Rs.4.67 Lakhs) paid to some of the Partners of the Auditors for other services.
10. The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Limited for repayment of term loans, interest and other charges thereon to:-  
(a) Industrial Development Bank of India Limited for Rs.13,267.81 Lakhs. (Previous year Rs. 13,794.27 Lakhs)  
(b) Mizuho Corporate Bank Limited for Rs. 3,199.12 Lakhs. (Previous year Rs. 3,190.57 Lakhs)  
Mizuho Corporate Bank Limited has filed a case in Bombay High Court with regards to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as GCL is registered with BIFR under Sick Industrial Companies (Special Provision) Act, 1985.
11. As per restructuring package of Garware Chemicals Limited (GCL) sanctioned by Industrial Development Bank of India Limited, the GCL has offered to convert outstanding loan amount into equity or preference shares at the option of the company. As a result, against the loan amount of Rs. 3,567 Lakhs, GCL has allotted 1,07,01,000 Equity Shares of Rs.10/- each and 2,49,69,000 - 0.01% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each, which has been included in the investments.
12. Break up of Interest and financial charges are:

	2004 - 05 (Rs.in Lakhs)	2003 - 04 (Rs.in Lakhs)
On Secured Loans	739.49	1,097.15
On Debentures	1,118.62	1,395.42
Other Interest	2,128.47	1,782.59
Financial Charges	449.45	546.82
	<b>4,436.03</b>	<b>4,821.98</b>

13. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs.2,417.89 Lakhs (Previous year Rs.1,866.57 Lakhs) against export effected during the year has been credited to Export Benefits earned account and which has been included in sales.
14. Computation of net profit as per section 349 read with section 309 (5) and 198 of the Companies Act, 1956 is as under.

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
Profit before prior period adjustments	3,560.27	2,894.56
Add:		
(a) Remuneration to Directors	392.30	247.68
(b) Directors sitting fees	1.13	1.03
Total	<b>3,953.70</b>	<b>3,143.27</b>
Less:		
(a) Profit on sale of Fixed Assets	4.46	1.79
(b) Provision for doubtful debts & sundry credit balances written back	25.70	21.32
Net Profit as per Sec.349 of Companies Act, 1956	<b>3,923.54</b>	<b>3,120.16</b>
Remuneration including commission @ 10% on Rs.3923.54 Lakhs (Previous year Rs. 3,120.16 Lakhs)	<b>392.35</b>	<b>312.02</b>
Commission provided is subject to approval of Shareholders at the ensuing Annual General Meeting and other approvals as may be required.	<b>124.07</b>	<b>90.00</b>

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**SCHEDULE 12 (Contd.)**

**15. Segment Reporting:**

- (a) The company is only in one line of business namely - Polyester film.  
 (b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-  
 (i) Revenue within India includes sales to customers located within India.  
 (ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2004 - 05 (Rs. in Lakhs)			2003 - 04 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	28,310.32	27,081.32	55,391.64	29,300.78	18,739.38	48,040.16
Amount of Segment Assets by location of assets. (Net Value)	24,206.50	—	24,206.50	25,717.03	—	25,717.03

**16. Related Party Disclosures:-**

- (a) List of Related Parties:  
 Subsidiary : Garware Polyester International Limited  
 Fellow Subsidiary : Global Pet Films, Inc.  
 Associate Companies : Garware Industries Limited and Garware Chemicals Limited,  
 Key Management Personnel : 1) Shri S. B. Garware  
 2) Mrs. Monika Garware Modi  
 3) Ms. Sarita Garware  
 4) Miss Sonia S. Garware

(b) Transaction with Related Parties	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
(i) Sale of Goods:		
(a) Subsidiary	1,256.91	725.34
(b) Fellow Subsidiary	3,673.72	2,543.14
(c) Associate Company	2,545.80	3,214.29
(ii) Purchase of Materials and Capital Equipments: Associate Company	16,790.32	13,374.57
(iii) Services Received:		
(a) Subsidiary	101.88	150.61
(b) Associate Company	13.13	25.56
(iv) Services Rendered: Associate Company	1,339.74	1,264.51
(v) Balances (Dr. / (Cr.))		
(a) Subsidiary	113.87	(8.54)
(b) Fellow Subsidiary	419.36	242.54
(c) Associate Company	153.15	3,614.47
(vi) Guarantee on behalf of Associate Company (Refer Note No.10 in Schedule 12 B)		
(vii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

**17. Earning Per Share :**

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
Profit for the year	3,560.27	2,894.56
Add: Prior period items	0.00	16.56
Less: Income-tax previous years (net)	0.00	0.01
Less: Deferred Tax	1,224.98	739.02
Less: Current Income Tax	277.81	199.96
Less: Wealth Tax	3.15	3.28
Profit attributable to equity shareholders	2,054.33	1,968.85
No. of Equity Shares of Rs.10 each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	9.41	9.01



## SCHEDULE 12 (Contd.)

### 18. Deferred Tax :

- (a) Deferred Tax Liability of Rs.1,224.98 Lakhs is provided in the current year, (Previous year Rs.739.02 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March, 2005 are given here below.

Deferred Tax Assets	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	3,511.62	3,389.17
Unabsorbed Business Losses & Depreciation	4,771.68	6,260.48
Others	281.82	232.49
	(i) <u>8,565.12</u>	<u>9,882.14</u>
Less: Deferred Tax Liability:		
Excess of Net Block over WDV as per the provisions of the Income-Tax Act, 1961	(ii) <u>7,835.05</u>	<u>7,927.09</u>
Deferred Tax Assets (Net)	(i)-(ii) <u>730.07</u>	<u>1,955.05</u>

19. In accordance with the Accounting Standard 28 (AS 28) issued by Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed a professional consultancy firm as the valuers to assess impairment of each Cash Generating Unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report dated 02.08.2005, there is no impairment to any of the asset as per the current market scenario, as such no provision for impairment of assets is required to be made in the accounts.
20. Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit for the year.
21. (a) Sundry Creditors in Schedule 7 to the accounts include Rs.185.81 Lakhs (Previous year Rs.120.72 Lakhs) payable to small scale industrial undertakings and Rs.1,481.35 Lakhs (Previous year Rs.1,360.19 Lakhs) payable to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under clause (i) of section 3 of the Industries (Development and Regulation) Act, 1951. The names of the small-scale industrial undertakings to whom the Company owes sums outstanding for more than 30 days as on 31st March 2005 are as under:  
M/s. Abhishek Enterprises, M/s. India Flex, M/s. Able Moulders, M/s. Marathwada Packaging Pvt.Ltd., M/s. A. K. Packagaing Inds., M/s. Nath Wirecut Pvt.Ltd., M/s. Aditya Packaging, M/s. Novel Packaging Industries, M/s. Anugrah Inorganics Pvt Ltd., M/s. Nath Industries, M/s. Ajit Industries Pvt Ltd., M/s.Kabra Colours Pvt Ltd., M/s. Aqura, M/s.Poonam Industries, M/s. Ambika Services, M/s. Maharashtra Saw Mill, M/s. Aerocool Engineers, M/s. Pravin Industries, M/s. El-o-matic India Pvt Ltd., M/s. Micron Calibration Centre, M/s. Ellora Gases Pvt Ltd., M/s. M Square Engineers, M/s. Flexible Packagaing, M/s. Peekay Enterprises, M/s. Disha Industries, M/s.P.C. Wood Industries, M/s.Ellora Gases, M/s. Perfect (Nasik) Engg. Services Pvt.Ltd., M/s. Ganesh Industries, M/s. Patel Industries, M/s. Pioneer Packagings, M/s. Prabhat Timber & Plywood, M/s. Ellora Fit Forge Pvt.Ltd., M/s. Perfect Paper Tubes, M/s. Industrial Polymers, M/s. Precision Engineers, M/s. Infinity Engineering, M/s. Rishi Enterprises, M/s. Industrial Roller Corporation, M/s. Shree Venkateshwara Controls, M/s. Rahul Industrial Engineering, M/s. Sapcon Instruments Pvt Ltd., M/s. Holkar Industries, M/s. Seal Jet India Pvt Ltd., M/s. Smitship Plastic Industries Pvt.Ltd., M/s. Sunil Industries, M/s. Suresh Polymers Pvt.Ltd., M/s. Siemag Industries, M/s. Sivananda Electronics, M/s. Shri Sai Sangam Engineering, M/s. Milar Plastics Industries, M/s. S.S.Supplier Aurangabad., M/s. S.S. Controls, M/s. SPM Instrument India Pvt Ltd., M/s. Mona Rasayan Industries Pvt. Ltd., M/s. Sumeru Packagaing (Pvt) Ltd., M/s. Mansi Paper Products Pvt.Ltd., M/s. Shree Shakti Containers, M/s. Shree Engineering Co., M/s. Specialty Polyfilms India Pvt Ltd., M/s. Multipower Marketing & Services, M/s. Samson Controls Pvt Ltd., M/s. Umasons Steelfab Pvt Ltd., M/s. Unique Industrial Handlers Pvt Ltd., M/s. Universal Enterprises (Aurangabad), M/s. Vishwas Seriprinters, M/s. Vaco Seals.
- (b) There is no obligation for payment of interest on overdue amounts, if any, as per the terms of supplies. Thus, the question of providing interest does not arise.
22. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

### (A) Licensed & Installed Capacities:

Product	2004 - 05		2003 - 04	
	Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
(i) Polyester Film	80000	41000	80000	41000
(ii) Metallised Film	2210	2210	2210	2210
(iii) Polyester Chips	50400	50400	50400	50400

Note: Installed capacities and Licensed capacities are as per the certificate given by the Director – Technical on which Auditors have relied.

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## SCHEDULE 12 (Contd.)

## (B) Details of Sales

	2004 – 05		2003 – 04	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
Class of Goods:				
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	35179 *	53,396	30733 *	45,614
(ii) Others (including Chips)		1,996		2,426

\* Includes internal transfers & free samples.

## (C) Actual Production &amp; Stocks

	2004 – 05				2003 – 04		
	Unit	Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
Class of Goods :							
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT	438.50	35083.50	342.97	436.21	30735.16	438.50
	(Rs. in Lakhs)	480.81		571.76	507.70		480.81
(ii) Chips (excluding conversion)		N.A.	Produced for captive use in the manufacture of films		N.A.	Produced for captive use in the manufacture of films	
(iii) Others		69.13		45.28	40.93		69.13

## (D) Consumption of Raw Materials

	2004 – 05		2003 – 04	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	36622	14,450.39	35218	11,423.23
(ii) MEG	12548	6,865.43	11902	4,970.87
(iii) Others		4,600.69		3,751.36
Total		* 25,916.51		* 20,145.46

\* After adjusting sale of raw material amounting to Rs.671.00 Lakhs (Previous year Rs.1,569.78 Lakhs) and Octroi Duty Refund of Rs.332.76 Lakhs (Previous year Rs.267.04 Lakhs).

## (E) Details of imports on CIF basis

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
(i) Raw Materials	1,788.11	2,321.46
(ii) Packing Materials	89.82	51.22
(iii) Components & Spares	429.56	340.87
(iv) Capital Goods	453.68	265.87



## SCHEDULE 12 (Contd.)

### (F) Details of Imported & Indigenous Raw Materials and Spares Parts consumed and percentage of each to the total

	2004 – 05		2003 – 04	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
– Imported	1,767.53	7	1,708.36	8
– Indigenous	24,148.98	93	18,437.10	92
Total	<u>25,916.51</u>	<u>100</u>	<u>20,145.46</u>	<u>100</u>
(ii) Stores & Spares:				
– Imported	377.37	33	294.90	34
– Indigenous	769.57	67	561.08	66
Total	<u>1,146.94</u>	<u>100</u>	<u>855.98</u>	<u>100</u>

### (G) Remittances / Expenditure in Foreign Currency

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
(i) Commission	167.71	255.13
(ii) Advertisement/Marketing Expenses	176.06	196.57
(iii) Travelling Expenses	115.04	106.96
(iv) Books, Periodicals & Subscription	17.83	21.87
(v) Technical / Engg. Services/Professional Charges	137.59	101.84
(vi) Exhibition Expenses	12.21	10.47
(vii) Interest	160.85	84.02
(viii) Recruitment Expenses	8.62	7.40
(ix) Branch Office Expenses	0.00	8.99
(x) Others	8.96	0.00

### (H) Earnings in Foreign Exchange

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
(i) Exports (FOB basis)	23,667.77	16,128.00
(ii) Dividend Income	20.62	0.00

23. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year.



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## 24. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## I. Registration Details

Registration No.	<input type="text" value="10889"/>	State Code	<input type="text" value="11"/>
Balance Sheet Date	<input type="text" value="31.03.2005"/>		

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

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

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

Total Liabilities	<input type="text" value="6094410"/>	Total Assets	<input type="text" value="6094410"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="217790"/>	Reserves & Surplus	<input type="text" value="1014468"/>
Secured Loans	<input type="text" value="4780984"/>	Unsecured Loan	<input type="text" value="81168"/>

## Application of Funds

Net Fixed Assets	<input type="text" value="3910807"/>	Investments	<input type="text" value="380257"/>
Net Current Assets	<input type="text" value="1730339"/>	Misc. Expenditure	<input type="text" value="0"/>
Deferred Tax Assets	<input type="text" value="73007"/>		

## IV. Performance of Company (Amount in Rs. Thousand)

Turnover	<input type="text" value="9086532"/>	Total Expenditure	<input type="text" value="8730505"/>
Profit before tax	<input type="text" value="356027"/>	Profit after tax	<input type="text" value="205433"/>

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per share (Rs.)	<input type="text" value="9.41*"/>	Dividend rate %	<input type="text" value="10"/>
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## V. Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.	<input type="text" value="39206909"/>	<input type="text" value="39206903"/>	<input type="text" value="39206904"/>
Product Description	<input type="text" value="POLYESTER FILM"/>	<input type="text" value="PACKAGING POLYESTER FILM"/>	<input type="text" value="SUN CONTROL FILM"/>

\* Refer Note No. 17 in Schedule 12B


**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

		Year ended 31.03.2005 (Rs. in Lakhs)	Year ended 31.03.2004 (Rs. in Lakhs)
<b>A. Cash flow from operating activities:</b>			
Net Profit before tax and extraordinary items	A	3,560.27	2,911.11
Add: Depreciation		3,104.90	3,228.48
Interest expenses - gross		4,436.03	4,821.98
Profit on Exchange Rate Fluctuations		(195.28)	(135.13)
Income Tax Prior period (Net)		-	0.01
Prior Period Items		-	(16.56)
Sub total	B	<u>7,345.65</u>	<u>7,898.78</u>
Sub total A + B	C	<u>10,905.92</u>	<u>10,809.89</u>
Less: Interest income		17.31	39.89
Profit on sale of fixed assets		4.46	1.79
Dividend received/Income from Investment		31.23	12.06
Sundry balances written back (Net)		22.70	21.32
Rent		3.70	3.00
Sub total		<u>79.40</u>	<u>78.06</u>
<b>Operating profit before working capital changes</b>		<b>10,826.52</b>	<b>10,731.83</b>
Adjustments for:			
(Increase)/Decrease in trade/other receivable (Net)		791.55	748.85
(Increase)/Decrease in inventories		(1,739.70)	(500.93)
Increase/(Decrease) in trade/other payables		231.82	(381.90)
<b>Cash generated from operations</b>		<b>10,110.19</b>	<b>10,597.85</b>
Interest / Financial charges		(4,287.36)	(4,621.92)
Direct taxes refund/(paid)(Net)		(267.08)	(187.06)
<b>Net cash inflow/(outflow) from operations</b>		<b>5,555.75</b>	<b>5,788.87</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets		(1,693.70)	(1,252.85)
Purchase of Investments		(3,567.00)	-
Sale of fixed assets		49.92	6.31
Interest received		17.31	39.89
Prior period items		-	16.56
Profit on Exchange Rate Fluctuations		195.28	135.13
Dividend received/Income from Investment		31.23	12.06
Rent		3.70	3.00
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(4,963.26)</b>	<b>(1,039.90)</b>

## ANNUAL REPORT 2004-2005

## CASH FLOW STATEMENT (Contd.)

	Year ended 31.03.2005 (Rs. in Lakhs)	Year ended 31.03.2004 (Rs. in Lakhs)
<b>C. Cash flow from financing activities:</b>		
Repayment of borrowings - secured	(4,532.93)	(5,269.08)
Proceeds/(repayments) of borrowings-unsecured	(267.30)	(453.34)
Cash credit accounts	4,407.35	1,026.64
Dividend paid (including corporate dividend tax)	(249.75)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(642.63)</b>	<b>(4,695.78)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(50.14)</b>	<b>53.19</b>
<b>Cash and cash equivalents as at opening</b>		
Cash and bank balances	485.45	432.26
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances	435.31	485.45
	<b>(50.14)</b>	<b>53.19</b>

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Global Pet Films Inc.
B)	Financial Year of the Subsidiary Companies ended on:	31st December, 2004	31st December, 2004
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:		
	(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	100%	
D)	The net aggregate of Profit / (Loss) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited		
	(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31.03.2005.		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	(in £) (48131)	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in £) 118304	N.A.
	(b) Dealt with in the accounts of Garware Polyester Limited, for the year ended 31.03.2005 amounted to:-		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	(in £) 25000	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	N.A.	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31.03.2005	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31.03.2005	NIL	NIL
	(1) Fixed Assets		
	(2) Investments		
	(3) Monies lent by the Subsidiary		
	(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities		

For and on behalf of the Board of Directors

S. B. GARWARE  
*Chairman &  
Managing Director*

A. B. BHALERAO  
*Director - Technical*

R. P. CHHABRA  
*Director*

PRASENJIT GUHA  
*General Manager (Legal) &  
Company Secretary*

Mumbai, 17th August, 2005

**ANNUAL REPORT 2004-2005****AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GARWARE POLYESTER LIMITED  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GARWARE POLYESTER LIMITED  
AND ITS SUBSIDIARIES**

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B(1) of Schedule 12 of the Consolidated Financial Accounts as at 31st March, 2005, and also the Consolidated Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films, Inc. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of subsidiaries is based solely on the reports of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of Garware Polyester Limited and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of Garware Polyester Limited and its subsidiaries the said accounts subject to Note No. K under Schedule 3 of secured loans regarding interest applied at the restructured rate on the debentures with Unit Trust of India (UTI) and read together with the other notes in Schedule 12, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Garware Polyester Limited and its subsidiaries as at 31st March, 2005;
- b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the year ended on that date.

For SHAH & CO.  
*Chartered Accountants*

Mumbai, 17th August, 2005

INDULAL H. SHAH  
*Partner*



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH , 2005**

	Schedule	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs.in Lakhs)
<b>FUNDS EMPLOYED :</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	2,177.90	2,177.88
Reserves & Surplus	2	10,205.18	8,380.77
		<b>12,383.08</b>	10,558.65
<b>BORROWINGS</b>			
Secured Loans	3A	47,809.84	48,292.71
Unsecured Loans	3B	811.68	1,078.86
		<b>48,621.52</b>	49,371.57
<b>TOTAL</b>		<b>61,004.60</b>	<b>59,930.22</b>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	71,732.83	70,538.95
Less: Depreciation		33,020.25	30,052.54
Net Block		38,712.58	40,486.41
Capital Work in Progress		404.39	81.70
		<b>39,116.97</b>	40,568.11
<b>INVESTMENTS</b>	5	<b>3,669.00</b>	102.00
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	9,558.92	7,527.05
Sundry Debtors		4,786.76	3,945.45
Cash and Bank Balances		1,114.01	787.30
Other Current Assets		3,506.92	2,534.64
Loans and Advances		3,241.34	5,818.98
		<b>22,207.95</b>	20,613.42
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	3,855.42	3,250.56
Provisions		863.98	577.72
		<b>4,719.40</b>	3,828.28
<b>Net Current Assets</b>		<b>17,488.55</b>	16,785.14
Deferred Tax Assets		730.08	1,955.05
Deferred Revenue Expenditure		0.00	519.92
<b>TOTAL</b>		<b>61,004.60</b>	<b>59,930.22</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2005**

	Schedule	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs.in Lakhs)
<b>INCOME :</b>			
Sales including Excise duty		55,441.59	48,624.66
Inter-Divisional Transfers (as per contra)		34,033.30	27,558.83
Gross Sales		89,474.89	76,183.49
Less: Excise duty		4,001.70	4,138.20
Net Sales		85,473.19	72,045.29
Other Income	8	379.57	271.60
Increase / (Decrease) in Finished and Semi-finished Goods	9	1,363.14	1,022.37
		<b>87,215.90</b>	<b>73,339.26</b>
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	25,738.86	20,319.09
Inter-Divisional Transfers (as per contra)		34,033.30	27,558.83
Manufacturing & other expenses	11	16,445.72	14,556.83
Interest & financial charges (Refer Note No. 14 in Schedule 12 B)		4,450.86	4,832.66
		<b>80,668.74</b>	<b>67,267.41</b>
<b>Profit before Depreciation</b>		<b>6,547.16</b>	<b>6,071.85</b>
Depreciation		3,104.90	3,229.33
<b>Profit for the year before tax &amp; Prior period items</b>		<b>3,442.26</b>	<b>2,842.52</b>
Prior Period Items (Net)		0.00	16.56
Less:- Income tax of Prior period (Net)		0.00	0.01
<b>Profit before Tax</b>		<b>3,442.26</b>	<b>2,859.07</b>
Less : Provision for Taxation:			
Deferred Tax		1,224.98	739.02
Current Tax		283.61	199.96
Wealth Tax		3.15	3.28
<b>Profit after Tax</b>		<b>1,930.52</b>	<b>1,916.81</b>
Add: Balance brought forward from previous year		3,309.28	1,688.86
<b>Profit available for appropriations</b>		<b>5,239.80</b>	<b>3,605.67</b>
<b>APPROPRIATIONS :</b>			
Proposed Dividend		218.41	218.41
Tax on Dividend		30.63	27.98
Education cess on Dividend Tax of Previous year		0.56	0.00
Transfer to General Reserve		55.00	50.00
		<b>304.60</b>	<b>296.39</b>
<b>Balance carried to Balance sheet</b>		<b>4,935.20</b>	<b>3,309.28</b>
Earning per Share (Refer Note No.18 in Schedule 12 B) (Rupees)		<b>8.84</b>	<b>8.78</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005


**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

	As at 31.03.2005 (Rs.in Lakhs)	As at 31.03.2004 (Rs.in Lakhs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>	<u>2,500.00</u>
<b>Issued,Subscribed and Paid-up:</b>		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14
Less: Unpaid Allotment Call money (from others)	<u>6.24</u>	<u>6.26</u>
	<u>2,177.90</u>	<u>2,177.88</u>
<b>Out of the above :</b>		
(i) 16,50,600 Equity Shares of Rs 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves.		
(ii) 6,60,000 Equity Shares of Rs 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
(iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs.		
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs.40/- per share against 23,90,400 detachable warrants.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Share Premium :</b>		
Balance as per last Balance Sheet	48.70	48.70
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	1,356.05	1,356.05
<b>General Reserve :</b>		
Balance as per last Balance Sheet	3,617.05	0.00
Add: Loan to Garware Chemicals Ltd. (GCL) Written off in prior years, now brought back as per GCL's offer, in terms of IDBI's letter dated 24th June, 2004.	0.00	3,567.05
Transfer from Profit & Loss Account	<u>55.00</u>	<u>50.00</u>
	3,672.05	3,617.05
<b>Foreign Currency Translation Reserve :</b>		
Balance as per last Balance Sheet	49.69	0.00
Addition during the year	<u>143.49</u>	<u>49.69</u>
	193.18	49.69
<b>Profit &amp; Loss Account</b>	<u>4,935.20</u>	<u>3,309.28</u>
TOTAL	<u>10,205.18</u>	<u>8,380.77</u>



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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	Notes	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 3</b>			
<b>A SECURED LOANS</b>			
I. Debentures / Bonds (Refer Note No.7 and 8 in Schedule 12 B)			
(i) 12.5% Non Convertible / Privately Placed Debentures	A to D	9,413.65	10,856.38
Less : Redeemed during the year		1,442.71	1,442.73
		<b>7,970.94</b>	9,413.65
(ii) 0'Coupon Bonds / Debentures Less : Restructured / Redeemed during the year	E	4,967.57	6,231.67
		<b>1,039.01</b>	1,264.10
		<b>3,928.56</b>	4,967.57
(iii) Interest accrued and due		<b>544.07</b>	404.32
		<b>12,443.57</b>	14,785.54
II. From Banks			
Cash / Packing Credit Accounts	F	4,267.93	3,701.66
Working Capital Demand Loan		11,491.67	7,673.47
Interest accrued and due		22.88	0.00
		<b>15,782.48</b>	11,375.13
III. Term Loans			
(i) Financial Institutions	G	6,347.75	7,684.41
(ii) Banks (Rs)	H	1,002.35	1,667.08
(iii) Banks (Foreign currency)	H	3,952.75	4,494.12
(iv) Hire Purchase / Vehicle Finance	I	20.23	25.72
		<b>11,323.08</b>	13,871.33
IV. Deferred Interest	J	8,260.71	8260.71
<b>TOTAL</b>		<b>47,809.84</b>	<b>48,292.71</b>

**Notes :**

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 913.82 Lakhs (Previous year Rs. 939.05 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs.1,258.40 Lakhs (Previous year Rs. 1,455.11 Lakhs) are secured by first charge / mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs.100/- each aggregating to Rs. 5,468.93 Lakhs (Previous year Rs. 6,620.28 Lakhs) are secured by first charge / mortgage ranking pari-passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs.100/- each aggregating to Rs.329.79 Lakhs (Previous year Rs. 399.21 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs.100/- each aggregate Rs.3,928.56 Lakhs (Previous year Rs.4,967.57 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs.2,073.32 Lakhs (Previous year Rs.2,074.32 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.1,855.24 Lakhs (Previous year Rs.2,893.25 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs.6,347.75 Lakhs (Previous year Rs. 7,684.41 Lakhs) are secured as under:
- (1) An amount of Rs. 2,951.47 Lakhs (Previous year Rs. 3,713.01 Lakhs) is secured by:
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

- (b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- Specified movables for securing borrowings for the Company's Working Capital requirements ; and
  - Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export is of Rs. 3,171.28 Lakhs (Previous year Rs. 3,971.40 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- (H) The total Term Loans of Rs. 4,955.10 Lakhs (Previous year Rs. 6,161.20 Lakhs) from Banks are secured as under:
- Term Loans of Rs. 953.45 Lakhs (Previous year Rs. 1,154.18 Lakhs) is secured by :
    - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital Requirements, and
      - Specified assets charged to the Company's bankers as security for Term Loans.
  - Term Loans of Rs. 2,344.66 Lakhs out of Rs.2,393.56 Lakhs  
(Previous year Rs.2,868.76 Lakhs out of Rs.2,927.96 Lakhs) has been converted into foreign currency loan. These are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - Term loan of Rs. 1,608.09 Lakhs (Previous year Rs. 1,625.36 Lakhs out of Rs. 2,079.06 Lakhs) has been converted into foreign currency loan. The same is secured by:
    - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank Of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital requirements; and
      - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March, 2005 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.
- (K) All the Financial Institutions / Banks, except Unit Trust of India (UTI) have given their sanctions for restructuring of Non Convertible Debentures / Term Loans including unpaid interest thereon as on 31st March, 2001. Consent terms with Exim Bank and ICICI Bank Limited have been filed before the Debt Recovery Tribunal at Mumbai. Further, the petition filed by the Company in Bombay High Court Under Sections 391/394 for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non Convertible Debenture Holders" which includes UTI has been approved by the Bombay High Court. UTI had gone to the Supreme Court and the case arising out of S.L.P. (Civil) No. 20174 of 2004 has been dismissed vide Civil Appeal No. 3196 of 2005. As such the Interest applied on the debentures is at the restructured rate.

	As at 31.3.2005 (Rs. in Lakhs)	As at 31.3.2004 (Rs. in Lakhs)
<b>B UNSECURED LOANS</b>		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	601.68	678.61
(ii) Short Term Loan from others	210.00	400.00
(iii) Interest accrued and due	0.00	0.25
TOTAL	<u>811.68</u>	<u>1,078.86</u>

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## SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

## SCHEDULE 4

## FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost / Revaluation As at 01.04.2004	Additions during the year	Sales / Transfer during the year	Cost / Revaluation As at 31.03.2005	Up to 31.3.2005	As at 31.3.2005	As at 31.3.2004
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	<b>6,992.13</b>	6,992.13
2.	Land (Leasehold)	1,820.94	4.14	0.00	1,825.08	0.00	<b>1,825.08</b>	1,820.94
3.	Buildings	7,284.86	286.01	0.00	7,570.87	3,349.33	<b>4,221.54</b>	4,372.82
4.	Plant & Machinery	47,202.68	801.02	0.00	48,003.70	23,796.78	<b>24,206.92</b>	25,717.68
5.	Electrical Installations	2,792.35	33.09	0.00	2,825.44	2,027.38	<b>798.06</b>	890.44
6.	Moulds	287.54	0.00	0.00	287.54	287.54	<b>0.00</b>	0.00
7.	Laboratory Equipments	180.99	9.75	0.00	190.74	113.91	<b>76.83</b>	78.18
8.	Furniture & Fixtures	455.17	16.78	0.00	471.95	357.68	<b>114.27</b>	126.95
9.	Office Equipments	399.29	32.99	1.48	430.80	289.56	<b>141.24</b>	135.31
10.	Vehicles	466.16	33.94	121.37	378.73	278.04	<b>100.69</b>	133.70
11.	Capital Expenditure On Research & Development	190.99	6.33	0.00	197.32	187.06	<b>10.26</b>	6.12
12.	Data Processing Equipments	930.27	152.46	59.78	1,022.95	809.49	<b>213.46</b>	148.46
13.	Expenditure On Tech. know-how / Product Development	1,378.12	0.00	0.00	1,378.12	1,366.02	<b>12.10</b>	63.68
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	<b>0.00</b>	0.00
	Total	70,538.95	1,376.51	182.63	71,732.83	33,020.25	<b>38,712.58</b>	40,486.41
	Previous Year	69,347.53	1,214.32	22.90	70,538.95	30,052.54	40,486.41	42,501.70
	Capital Work-in-Progress						<b>404.39</b>	81.70

## NOTES :

- Buildings include Rs.0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
  - on Capital Expenditure on R & D and Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
  - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery leased, over its Lease period.
- No Write-off has been made in respect of lease relating to leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs.6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.


**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

	As at 31.03.2005 (Rs.in Lakhs)	As at 31.03.2004 (Rs.in Lakhs)
<b>SCHEDULE 5</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>A. In Government Securities (Unquoted) :</b>		
1. 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	—	—
2. 7 years National Savings Certificates of the face value of Rs.0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	—	—
	—	—
<b>B. In Shares :</b>		
<b>I. Quoted</b>		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01
2. 1,410 Equity Shares (including 1,255 Bonus Shares) of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up.	0.04	0.04
3. 2,80,000 Equity Shares of Garware Marine Industries Ltd., of the face value of Rs.10/- each, fully paid-up.	0.00	0.00
4. 4,00,000 Equity Shares of Garware Wall Ropes Ltd., of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
5. 58,900 Equity Shares of Bank of India, of the face value of Rs.10/- each, fully paid-up.	26.51	26.51
	<b>83.36</b>	<b>83.36</b>
<b>II. Unquoted</b>		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd., (New Delhi) of the face value of Rs.10/- each, fully paid-up.	0.05	0.05
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 4,000 Equity Shares Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd., of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi Co-op Bank Ltd. of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. 1,77,76,820 Equity Shares of Garware Chemicals Ltd., of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees. (1,07,01,000 shares allotted during the year) (Refer Note No 13 in Schedule 12 B).	1,077.19	7.09
9. 2,49,69,000 - 0.01% Optionally Convertible Cumulative Redeemable Preference shares of Garware Chemicals Ltd., of the face value of Rs. 10/- each, fully paid-up, allotted during the year (Refer Note No 13 in schedule 12B).	2,496.90	0.00
	<b>3,585.64</b>	<b>18.64</b>
<b>TOTAL</b>	<b>3,669.00</b>	<b>102.00</b>
	<b>Cost</b>	<b>Cost</b>
	<b>Market value</b>	<b>Market value</b>
NOTE : Aggregate amount of company's investments.		
Quoted	83.36	83.36
Unquoted	220.72	18.64
TOTAL	3,669.00	102.00
	138.53	

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management )		
(a) Stores, Spare parts & Packing materials (At Cost)	2,779.75	2,475.23
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,939.29	1,575.08
(ii) Finished goods (At cost or market value whichever is lower)	1,413.75	1,054.48
(iii) Semi-finished goods (At cost )	3,426.13	2,422.26
	<b>9,558.92</b>	<b>7,527.05</b>
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	8.40	0.70
(ii) Considered Doubtful	503.05	538.07
	511.45	538.77
Less : Provision for Doubtful Debts	503.05	538.07
	8.40	0.70
(b) Other Debts	4,778.36	3,944.75
	<b>4,786.76</b>	<b>3,945.45</b>
<b>III. Cash and Bank Balances :</b>		
(a) Cash on hand	28.13	28.41
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	910.83	601.99
In Margin Accounts (Including Rs.145.76 Lakhs as Term Deposit, Previous year Rs.142.99 Lakhs)	175.05	156.90
	<b>1,114.01</b>	<b>787.30</b>
<b>IV. Other Current Assets:</b>		
(a) Export benefits / Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,286.30	834.42
(b) Other receivables	2,220.62	1,700.22
	<b>3,506.92</b>	<b>2,534.64</b>
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs.163.82 Lakhs due from Associated Company, Previous year Rs. 42.62 Lakhs)	1,042.61	898.68
(ii) Sacrifice / Premium on restructured Term loans	385.37	410.45
(iii) Advance against Capital Expenditure	11.25	0.54
(iv) Deposits with Customs & Excise authorities	786.53	223.94
(v) Deposits with others	413.98	380.69
(vi) Advance Payment of Income Tax and TDS	601.55	337.63
(vii) Loan to Associated Company viz. Garware Chemicals Ltd. (Refer Note No 13 in Schedule 12 B)	0.05	3,567.05
	<b>3,241.34</b>	<b>5,818.98</b>
TOTAL	<b>22,207.95</b>	<b>20,613.42</b>


**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

	As at 31.03.2005 (Rs. in Lakhs)	As at 31.03.2004 (Rs. in Lakhs)
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A) Current Liabilities :</b>		
(i) Sundry Creditors (Including Rs 10.73 Lakhs due to Associate Company)	2,894.26	2,188.08
(ii) Other Liabilities (Including Rs.124.07 Lakhs due to Directors, Previous year Rs. 90.00 Lakhs)	829.31	891.34
(iii) Deposits and advances from customers & others	119.02	134.46
(iv) Unclaimed Dividend	4.07	6.87
(v) Share & Debenture Application Money Refundable	0.00	6.98
(vi) Unclaimed Debenture & Interest	8.06	8.78
(vii) Interest accrued but not due on Loans	0.00	12.99
(viii) Unclaimed Matured Deposits	0.70	1.06
	<u>3,855.42</u>	<u>3,250.56</u>
<b>B) Provision</b>		
(i) Provision for Taxation	614.94	331.33
(ii) Provision for Proposed Dividend	218.41	218.41
(iii) Tax on Dividend	30.63	27.98
	<u>863.98</u>	<u>577.72</u>
TOTAL	<u>4,719.40</u>	<u>3,828.28</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

	2004-2005 (Rs.in Lakhs)	2003-2004 (Rs.in Lakhs)
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Insurance claims	20.44	19.74
Income from Investments (Gross)	41.39	17.48
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs. 4.06 Lakhs, Previous year Rs. 5.65 Lakhs)	17.31	39.89
Miscellaneous income	62.21	29.91
Profit on sale of fixed assets (Net)	4.46	1.79
Provision for doubtful debts	35.02	0.00
Less : Bad debts written off	<u>32.02</u>	<u>0.00</u>
	3.00	0.00
Excess Provision / Sundry Credit Balances written back	22.70	21.32
Rent (Tax deducted at source Rs.0.38 Lakhs, Previous year Rs.0.38 Lakhs)	3.70	3.00
Sales Tax / Excise refund	9.08	3.34
Gain on Exchange Rate Fluctuations	195.28	135.13
TOTAL	<u>379.57</u>	<u>271.60</u>

<b>SCHEDULE 9</b>		
<b>INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS</b>		
<b>Opening Stock:</b>		
Finished goods	1,054.48	965.97
Semi finished goods	2,422.26	1,488.40
	<u>3,476.74</u>	<u>2,454.37</u>
<b>Closing Stock:</b>		
Finished goods	1,413.75	1,054.48
Semi finished goods	3,426.13	2,422.26
	<u>4,839.88</u>	<u>3,476.74</u>
Increase / (Decrease)	<u>1,363.14</u>	<u>1,022.37</u>

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## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT &amp; LOSS ACCOUNT (Contd.)

	2004-2005 (Rs.in Lakhs)	2003-2004 (Rs.in Lakhs)
<b>SCHEDULE 10</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1,575.08	1,912.92
Add: Purchases and Expenses	26,103.07	19,981.25
	<u>27,678.15</u>	<u>21,894.17</u>
Less: Closing Stock	1,939.29	1,575.08
TOTAL	<u>25,738.86</u>	<u>20,319.09</u>
<b>SCHEDULE 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses:</b>		
Stores, Spares and Packing Materials consumed (Net)	2,671.74	1,976.28
Power and Fuel	3,670.47	3,773.91
Processing Charges	681.59	558.17
Water Charges	94.52	90.11
	<u>7,118.32</u>	<u>6,398.47</u>
<b>B. Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages and Bonus	1,947.15	1,610.24
Contribution to Provident and other funds	239.04	222.89
Staff Welfare Expenses	235.45	212.26
	<u>2,421.64</u>	<u>2,045.39</u>
<b>C. Administrative, Selling and General Expenses:</b>		
Rent, Hire charges and Compensation (Net)	51.01	65.36
Rates, Taxes and Licence Fees	75.90	65.06
Insurance (Net)	573.51	544.27
Freight and Forwarding (Net)	1,740.23	1,345.44
Research and Development Expenses	191.76	214.73
Repairs and Maintenance of:		
(i) Plant and Machinery	609.10	463.04
(ii) Buildings	244.71	172.17
(iii) Other Assets	309.55	270.83
	<u>1,163.36</u>	<u>906.04</u>
Advertisement Expenses	168.77	183.65
Additional Sales Tax / Turnover Tax	24.59	94.95
Travelling & Conveyance	524.70	513.03
Postage, Telegrams & Telephones	171.49	160.11
Lease Rentals	58.09	63.70
Commission on Sales	173.82	251.18
Donations	35.59	1.00
Legal and Professional charges	454.09	564.05
(Refer Note No.11 in Schedule 12 B)		


**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd.)**

	2004-2005 (Rs.in Lakhs)	2003-2004 (Rs.in Lakhs)
<b>SCHEDULE 11 (Contd.)</b>		
Auditors' Remuneration		
(i) Audit fees	18.56	19.58
(ii) Tax Audit fees	3.00	3.30
(iii) For Certification / Others	3.19	3.86
(iv) Reimbursement of out of pocket Expenses	0.81	0.59
	<u>25.56</u>	27.33
Miscellaneous Expenses	965.09	864.36
Loss on swap	87.44	0.00
	<u>6,485.00</u>	5,864.26
<b>D. Managerial Remuneration:</b>		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	157.75	90.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	45.43	25.92
(iii) Other Perquisites	43.79	21.28
	<u>246.97</u>	137.20
(b) To Whole Time Director :		
(i) Salary	41.73	14.40
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	4.15	4.15
(iii) Other Perquisites	2.71	1.93
	<u>48.59</u>	20.48
(c) Commission to Managing & Joint Managing Directors	124.07	90.00
(d) Directors' sitting fees	1.13	1.03
	<u>420.76</u>	248.71
TOTAL	<u><u>16,445.72</u></u>	<u><u>14,556.83</u></u>



## ANNUAL REPORT 2004-2005

## SCHEDULE 12:

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS :

## A. SIGNIFICANT ACCOUNTING POLICIES

## 1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

## 2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the assets to working condition for its intended use including interest and other incidental expenses upto the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital Reserve Account.

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Capital Expenditure on R&D and Assets other than Plant & Machinery, on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987, on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- On Plant & Machinery given on lease, on the basis of lease period.
- No write-off is being made in respect of leasehold land.

## In respect of subsidiaries :

## — Garware Polyester International Ltd.(GPIL)

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each assets over its expected useful life, as follows :

- Plant & Machinery — 25% Reducing balance
- Furniture, fittings and equipment — 25% Reducing balance

## — Global Pet Films, Inc.

Equipments are stated at cost less accumulated depreciation. Some Assets are depreciated using Straight Line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost for organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on straight line basis over the economic useful life of 5 years

## 3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. 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.

## 4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

In respect of subsidiaries of Garware Polyester International Ltd, stock is valued at the lower of cost and net realisable value .

In respect of fellow subsidiaries of Global Pet films Inc. inventories are stated at the lower of cost (determined by average cost method) or market value (net realizable ) value .

## 5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.



## SCHEDULE -12 (Contd.)

- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss / gain, arising from such transaction, is charged to the relevant revenue heads in the Profit & Loss Account.
  - Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and / or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
  - Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.
  - Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.
- 6. Inter-divisional Transfers**  
Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.
- 7. Duties**  
Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.
- 8. Retirement Benefits**  
Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India.
- 9. Lease Rentals**  
Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.  
In respect of the subsidiary GPIL, rentals payable under operating leases are charged against income on straight line basis over the lease term .
- 10. Contingent Liabilities**  
No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.
- 11. Research and Development**  
Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.
- 12. Sales**  
Sales are accounted for inclusive of excise duty and sales tax, and are net of discounts and returns.  
In respect of subsidiaries turnover represents amount receivable for goods and services net of VAT and trade discounts.
- 13. Taxation**
- (a) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.
  - (b) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.
  - (c) In respect of subsidiary GPIL, the accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19- Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax .
- 14. Deferred Revenue Expenditure**  
Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.
- 15. Borrowing Cost**  
Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

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## SCHEDULE -12 (Contd.)

## B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT :-

1. The subsidiary companies considered in the consolidated financial statements are :-

Name of the Company	Country of Incorporation	Percentage of voting Power	Financial year
<b>Direct Subsidiary</b> Garware Polyester International Ltd.	United Kingdom	100%	Jan-Dec
<b>Indirect Subsidiary</b> Subsidiary of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100%	Jan-Dec

2. Principles of Consolidation:

- (i) Consolidated financial statements are done in accordance with the AS-21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statement of subsidiaries for the period ended 31 st December, 2004 and necessary adjustments / additions have been incorporated to give effect to all transaction occurred between the reporting period of the parent company.
- (ii) The financial statements of the company and the subsidiaries have been combined to the extent possible on a line-by-line basis, by adding together like items of assets, liabilities, income and expenses. All significant intra group balances and transactions have been eliminated on consolidation.
- (iii) In respect of subsidiaries, transactions of Profit and Loss account and the assets and items of the Balance Sheet have been translated into Indian Rupees at the closing exchange rate of respective currencies prevailing as at 31 st March, 2005.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.321.43 Lakhs (Previous year Rs.111.46 Lakhs) against which an advance of Rs.11.25 Lakhs (Previous year Rs.0.54 Lakhs) has been paid.
4. The Company has given counter-guarantees for Rs.284.50 Lakhs (Previous year Rs.292.07 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
5. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.8,812.14 Lakhs (Previous year Rs.6,082.53 Lakhs).
6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.3,676.45 Lakhs (Previous year Rs.2,677.08 Lakhs).
7. Secured Loans:
- (i) All the Secured Loans have been restructured after obtaining the consent of all Financial Institutions, except UTI (Refer Note No. K of Schedule 3).
- (ii) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 1,442.71 Lakhs was redeemed during the current year (Previous year Rs.1,442.73 Lakhs).
- (iii) Zero Coupon Bonds aggregating to Rs. 3,928.56 Lakhs are payable as under:
- (a) A sum of Rs. 99.60 Lakhs on said account represents the amount of overdue payable to UTI.
- (b) Amount of Rs. 1,130.54 Lakhs is payable to EXIM Bank in quarterly installments till 1st January, 2010 and balance of Rs. 2,698.42 Lakhs is payable with premium of Rs. 2,293.66 Lakhs from 1st April, 2006.
- (c) Amount of Rs. 388.85 Lakhs is payable in 2005-2006.
- (iv) The amount settled on account of sacrifice & premium with respect to EXIM Bank is being written off over the life of the loan.
- (v) Amount of Term Loans / Debentures, other than Zero Coupon Bond, repayable within one year is Rs. 4,255.08 Lakhs (Previous year Rs. 4,926.34 Lakhs).
- (vi) An amount of Rs. 545.00 Lakhs being sacrifice and premium settled with EXIM Bank and ICICI Bank Limited (Term Loan) has been written off during the year.
- (vii) The amount of sacrifice mentioned in the sanction letters of Export Import Bank of India and ICICI Bank Limited (Term Loan) has been negotiated and settled. The same in respect of Industrial Development Bank of India Limited (IDBI), has been negotiated and IDBI has agreed in principle to settle the same vide its letter dated 17th August, 2005. The balance portion pertaining to other Institutions / Banks is being negotiated and obligations under the same will be accounted in the books as and when settled.



## SCHEDULE -12 (Contd.)

8. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.

9. Claims against the Company not acknowledged as debts Rs.9.76 Lakhs (Previous year Rs.13.16 Lakhs).
10. Contingent liability not provided for in respect of Sales Tax Rs.4.59 Lakhs (Previous year Rs. 14.07 Lakhs) and Excise Duty Rs. NIL (Previous year Rs. 3.63 Lakhs).
11. Legal and Professional Charges include Rs.3.33 Lakhs (Previous year Rs.4.67 Lakhs) paid to some of the Partners of the Auditors for other services.
12. The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Ltd., for repayment of term loans, interest and other charges thereon to:-
- (a) Industrial Development Bank of India Limited for Rs.13,267.81 Lakhs (Previous year Rs. 13,794.27 Lakhs).
- (b) Mizuho Corporate Bank Limited for Rs. 3,199.12 Lakhs (Previous year Rs. 3,190.57 Lakhs).
- Mizuho Corporate Bank Limited has filed a case in Bombay High Court with regard to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as GCL is registered with BIFR under Sick Industrial Companies (Special Provision) Act, 1985.
13. As per restructuring package of Garware Chemicals Ltd. (GCL) sanctioned by Industrial Development Bank Of India Limited, the GCL has offered to convert outstanding loan amount into equity or preference shares at the option of the company. As a result, against the loan amount of Rs. 3,567 Lakhs, GCL has allotted 1,07,01,000 Equity Shares of Rs.10/- each and 2,49,69,000 - 0.01% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each, which has been included in the investments.
14. Break up of Interest and financial charges are as under:

	<b>2004 - 05</b> <b>(Rs. in Lakhs)</b>	2003 - 04 <b>(Rs.in Lakhs)</b>
On Secured Loans	739.49	1,097.15
On Debentures	1,118.62	1,395.42
Other Interest	2,143.30	1,793.27
Financial Charges	449.45	546.82
	<b>4,450.86</b>	<b>4,832.66</b>

15. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs.2,417.89 Lakhs (Previous year Rs.1,866.57 Lakhs) against export effected during the year has been credited to Export Benefits earned account and which has been included in sales.

### 16. Segment Reporting:

- (a) The company is only in one line of business namely - Polyester film.
- (b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-
- (i) Revenue within India includes sales to customers located within India.
- (ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	<b>2004 - 05</b> <b>(Rs. in Lakhs)</b>			2003 - 04 <b>(Rs. in Lakhs)</b>		
	<b>Domestic Operations</b>	<b>International Operations</b>	<b>Total</b>	Domestic Operations	International Operations	Total
Sales	28,310	27,132	55,442	29,301	19,324	48,625
Amount of Segment Assets by location of assets. (Net Value)	24,207	—	24,207	25,717	3	25,720

### 17. Related Party Disclosures:

- (a) List of Related Parties :
- Associate Companies : Garware Industries Limited and Garware Chemicals Limited.
- Key Management Personnel : (1) Shri S. B. Garware  
(2) Mrs. Monika Garware Modi  
(3) Ms. Sarita Garware  
(4) Miss Sonia S. Garware

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## SCHEDULE -12 (Contd.)

## b) Transaction with Related Parties :

	2004-05 (Rs.in Lakhs)	2003-04 (Rs.in Lakhs)
(i) Sale of Goods: Associate Company	2,545.80	3,214.29
(ii) Purchase of Materials and Capital Equipments: Associate Company	16,790.32	13,374.57
(iii) Services Received: Associate Company	13.13	25.56
(iv) Services Rendered: Associate Company	1,339.74	1,264.51
(v) Balances [Dr. / (Cr.)] Associate Company	153.15	3,614.47
(vi) Guarantee on behalf of Associate Company (Refer Note No. 12 in Schedule 12 B)		
(vii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

## 18. Earning Per Share :

	2004-05 (Rs.in Lakhs)	2003-04 (Rs.in Lakhs)
Profit for the year	3,442.26	2,842.52
Add: Prior period items	0.00	16.56
Less: Income-tax previous years (net)	0.00	0.01
Less: Deferred Tax	1,224.98	739.02
Less: Current Income Tax	283.61	199.96
Less: Wealth Tax	3.15	3.28
Profit attributable to equity shareholders	1,930.52	1,916.81
No. of Equity Shares of Rs.10 each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	8.84	8.78

## 19. Deferred Tax :

- (a) Deferred Tax Liability of Rs.1224.98 Lakhs is provided in the current year, (Previous Year Rs.739.02 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March 2005 are given here below.

Deferred Tax Assets	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	3,511.62	3,389.17
Unabsorbed Business Losses & Depreciation	4,771.68	6,260.48
Others	281.82	232.49
	<b>8,565.12</b>	<b>9,882.14</b>
(i) Less: Deferred Tax Liability: Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	<b>7,835.04</b>	<b>7,927.09</b>
Deferred Tax Assets (Net)	<b>730.08</b>	<b>1,955.05</b>
(i)-(ii)		

20. In accordance with the Accounting Standard 28 issued by Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed a professional consultancy firm as the valuers to assess impairment of each Cash Generating Unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report dated 02.08.2005, there is no impairment to any of the asset as per the current market scenario, as such no provision for impairment of assets is required to be made in the accounts.
21. Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit for the year.
22. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year.


**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

		Year ended 31.03.2005 (Rs. in Lakhs)	Year Ended 31.03.2004 (Rs. in Lakhs)
<b>A. Cash flow from operating activities:</b>			
Net Profit before tax and extraordinary items	A	3,442.26	2,859.07
Add: Depreciation		3,104.90	3,229.33
Interest expenses - gross		4,450.86	4,832.66
Gain on Exchange Rate Fluctuations		(195.28)	(135.13)
Income Tax Prior period (Net)		0.00	0.01
Prior Period Items		0.00	(16.56)
Sub Total	B	<u>7,360.48</u>	<u>7,910.31</u>
Sub Total A + B	C	<u>10,802.74</u>	<u>10,769.38</u>
Less: Interest income		17.31	39.89
Profit on sale of fixed assets		4.46	1.79
Dividend received / Income from Investment		41.39	17.48
Sundry balances Written Back (Net)		22.70	21.32
Rent		3.70	3.00
Sub Total		<u>89.56</u>	<u>83.48</u>
<b>Operating profit before working capital changes.</b>		<u>10,713.18</u>	<u>10,685.90</u>
Adjustments for :			
Transfer to foreign currency translation reserve		143.49	49.69
Transfer to P & L (foreign currency translation)		0.00	(270.59)
(Increase) / Decrease in trade / other receivable (Net)		1,027.97	(50.18)
(Increase) / Decrease in inventories		(2,031.87)	(413.72)
Increase / (Decrease) in trade / other payables		644.43	572.79
<b>Cash generated from operations</b>		<u>10,497.20</u>	<u>10,573.89</u>
Interest / Financial charges		(4,302.19)	(4,632.59)
Direct taxes refund / (paid)(Net)		(267.07)	(187.05)
<b>Net cash inflow / (outflow) from operations</b>		<u>5,927.94</u>	<u>5,754.25</u>
<b>B. Cash flow from investing activities :</b>			
Purchase of fixed assets		(1,699.20)	(1,252.85)
Purchases of Investments		(3,567.00)	0.00
Sale proceeds of fixed assets		49.92	6.16
Interest received		17.31	39.89
Prior period Items		0.00	16.56
Gain on Exchange Rate Fluctuations		195.28	135.13
Dividend received / Income from Investment		41.39	17.48
Rent		3.70	3.00
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(4,958.60)</u>	<u>(1,034.63)</u>
<b>C. Cash flow from financing activities :</b>			
Repayment of borrowings - secured		(4,532.93)	(5,269.08)
Proceeds / (repayments) of borrowings-unsecured		(267.30)	(453.34)
Cash credit accounts		4,407.35	1,026.64
Dividend paid (Including corporate dividend tax)		(249.75)	0.00
<b>Net cash inflow / (outflow) from financing activities</b>		<u>(642.63)</u>	<u>(4,695.78)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>326.71</u>	<u>23.84</u>
<b>Cash and cash equivalents as at opening</b>		<u>787.30</u>	<u>763.46</u>
Cash and bank balances		787.30	763.46
<b>Cash and cash equivalents as at closing</b>		<u>1,114.01</u>	<u>787.30</u>
Cash and bank balances		326.71	23.84

For and on behalf of the Board of Directors

As per our report of even date  
For SHAH & CO.  
Chartered Accountants

S. B. GARWARE  
Chairman &  
Managing Director

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

PRASENJIT GUHA  
General Manager (Legal) &  
Company Secretary

Mumbai, 17th August, 2005

Mumbai, 17th August, 2005

GARWARE POLYESTER INTERNATIONAL LIMITED

1

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

The directors present their report and financial statements for the year ended 31 December 2004.

**Principal activities and review of the business**

The principal activity of the group continued to be that of distribution of industrial polyester film.

The results for the year and the financial position at the year end were considered satisfactory by the directors. They expect increased turnover and profitability in the foreseeable future.

**Results and dividends**

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

**Directors**

The following directors have held office since 1 January 2004:

**Mr A B Bhagani**

**Mr S Garware**

**Ms S Garware**

**Mr B D Doshi** (Appointed 15 October 2004)

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 Each	
	31 December 2004	1 January 2004
<b>Mr A B Bhagani</b>	–	–
<b>Mr S Garware</b>	–	–
<b>Ms S Garware</b>	–	–
<b>Mr B.D. Doshi</b>	–	–

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that MCT Partnership be reappointed as auditors of the company will be put to the Annual General Meeting.

2

**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Mr A B Bhagani  
Director

8th July 2005

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED**

We have audited the financial statements of Garware Polyester International Limited on pages 4 to 17 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the group and the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

8th July 2005

Chartered Accountants  
Registered Auditors

1 Warner House  
Harrovia Business Village  
Bessborough Road  
Harrow Middlesex HA1 3EX



## GARWARE POLYESTER INTERNATIONAL LIMITED

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**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £	2003 £
Turnover	2	5,883,738	4,885,902
Cost of sales		(5,241,748)	(4,122,578)
<b>Gross Profit</b>		<b>641,990</b>	<b>763,324</b>
Selling and distribution costs		(126,379)	(125,635)
Administrative expenses		(664,057)	(455,419)
Other operating income		90,618	91,569
<b>Operating (loss)/profit</b>	3	<b>(57,828)</b>	<b>273,839</b>
Other interest receivable and similar income		9,799	5,363
Interest payable and similar charges	4	—	(38)
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(48,029)</b>	<b>279,164</b>
Tax on (loss)/profit on ordinary activities	5	(102)	(16,581)
<b>(Loss)/Profit on ordinary activities after taxation</b>		<b>(48,131)</b>	<b>262,583</b>
Dividends	6	—	(25,000)
<b>Retained (loss)/profit for the year</b>	13	<b>(48,131)</b>	<b>237,583</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**5**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004 £	2003 £
(Loss)/Profit for the financial year	(48,131)	262,583
Currency translation differences on foreign currency net investments	(22,175)	(12,700)
<b>Total recognised gains and losses relating to the year</b>	<b>(70,306)</b>	<b>249,883</b>

**6**

**GROUP BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	7	5,157	4,186
<b>Current assets</b>			
Stock	9	863,514	955,169
Debtors	10	533,067	251,957
Cash at bank and in hand		839,988	708,125
		<u>2,236,569</u>	<u>1,915,251</u>
<b>Creditors : amounts falling due within one year</b>	11	<b>(1,895,597)</b>	<b>(1,515,702)</b>
<b>Net current assets</b>		<b>340,972</b>	<b>399,549</b>
<b>Total assets less current liabilities</b>		<b>346,129</b>	<b>403,735</b>
<b>Capital and reserves</b>			
Called up share capital	12	250,000	250,000
Other reserves	13	(22,175)	(12,700)
Profit and loss account	13	118,304	166,435
<b>Shareholders' funds - equity interests</b>	15	<b>346,129</b>	<b>403,735</b>

The financial statements were approved by the Board on 8th July 2005.

Mr A B Bhagani  
Director

**7**

**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	7	5,157	4,186
Investments	8	62,046	62,046
		<u>67,203</u>	<u>66,232</u>
<b>Current assets</b>			
Stock	9	216,576	268,171
Debtors	10	144,202	161,625
Cash at bank and in hand		791,737	364,651
		<u>1,152,515</u>	<u>794,447</u>
<b>Creditors : amounts falling due within one year</b>	11	<b>(815,729)</b>	<b>(467,494)</b>
<b>Net current assets</b>		<b>336,786</b>	<b>326,953</b>
<b>Total assets less current liabilities</b>		<b>403,989</b>	<b>393,185</b>
<b>Capital and reserves</b>			
Called up share capital	12	250,000	250,000
Profit and loss account	13	153,989	143,185
<b>Shareholders' funds - equity interests</b>	15	<b>403,989</b>	<b>393,185</b>

The financial statements were approved by the Board on 8th July 2005.

Mr A B Bhagani  
Director

**8**

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004 £	2003 £
<b>Net cash inflow from operating activities</b>	<b>166,336</b>	<b>584,384</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	9,799	5,363
Interest paid	—	(38)
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>9,799</b>	<b>5,325</b>
<b>Taxation</b>	<b>(16,581)</b>	<b>3,967</b>
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(2,691)	(76)
<b>Net cash outflow for capital expenditure</b>	<b>(2,691)</b>	<b>(76)</b>
<b>Equity dividends paid</b>	<b>(25,000)</b>	<b>—</b>
<b>Net cash inflow before management of liquid resources and financing</b>	<b>131,863</b>	<b>593,600</b>
<b>Increase in cash in the year</b>	<b>131,863</b>	<b>593,600</b>



## GARWARE POLYESTER INTERNATIONAL LIMITED

## 9

NOTES TO THE GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2004

1 Reconciliation of operating (loss)/profit to net cash inflow from operating activities		2004	2003
		£	£
Operating (loss)/profit		(57,828)	273,839
Depreciation of tangible assets		1,720	1,395
Decrease/(Increase) in stocks		91,655	(164,450)
(Increase)/decrease in debtors		(281,110)	131,921
Increase in creditors within one year		421,374	354,379
Net effect of translation differences		(9,475)	(12,700)
<b>Net cash inflow from operating activities</b>		<b>166,336</b>	<b>584,384</b>

  

2 Analysis of net funds		2004	2003
1 January 2004	Cash flow	Other 31 December	2004
	non-cash	non-cash	
	changes	changes	
£	£	£	£
<b>Net cash:</b>			
Cash at bank and in hand			839,988
	708,125	131,863	
<b>Net funds</b>	<b>708,125</b>	<b>131,863</b>	<b>839,988</b>

  

3 Reconciliation of net cash flow to movement in net funds		2004	2003
		£	£
Increase in cash in the year		131,863	593,600
<b>Movement in net funds in the year</b>		<b>131,863</b>	<b>593,600</b>
Opening net funds		708,125	114,525
<b>Closing net funds</b>		<b>839,988</b>	<b>708,125</b>

## 10

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2004

## 1. Accounting policies

## 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

## 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

## 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Plant and machinery	25% Reducing balance
Fixtures, fittings and equipment	25% Reducing balance

## 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

## 1.5 Stock

Stock is valued at the lower of cost and net realisable value.

## 1.6 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19- Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

## 1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

## 2 Turnover

Class of business	2004	2003
	£	£
Foreign sales	4,918,526	4,165,702
UK sales	965,212	720,200
	<b>5,883,738</b>	<b>4,885,902</b>

## 11

3 Operating (loss)/profit	2004	2003
	£	£
Operating (loss)/profit is stated after charging :		
Depreciation of tangible assets	1,720	1,395
Operating lease rentals	60,777	45,069
Auditors' remuneration	4,700	5,000
	<b>66,207</b>	<b>51,464</b>

  

4 Interest payable	2004	2003
	£	£
On bank overdrafts	—	38
	<b>—</b>	<b>38</b>

  

5 Taxation	2004	2003
	£	£
<b>Domestic current year tax</b>		
U.K. corporation tax	102	16,581
Current tax charge	102	16,581
	<b>102</b>	<b>16,581</b>

  

Factors affecting the tax charge for the year	2004	2003
	£	£
(Loss)/profit on ordinary activities before taxation	(48,029)	279,164
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	(9,126)	53,041
Effects of:		
Depreciation add back	327	265
Capital allowances	(417)	(218)
Tax losses utilised	—	(36,507)
Other tax adjustments	9,318	—
	<b>9,228</b>	<b>(36,460)</b>
<b>Current tax charge</b>	<b>102</b>	<b>16,581</b>

## 6 Dividends

	2004	2003
	£	£
Ordinary final proposed	—	25,000
	<b>—</b>	<b>25,000</b>

## 12

## 7 Tangible fixed assets

Group	Plant and Machinery	Fixtures, fittings and equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2004	2,827	17,296	20,123
Exchange differences	—	(712)	(712)
Additions	—	2,691	2,691
<b>At 31 December 2004</b>	<b>2,827</b>	<b>19,275</b>	<b>22,102</b>
<b>Depreciation</b>			
At 1 January 2004	1,621	14,316	15,937
Exchange differences	—	(712)	(712)
Charge for the year	302	1,418	1,720
<b>At 31 December 2004</b>	<b>1,923</b>	<b>15,022</b>	<b>16,945</b>
<b>Net book value</b>			
At 31 December 2004	904	4,253	5,157
At 31 December 2003	1,206	2,980	4,186

## GARWARE POLYESTER INTERNATIONAL LIMITED

Company	Plant and Machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January, 2004	2,827	9,239	12,066
Additions	—	2,691	2,691
<b>At 31 December 2004</b>	<u>2,827</u>	<u>11,930</u>	<u>14,757</u>
<b>Depreciation</b>			
At 1 January 2004	1,621	6,259	7,880
Charge for the year	302	1,418	1,720
<b>At 31 December 2004</b>	<u>1,923</u>	<u>7,677</u>	<u>9,600</u>
<b>Net book value</b>			
At 31 December, 2004	<u>904</u>	<u>4,253</u>	<u>5,157</u>
At 31 December, 2003	<u>1,206</u>	<u>2,980</u>	<u>4,186</u>

## 13

8 Fixed asset investments	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<u>62,046</u>

## Holdings of more than 20%

The company holds more than 20% of the share capital of the following company

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Global PET Films, Inc.	USA	Common stock	100

9 Stocks	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Finished goods and goods for resale	<u>863,514</u>	<u>955,169</u>	<u>216,576</u>	<u>268,171</u>

10 Debtors	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	514,870	238,644	136,608	15,736
Amounts owed by subsidiary undertakings	—	—	—	134,831
Other debtors	6,843	7,927	3,750	5,672
Prepayments and accrued income	<u>11,354</u>	<u>5,386</u>	<u>3,844</u>	<u>5,386</u>
	<u>533,067</u>	<u>251,957</u>	<u>144,202</u>	<u>161,625</u>

## 14

11 Creditors: amounts falling due within one year	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade creditors	8,282	5,426	8,282	5,424
Amounts owed to parent undertaking	1,820,023	1,426,530	762,806	406,490
Amounts owed to subsidiary undertaking	—	—	6,430	—
Corporation tax	102	16,581	102	16,581
Other taxes and social security costs	40,419	29,494	14,724	1,328
Directors' loan account	9,903	—	9,903	—
Other creditors	3,515	4	3,515	4
Accruals and deferred income	13,353	12,667	9,967	12,667
Proposed dividend	—	25,000	—	25,000
	<u>1,895,597</u>	<u>1,515,702</u>	<u>815,729</u>	<u>467,494</u>

## 12 Share capital

	2004 £	2003 £
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

## 15

13 Statement of movements on profit and loss account	Group		Company Profit and loss account £
	Other reserves (see below) £	Profit and loss account £	
Balance at 1 January 2004	(12,700)	166,435	143,185
Retained profit/(loss) for the year	—	(48,131)	10,804
Foreign currency translation differences	(22,175)	—	—
Movement during the year	<u>12,700</u>	<u>—</u>	<u>—</u>
Balance at 31 December 2004	<u>(22,175)</u>	<u>118,304</u>	<u>153,989</u>
<b>Other reserves</b>			£
Balance at 1 January 2004			(12,700)
Reversal of 2003 translation difference			12,700
2004 translation difference			(22,175)
Balance at 31 December 2004			<u>(22,175)</u>

## GARWARE POLYESTER INTERNATIONAL LIMITED

**14 Profit of the parent company – Garware Polyester International Limited**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £ 10,804 [2003 – £ 230,711]

**15 Reconciliation of movements in shareholders' funds**

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
(Loss)/Profit for the financial year	(48,131)	262,583	10,804	230,711
Dividends	—	(25,000)	—	(25,000)
	(48,131)	237,583	10,804	205,711
Other recognised gains and losses	(22,175)	(12,700)	—	—
Movements on other reserves	12,700	—	—	—
Net (depletion in)/addition to shareholders' funds	(57,606)	224,883	10,804	205,711
Opening shareholders' funds	403,735	178,852	393,185	187,474
<b>Closing shareholders' funds</b>	<b>346,129</b>	<b>403,735</b>	<b>403,989</b>	<b>393,185</b>

**16****16 Financial commitments**

At 31 December 2004 the group and the company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	Land and buildings	Land and buildings	Land and buildings	Land and buildings
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Between two and five years	56,500	56,500	56,500	56,500

**17 Directors' emoluments**

	2004	2003
	£	£
Emoluments for qualifying services	92,000	—

**18 Employees****Number of employees**

The average monthly number of employees (including directors) during the year was:

	Group		Company	
	2004	2003	2004	2003
	Number	Number	Number	Number
Administration and management	6	4	4	2
Selling and distribution	2	1	1	1
	8	5	5	3

**Employment costs**

	£	£	£	£
Wages and salaries	331,195	255,555	169,200	101,785
Social security costs	14,763	6,852	14,763	6,852
	345,958	262,407	183,963	108,637

**19 Ultimate parent company and control**

The ultimate parent company is Garware Polyester Limited, a company registered in India.

**17****20 Related party transactions**

The following related party transactions were undertaken in the ordinary course of business:

Related party	Relationship	2004	2003
		£	£
Purchase of goods and services:			
Garware Polyester Limited	Parent company	4,537,689	3,675,818
Bhagani & Co.	Common interest	27,600	24,000

Bhagani & Co. is controlled by Mr A B Bhagani, the director of the company. The amounts charged represent the provision of office accommodation, bookkeeping and accountancy charges.

The following amount was owed to related parties at the balance sheet date:

Related party	Relationship	2004	2003
		£	£
Garware Polyester Limited	Parent company	1,820,023	1,451,530

## GLOBAL PET FILMS, INC.

## INDEPENDENT AUDITORS' REPORT

**The Board of Directors and Stockholders of  
Global Pet Films, Inc.  
Pembroke, Florida, USA**

We have audited the accompanying balance sheets of **Global Pet Films, Inc.** as of December 31, 2004 and 2003, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Global Pet Films, Inc.** as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira  
Certified Public Accountant  
Homewood, Illinois, USA

June 24, 2005

## BALANCE SHEET DECEMBER 31, 2004 &amp; 2003

Assets		As of Dec. 31, 2004 \$	As of Dec. 31, 2003 \$
<b>Current Assets</b>			
Cash in Bank – First American	12,563		442,971
Cash in Bank – Citibank – GPF – Chi	13,634		135,087
Cash in Bank – Citibank – GPF – M	61,754		0
Cash in Bank – Citibank – Sun M	10,334		0
Cash in Bank – Citibank – Sun Control	324		322
Cash in Bank – Citibank – Sun Control	(6,016)		14,513
Cash in Bank – First Am Maxrate	49		8,297
Accounts Receivable – GPF	738,608		390,161
Inventory – GPF	670,156		705,322
Inventory – Sun Control	396,980		312,829
Inventory – Miami	174,985		184,315
Prepaid Insurance	9,572		0
Prepaid Taxes	3,746		0
Prepaid Rent	1,100		0
Total Current Assets	<u>2,087,789</u>		<u>2,193,817</u>
<b>Fixed Assets</b>			
Office Equipment	14,102		14,102
Accumulated Depreciation	(14,102)		(14,102)
<b>Other Assets</b>			
Organization Cost	7,373		7,373
Rent Deposit – Miami	5,938		5,938
Accumulated Amortization	(7,373)		(7,373)
Total Other Assets	<u>5,938</u>		<u>5,938</u>
Total Assets	<u>2,093,727</u>		<u>2,199,755</u>
<b>Liabilities &amp; Equity</b>			
		As of Dec. 31, 2004 \$	As of Dec. 31, 2003 \$
<b>Current Liabilities</b>			
Accounts Payable - Trade GPF	945,629		1,207,325
Accounts Payable - Trade Miami	0		389,057
Accounts Payable - Windows	1,084,228		189,018
Custom Duties Payable	45,677		45,677
FICA/Wh Tax Payable	3,206		4,781
State Withholding Payable	450		830
Accrued Expenses	6,500		246,000
Total Current Liabilities	<u>2,085,690</u>		<u>2,082,688</u>
<b>Long Term Liabilities</b>			
<b>Equity</b>			
Common Stock	100,000		100,000
Retained Earnings	17,067		(19,809)
Current Income (Loss)	(109,030)		36,876
Total Equity	<u>8,037</u>		<u>117,067</u>
Total Liabilities & Equity	<u>2,093,727</u>		<u>2,199,755</u>

See Accompanying Notes to Financial Statements

GLOBAL PET FILMS, INC.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

	12 Months Ended Dec. 31, 2004 \$	12 Months Ended Dec. 31, 2003 \$
<b>Revenue</b>		
Sales	7,863,634	5,975,796
Commissions Income	0	17,077
Returns and Allowances	(1,131)	(1,327)
Total Revenue	<u>7,862,503</u>	<u>5,991,546</u>
<b>Cost of Sales</b>		
Purchases	6,036,531	4,382,861
Custom Duties & Clearance Fee	725,409	770,317
Freight	184,957	143,592
Warehouse Rent	174,569	98,441
Inventory Adjust (Begin & End)	(39,655)	(326,978)
Total Cost of Sales	<u>7,081,811</u>	<u>5,068,233</u>
Gross Profit	780,692	923,313
<b>Operating Expenses</b>		
Accounting & Auditing fees	19,800	18,900
Advertising Expense	123,380	98,911
Auto and Truck Expense	0	5,656
Bank Charges	2,448	1,961
Credit Card Fees	34,630	21,470
Consulting Fees	67,938	0
Dues and Subscriptions	5,447	334
Insurance Expense	61,130	48,977
Legal Fees	17,991	11,458
Licenses and Fees	501	1,224
Management Fees	0	240,000
Miscellaneous Expense	5,940	909
Office Expense	96,283	81,918
Professional Fees	0	5,900
Postage & Delivery	24,490	19,039
Rent - Office	17,084	13,676
Salaries and Wages	167,100	159,660
Taxes - Payroll	14,753	13,815
Taxes - Federal Income	2,303	0
Taxes - State Income	19,252	0
Telephone Expense	61,007	51,035
Travel & Entertainment Expense	147,482	91,541
Utilities	2,009	643
Total Expenses	<u>890,968</u>	<u>887,027</u>
Operating Income	(110,276)	36,286
Interest Income	1,246	590
Total Other Income	<u>1,246</u>	<u>590</u>
Net Income (Loss)	<u>(109,030)</u>	<u>36,876</u>

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND 2003 INCREASE/(DECREASE)  
IN CASH OR CASH EQUIVALENTS

	12 Months Ended Dec. 31, 2004 \$	12 Months Ended Dec. 31, 2003 \$
<b>Cash Flow from Operating Activities</b>		
Net Income (Loss)	(109,030)	36,876
Adjustments to Reconcile Cash Flow		
Depreciation		
Decrease (Increase) in Currents Assets		
Accounts Receivable – Trade	(348,447)	67,295
Accounts Receivable – Sun Control	0	2,721
Accounts Receivable – Miami	0	8,920
Inventory – GPF	35,166	(283,782)
Inventory – Sun Control	(84,151)	51,666
Inventory – Miami	9,330	(94,862)
Prepaid Expenses	(14,418)	38,411
Increase (Decrease) in Current Liabilities		
Accounts Payable – Trade – GPF	(261,696)	438,522
Accounts Payable – Trade – Sun Control	895,210	(290,246)
Accounts Payable – Miami	(389,056)	312,846
Payroll Taxes Payable	(1,575)	3,731
State Withholding Payable	(380)	451
State Corp. Income Tax Payable	0	0
Federal Corp. Income Tax Payable	0	0
Accrued Expenses	(239,500)	238,400
Total Adjustments	<u>(399,517)</u>	<u>494,073</u>
Cash Provided (Used) by Operations	<u>(508,547)</u>	<u>530,949</u>
<b>Cash Flow from Investing Activities</b>		
Sales (Purchases) of Assets		
Rent Deposit-Miami Office	0	(4,894)
Accumulated Amortization		
Cash Provided (Used) by Investing	<u>0</u>	<u>(4,894)</u>
<b>Cash Flow From Financing Activities</b>		
Cash (Used) or provided by:		
Net Increase (Decrease) in Cash	(508,547)	526,054
Cash at Beginning of Period	601,189	75,135
Cash at End of Period	<u>92,642</u>	<u>601,189</u>

See Accompanying Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

**(1) Description of Business**

**Global Pet Films, Inc.** was incorporated on December 22, 1997 under the laws of State of Illinois, USA and is also registered with State of Florida, USA. The company is engaged in the business of supply and distribution of polyester and solar control films in USA. The company has its place of business at Pembroke Pines, Florida, USA.

**(2) Significant Accounting Policies**

The Significant accounting policies of **Global Pet Films, Inc.**, which are summarized below, are consistent with accounting principles generally accepted in the United States of America and reflect practices appropriate to the business in which they operate.

**(a) Cash and Cash equivalents**

Cash and cash equivalents include money market instruments

**(b) Inventories**

Inventories are stated at the lower of cost (determined by average cost method) or market (net realizable) value.

**(c) Depreciation and Amortization**

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using straight line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost of organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic useful life of 5 years.

**(d) Revenue Recognition**

Revenues from product sales to customers are recognized when products are shipped to customers.

**(e) Purchases**

Purchases are recorded in books only when received in company warehouse.

**(f) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**(3) Stockholder's Equity**

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of December 31, 2004, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom company in consideration of \$99,999 and 1 share of capital stock has been issued to Ashok Bhagani in consideration of \$1.

**(4) Accounts Receivable**

The accounts receivable balance (Gross) as of December 31, 2004 was \$738,608. The Company has collected all of its accounts receivables by March 31, 2005. The Company carries Receivables Insurance on its accounts receivable.

**(5) Accounts Payable**

The Accounts payable balance of \$2,029,856 as of December 31, 2004 represents balance owed to Garware Polyester Ltd., India, for trade purchases.



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

## FORTY-EIGHTH ANNUAL GENERAL MEETING ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I/We hereby record my/our presence at the **48th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Thursday, the 29th September, 2005 at 11.30 a.m.

NAME OF THE SHAREHOLDER OR PROXY (IN BLOCK LETTERS)	REGD. FOLIO No.	DP-ID No.	CLIENT-ID No.

SIGNATURE OF THE SHAREHOLDER OR PROXY	
---------------------------------------	--



### PROXY FORM



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

I/We .....  
of ..... in the district of ..... being a member/members of  
**Garware Polyester Limited** hereby appoint .....  
of ..... in the district of ..... or failing him .....  
..... 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 **48th Annual General Meeting** of the Company to be held on Thursday, the 29th September, 2005 at 11.30 a.m. at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 and at any adjournment thereof.

Signed this ..... day of ..... 2005.

Signature .....

Revenue  
Stamp

Proxy No.	Regd. Folio No.	DP-ID No.	Client-ID No.	No. of Shares
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Note : This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.