

# **A.V. COTTEX LIMITED**

*10<sup>th</sup>*  
***ANNUAL REPORT***  
***2003-2004***

## **A.V COTTEX LIMITED**

### **Board of Directors**

- |    |                     |                   |
|----|---------------------|-------------------|
| 1. | Shri. Ashwani Dewan | Managing Director |
| 2. | Shri Vijay Sharma   | Director          |
| 3. | Shri Anil Dewan     | Director          |

### **Registered Office**

B-4/ 161 Safdarjung Enclave  
New Delhi- 110 029

### **Works**

71/3, Mile Stone  
Near Radha Swami Satsang Bhawan  
G.T. Road  
Karnal- 132 01  
Phone: 257742, 253209

### **Bankers**

Canara Bank  
Kunjpura Road,  
Karnal- 132 001

### **Auditors**

M/s. Deepak Gulati & Associates  
8-C/6, W.E.A., Abdul Aziz Road  
Karol Bagh, New Delhi- 110005

### **Share Transfer Agents & Depository Registrar**

Beetal Financial & Computer Services Pvt. Ltd.  
321-S, Chirag Delhi, New Delhi- 110017

## NOTICE


Notice is hereby given that the Tenth Annual General Meeting of the shareholders of A.V Cottex Limited will be held at the registered office of the company on 30<sup>th</sup> September, 2004 at 12.30 P.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, 2004, Profit and Loss account of the company for the year ended on that date and the report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Vijay Kumar Sharma, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** in pursuance to Section 224 and any other applicable provisions, if any, of the Companies Act, 1956, M/s Deepak Gulati & Associates, Chartered Accountants, New Delhi, the retiring Auditors, be and are hereby appointed as Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting till the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.”

By order of the Board of  
**For A.V COTTEX LIMITED**

  
(Ashwani Dewan)  
Director

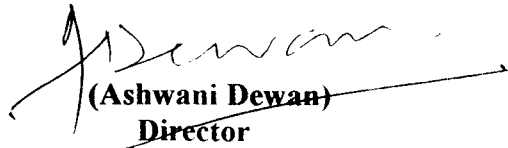
Place : New Delhi

Date : 1<sup>st</sup> day of September, 04

**Notes:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and proxy need not to be a member. The proxy's form should be deposited at the registered office of the company not later than 18 hours before the commencement of the meeting
2. The Register of Members and share transfer register will remain closed from 23<sup>rd</sup> September, 2004 to 30<sup>th</sup> September, 2004 (both days inclusive)
3. The members are requested to notify changes, if any, in their addresses to the company immediately.

By order of the Board of  
**For A.V COTTEX LIMITED**

  
(Ashwani Dewan)  
Director

Place : New Delhi

Date : 1<sup>st</sup> day of September, 04

## **DIRECTORS' REPORT**

The Directors are pleased to present the 10<sup>th</sup> Annual Report and Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2004.

### **FINANCIAL HIGHLIGHTS**

<b>PARTICULARS</b>	<b>(Rs. In Lacs)</b>	
	<b>Year Ended 31<sup>st</sup> March, 2004</b>	<b>Year Ended 31<sup>st</sup> March, 2003</b>
Total income	-	119.55
Profit /(Loss) before Depreciation	(112.27)	36.72
Depreciation	19.08	19.08
Profit before Tax	(93.19)	17.64
Provision for Income Tax	-	-
Profit/ (Loss) after Tax	(93.19)	17.64

### **DIVIDEND**

No Dividend is recommended for the year under review.

### **BIFR REGISTRATION**

The Company filed a reference with BIFR which was registered vide case no. 5/2002 as per the provisions of Sick Industrial Company (Special Provisions) Act, 1985 and has been declared as a Sick Industrial Company by BIFR vide its order dated 4<sup>th</sup> June, 2003.

### **DIRECTORS**

In accordance with the Companies Act, 1956 read with the Articles of Association of the Company, Mr. Vijay Kumar Sharma retire at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment.

### **AUDITORS REPORT**

The Auditors Report to the Shareholders does not contain any qualification.

### **AUDITORS**

The Auditors, M/s Deepak Gulati & Associates, Chartered Accountants, retire at this Annual General Meeting and being eligible offers themselves for re-appointment. The Company has obtained a certificate as per Section 224 (IB) of the Companies Act, 1956 to the effect that their re-appointment, if made, would be within the limits prescribed.

## **DEPOSITS**

During the year under review, your company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

## **CORPORATE GOVERNANCE**

A Comprehensive report on Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this Report. The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in clause 49 of the Listing Agreement and the same is annexed.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

As required under clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report forms part of this report and is annexed herewith

## **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby states that

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed and there is no material departure;
- ii) The Directors had 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 loss of company for the period;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The Directors had prepared the annual accounts on a going concern basis.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:**

1. Conservation of Energy  
The company gets power through its own power generating sets resulting in better quality and consistent supply of power.
2. Technology Absorption: NIL
3. Foreign Exchange Earnings and Outgo:
  - Activities relating to export NIL
  - Foreign Exchange used NIL
  - Foreign Exchange earned NIL

## **PARTICULARS OF EMPLOYEES**

The Company has no employees whose particulars are to be disclosed in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

## **ANNEXURE TO DIRECTORS' REPORT**

### **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

#### **Business Scenario**

After years of sluggishness, the fortunes of textile industry are looking up, which is expected to have positive impact on the performance of the spinning industry as a whole.

Since the major fire incident in May, 2000 in the factory premises, the operations of the Company has been closed. A substantial part of the machinery along with the entire current assets were destroyed. The balance sheet of the company for the financial year ending 31<sup>st</sup> March, 2001 reflected that its Networth was less than its paid up capital. The company was registered with BIFR vide case No. 5/2002 dated 4<sup>th</sup> June, 2003 as a Sick Industrial company within the meaning of Section 3(1)(0) of Sick Industrial Companies (Special Provisions) Act, 1985.

The rehabilitation proposal for the revival of the company is under preparation and consideration of the operating agency (Canara Bank) appointed by the BIFR.

#### **Management of Risk**

The risk Management process is to evaluate various risks associated with the business and to introduce suitable mechanism to effectively reduce such risks.

#### **Internal Control Systems**

The internal controls of the company are operated through a system of internal checks and balances, which ensures the effective management of the company.

#### **Human Resources**

Management relations with employees remained cordial. Management wish to place on record their appreciation for the contribution made by employees at all levels for their co-operation and support.

## **CORPORATE GOVERNANCE REPORT**

### **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Transparency and accountability leading to management reliability are the touchstone of the Corporate Governance at A.V Cottex Limited. Your company recognises its responsibility towards minority shareholders, various stakeholders including creditors, employee, customers and society at large. The interest of all these communities can be aligned by incorporating high standards of governance.

### **BOARD OF DIRECTORS**

#### **A Composition & Category of Directors**

The Board consists of 3 Directors, of whom 2 are non -executive Directors. The category, composition , attendance of each director at the Board Meeting, Last Annual General Meeting and the number of other directorship and chairmanship/ Membership of committees of each Director in various companies is given herein below.

#### **Managing Director**

Mr. Ashwani Dewan

#### **Non Executive Director**

Mr. Anil Dewan

Mr. Vijay Kumar Sharma

*\* Note: No independent directors had joined the board.*

Name of Director	<u>Attendance Particulars</u>		<u>No. of Other Directorships/ Committee Memberships/Chairmanships in all Cos.</u>		
	Board Meetings	AGM	Other Directorship	Committee Chairmanships Members	
Mr. Ashwani Dewan	4	Yes	3	3	2
Mr. Anil Dewan	4	Yes	-	2	2
Mr. Vijay Kumar Sharma	4	Yes	-	1	-

Note:

- None of the directors have any business relationship with the company
- Number of other directorships indicated above is exclusive of directorships on the Board of Private Limited Companies and non-body corporate institutions.



## **B No. of Board Meetings Held and Dates**

During the financial year 2003-04, the Board of A.V Cottex Limited had met 4 times. The dates of the meeting are 23<sup>rd</sup> April, 2003; 30<sup>th</sup> July, 2003; 31<sup>st</sup> October, 2003 and 31<sup>st</sup> January, 2004. The maximum gaps between two meetings are not more than 4 months.

## **AU DIT COMMITTEE**

As per the provision of section 292A of the Companies Act, 1956 and the requirement of the Listing Agreement with Stock Exchange, the company has constituted an Audit Committee on 24<sup>th</sup> March, 2003 comprising of two directors, both being non-executive directors. The Chairman of the Committee remained present in the last AGM of the Company to reply to the queries of the shareholders. The Audit Committee is responsible for the effective supervision of the financial reporting process, ensuring financial and accounting control and due compliance with financial policies of the company. The committee has full access to the financial data and co-operation of the company's staff. During the year, the committee has met four times on 23<sup>rd</sup> April, 2003; 30<sup>th</sup> July, 2003; 31<sup>st</sup> October, 2003 and 31<sup>st</sup> January, 2004.

Composition of the Audit Committee and attendance of Directors at the Audit Committee is as follows:

Director	Category	No. of Meetings Held	
		Held	Attended
Mr. Anil Dewan	Chairman	4	4
Mr. Vijay Kumar Sharma	Member	4	4

*Note: No independent director has joined the Board. Initiatives are being taken by the Company to induct independent personnel on the Board as well as in the Audit Committee.*

## **REMUNERATION TO THE DIRECTORS**

The Company does not have any standing Remuneration Committee. No remuneration is being paid to the Managing Director. The Company had not paid any sitting fee to the Directors for attending the Board meetings.

## **SHAREHOLDERS GRIEVANCE & TRANSFER COMMITTEE**

The Company has formed Shareholders Grievance & Transfer Committee on 24<sup>th</sup> March, 2003, comprising of two directors viz. Mr. Anil Dewan and Mr. Ashwani Dewan. The chairman of the committee is a non-executive director i.e Mr. Anil Dewan. The committee meets at regular intervals to specifically look into the redressal of the shareholders/investor compliants like non-receipt of share certificate after transfer, non-receipt of Annual Report and also to approve the share transfer

Mr Ajay Naithani, had been appointed as a compliance officer.

The number of complaints received from the shareholders during the last financial year were 3 and the number of pending complaints against the Company were NIL.

## **GENERAL BODY MEETINGS**

(A) Location and time, where last three AGM's held:

<b>AGM</b>	<b>DATE</b>	<b>LOCATION</b>	<b>TIME</b>
9 <sup>th</sup> AGM	30.09.2003	B-14, Gulmohar Park, New Delhi	1.00 PM
8 <sup>th</sup> AGM	30.09.2002	B-14, Gulmohar Park, New Delhi	3.00 PM
7 <sup>th</sup> AGM	29.09.2001	B-14, Gulmohar Park, New Delhi	3.00 PM

(B) No special resolution were put through postal ballot in last year

## **DISCLOSURES**

(a) **Disclosure on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have the potential conflict with the interest of the company at large.**

There were no materially significant related party transactions that may have potential conflict with the interests of the company at large.

(b) **Details of non-compliance by the company, penalties imposed on the company by stock exchange or SEBI or any statutory authority, on any matter related to the capital market, during the last 3 years.**

No penalties have been imposed on the company by the Stock Exchange or SEBI or any other statutory authority or any other matter related to capital market during the last three years. The company has not paid the listing fee to the Delhi Stock Exchange and Mumbai Stock Exchange since 2000-01; and Jaipur Stock Exchange and Ahmedabad Stock Exchange since the year 1997-98.

## MEANS OF COMMUNICATION

The quarterly results as per the format prescribed by the Stock Exchange are published in the Financial Express and Jansatha. Further these results are also submitted to all the Stock Exchanges where the Company's shares are listed.

Management Discussion & Analysis Report forms part of the Annual Report and is given separately.

## GENERAL INFORMATION FOR SHAREHOLDERS

<b>Registered office</b>	B-4/161, Safdrajung Enclave, New Delhi- 110029
<b>Annual General Meeting</b>	
Date	30 <sup>th</sup> September, 2004
Time	12.30 P.M
Venue	B-4/161, Safdrajung Enclave, New Delhi- 110029
<b>Adoption of financial results</b>	
30 <sup>th</sup> June, 2004	30 <sup>th</sup> July, 2004
30 <sup>th</sup> September, 2004	End of October, 2004
30 <sup>th</sup> December, 2004	End of January, 2005
31 <sup>st</sup> March, 2005	End of April, 2005
<b>Date of Book Closure</b>	From 23 <sup>rd</sup> Septmeber, 2004 to 30 <sup>th</sup> September, 2004 (both days inclusive)
<b>Dividend payment date</b>	Not applicable
<b>Listing of shares</b>	The Company has applied for the delisting of shares from Jaipur Stock Exchange & Ahmedabad Stock Exchange in the year March 1997. Also, the company has applied for delisting from Delhi Stock Exchange in the year September 2003. The Trading of the shares of the company has been suspended from the Mumbai Stock Exchange.
<b>Stock Code</b>	BSE code – 531190 ISIN No - Not yet allotted
<b>Stock Market Price Data</b>	Trading of the shares of the company is suspended from the Mumbai Stock Exchange and hence no such data is available.
<b>Registrar &amp; Share Transfer Agent</b>	M/s Beetal Financial and Computer Services Pvt Limited, 321 – S, Chirag Delhi, New Delhi – 1100 17

### Share Transfer System

The Shares of the company are not in a demat form. The company has applied with NSDL & CDSL for entry into their depository system. Presently, the physical transfer of the Equity shares are being handled by Registrar & Share Transfer Agent i.e. M/s Beetal Financial & Computer Services Private Limited. To expedite the share transfers, the Shareholders Grievance & Transfer Committee meets at periodical intervals. The shares are normally transferred within 15 days.

### Distribution of Shareholding

The Distribution of the shareholding of the equity shares as on 31<sup>st</sup> March, 2004 are as follows:

No of Equity shares held	No. of shareholders	% of share holders	Total number of shares	% of share holding
1 - 100	1452	72.74	145200	2.42
101 - 200	48	2.40	9600	0.16
201 - 300	23	1.15	6900	0.12
301 - 400	7	0.35	2800	0.05
401 - 500	111	5.56	55500	0.93
501 - 1000	123	6.16	107300	1.79
1001-10000	151	7.57	505000	8.43
10001 & above	81	4.06	5159600	86.11
<b>Total</b>	<b>1996</b>	<b>100</b>	<b>5991900</b>	<b>100</b>

### Categories of Shareholders as on 31<sup>st</sup> March, 2004

Category	Total number of shares	% of shareholding
Promoters/Relatives/ Companies Promoters	1389400	23.19
Financial Institutions/ Banks	NIL	-
FIs	NIL	-
Mutual Funds	NIL	-
Private Corporate bodies	665600	11.11
Indian Public	3936900	65.70
NRI/ OCBs	NIL	-
Others	NIL	-
<b>Total</b>	<b>5991900</b>	<b>100</b>

### Dematerialization of shares and Liquidity

The Shares of the company are not in dematerialised form. The company has approached NSDL & CDSL for entry into their depository system.

**Outstanding GDR/ ADRs/ Warrants/ Options**

Not applicable

**Plant Location**

71/3, Mile Stone,  
Near Radha Swami Satsang Bhawan,  
G.T Road,  
Karnal- 132 001

**Address for Correspondance**

For share certificate , change of address and any other query relating to the shares	M/s Beetal Financial and Computer Services Pvt Ltd; 321 – S, Chirag Delhi, New Delhi -- 17
For Investor Assistance	Mr. Ajay Naithani, Compliance Officer B-4/161, Safdarjung Enclave, New Delhi- 110029 Ph: 011-26167316 Fax: 011-26167316

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**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of **A.V COTTEX LIMITED**

We have examined the compliance of the conditions of Corporate Governance by **A.V COTTEX LIMITED** during the year ended 31<sup>st</sup> March, 2004 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

We have conducted our review on the basis of the revelant records and documents as maintained and the information and explanation given to us by the company, 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 in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2004, 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 **DEEPAK GULATI & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**PLACE: NEW DELHI**  
**DATE: 1<sup>ST</sup> SEPTEMBER 2004**

**(DEEPAK GULATI)**

## AUDITORS' REPORT

TO THE MEMBERS OF  
AV COTTEX LIMITED

1. We have audited the attached balance sheet of AV COTTEX LIMITED, as at 31<sup>st</sup> March, 2004, and also the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of Company as at 31<sup>st</sup> March, 2004;
- (b) in the case of the profit and loss account, of the loss for the year ended on that date;

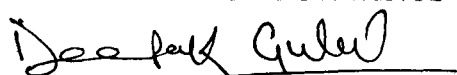
6. Attention is drawn to the under mentioned:

- (i) After major fire incident in the factory in May 2000 destroying all the stocks, Plant and machinery, land and building and the closure of the factory thereafter.
- (ii) Although the company has earned a net loss of Rs.93.19 Lacs during the year and its total losses exceeds the share capital and the free reserves, the Company has also been declared a Sick Industrial Company by the BIFR vide its order dated 4<sup>th</sup> June 2003.
- (iii) The factors mentioned above raises substantial doubt as to whether company will continue as a going concern.

7. In our opinion and to the best of our information and according to the explanations given to us the said account read together with the Significant Accounting Policies and Notes forming part thereon and subject to the comments in paragraph 6 above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;;-

- (i) In the case of the Balance Sheet, the state of affairs of the company as at 31<sup>st</sup> March, 2004 and
- (ii) In the case of Profit & Loss Account of the Loss of the company for the year ended on that date.

for DEEPAK GULATI & ASSOCIATES  
CHARTERED ACCOUNTANTS

  
DEEPAK GULATI  
(Membership No. 86403)

Place : New Delhi  
Date : October 30, 2004

ANNEXURE REFERRED TO IN PARAGRAPH '3' OF THE AUDITORS' REPORT TO THE MEMBERS OF AV COTTEX LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2004

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- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of fixed assets was done during the year. There is a regular programme of verification in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. Discrepancies noticed on such verification were not material and had been properly dealt with in the books of account.
- (c) Due to major fire in the Company's factory premises all stocks and major plant and machinery were burnt. The factory is lying close since then.
- (ii) (a) During the year, the inventories have been physically verified by the management, except for stocks. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, 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) On the basis of our examination of the record of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, the Company has neither taken nor granted any loans, secured or unsecured from/to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (iv) 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 sale of goods. During the course of our audit, no major weakness has been noticed in the underlying internal controls.



- (v) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (vi) According to the information and explanations given to us, the Company has not received any deposit from company in terms of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 during the year.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) As per information and explanation given to us Central Government has not prescribed for maintenance of cost records by the company u/s 209(1)(d) of the Companies Act, 1956.
- (ix) As explained to us, the statutory dues payable by the Company comprise of provident fund, investor education protection fund, employees' state insurance, income-tax, sales tax, wealth tax, excise duty, cess, value added tax. According to the records of the Company and information and explanations given to us, no undisputed statutory dues are outstanding as on 31<sup>st</sup> March 2004.
- (x) (a) The company has accumulated loss amounting to Rs.7,27,35,499/-. The company have incurred cash loss during financial year ended 31<sup>st</sup> March 2004.
- (b) The company filed reference with BIFR which was registered and the company has been declared as sick industrial company by BIFR vide its order dated 4<sup>th</sup> June 2003.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has defaulted in repayment of dues to financial institutions and banks.
- (xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of Order is not applicable.
- (xiii) As the Company is not a chit fund/nidhi/mutual benefit funds/society to which the provisions of special statute relating to chit fund are applicable, paragraph 4(xiii) of the Order is not applicable.
- (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xv) As informed to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

- (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 and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) As the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, paragraph 4(xix) of the Order is not applicable.
- (xix) As the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- (xx) During the year, since the Company has not raised money by way of public issue, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31<sup>st</sup> March, 2004.

FOR DEEPAK GULATI & ASSOCIATES  
CHARTERED ACCOUNTANTS



DEEPAK GULATI  
(Membership No. 86403)

Place : New Delhi

Date : October 30, 2004

AV COTTEX LIMITED						
BALANCE SHEET AS AT 31ST MARCH, 2004						
S.N	PARTICULARS	SCHEDULE	AMOUNT IN RS.			
				As on 31.03.2004		As on 31.03.2003
I	<b>SOURCE OF FUNDS</b>					
	<b>1.SHARE HOLDERS FUND</b>					
	SHARE CAPITAL	1		51,917,128		51,917,128
	RESERVES & SURPLUS	2		3,000,000		3,000,000
	<b>2. LOAN FUNDS</b>					
	SECURED LOANS	3		39,674,685		32,312,045
	UNSECURED LOANS	4		1,000,000		
	<b>TOTAL</b>			<b>95,591,813</b>		<b>87,229,173</b>
II	<b>APPLICATION OF FUNDS</b>					
	<b>1.FIXED ASSESTS</b>					
	(A) GROSS BLOCK		44,034,424		44,034,424	
	(B) LESS: DEPRECIATION	5	24,146,161		22,237,327	
	<b>NET BLOCK</b>		19,888,263		21,797,097	
	Add Capital Work in progress		44,260	19,932,523	44,260	21,841,357
	<b>INVESTMENT</b>	6		2,169,690		219,690
	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
	(A) INVENTORIES	7	1,272,536		1,272,536	
	(B) SUNDRY DEBTORS	8	-		950,000	
	(C) CASH & BANK BALANCES	9	283,828		145,303	
	(D) OTHER CURRENT ASSETS	10	3,000,000		3,000,000	
	(E) LOAN & ADVANCES	11	1,182,618		1,182,620	
			<b>5,738,982</b>		<b>6,550,459</b>	
	<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>	12	5,012,131			
	CURRENT LIABILITIES & PROVISIONS			726,851	4,853,472	1,696,987
	<b>NET CURRENT ASSETS</b>					
	<b>MISCELLANEOUS EXPENDITURE</b>					
	(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	13		27,250		54,504
	<b>PROFIT &amp; LOSS ACCOUNTS</b>			72,735,499.00		63,416,635.00
				<b>95,591,813</b>		<b>87,229,173</b>

POLICIES AND NOTES TO ACCOUNTS

The schedule referred to above and notes thereon form an integral part of the Balance sheet.

FOR AND ON BEHALF OF THE BOARD

ASHWANI DEWAN  
(DIRECTOR)

ANIL DEWAN  
(DIRECTOR)

PLACE : NEW DELHI

AS PER OUR REPORT OF EVEN DATE ATTACHED

for DEEPAK GULATI & ASSOCIATES  
CHARTERED ACCOUNTANTS

(DEEPAK GULATI)

# AV COTTEX LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2004

PARTICULARS	SCHEDULE	AMOUNT	
		As on 31.03.2004	As on 31.03.2003
<b>INCOME</b>			
Sales		-	-
Other Income	14	-	11,955,509
		-	11,955,509
<b>EXPENDITURE</b>			
Administrative & Gen. Expenses	15	231,070	1,340,118
Interest & Finance Expenses	16	7,151,706	6,915,701
Depreciation	5	1,908,834	1,908,834
Preliminary Expenses W/o	13	27,254	27,254
		9,318,864	10,191,907
<b>Add/less:</b>			
Increase/Decrease in Inventory		-	-
<b>TOTAL</b>		9,318,864	10,191,907
<b>PROFIT(LOSS) BEFORE TAX</b>		-9318864	1763602
Provision for Income Tax		-	-
<b>PROFIT(LOSS) AFTER TAX</b>		-9318864	1763602
Balance brought forward			-65180237
Balance carried to Balance Sheet		-9318864	-63416635

The schedule referred to above and notes thereon form as integral part of the Profit & Loss account.

FOR AND ON BEHALF OF THE BOARD

ASHWANIL DEWAN  
(DIRECTOR)

ANIL DEWAN  
(DIRECTOR)

AS PER OUR REPORT OF EVEN DATE ATTACHED

for DEEPAK GULATI & ASSOCIATES

CHARTERED ACCOUNTANTS

(DEEPAK GULATI)  
PROPRIETOR

PLACE : NEW DELHI

DATE :

# AV COTTEX LIMITED

## SCHEDULE TO THE STATEMENT OF ACCOUNTS

	Amount (IN RS.)As on 31.03.2004	Amount (IN RS.)As on 31.03.2003
--	------------------------------------	------------------------------------

### SCHEDULE-1

#### AUTHORISED

7000000 Equity Shares of Rs. 10/- each	70000000	70000000
Issued,Subscribed & Paid Up		
5991900 Equity Shares of Rs. 10/- each fully paid up	59919000	59919000
Less:Cells unpaid (Due by others)	8001872	8001872
	<u>51917128</u>	<u>51917128</u>

### SCHEDULE-2

#### RESERVE & SURPLUS

a)Capital Reserve		
b) Subsidy Receivable from Haryana Govt.	3000000	3000000
	<u>3000000</u>	<u>3000000</u>

### SCHEDULE-3

#### SECURED LOANS

1)Haryana Financial Corporation,Chandigarh		
a) Term Loan (secured against hypothecation of entire plants & machinery & other movable & Fixed Assets of the Company & personal Guarnatee of the directors	34837483	28421325
b) H.F.C Bridge Loan (secured against sanctioned State Subsidy of Rs.30 Lacs and second charges of fixed assets of the Company and personal guarantees of the directors	4837202	3890720
	<u>39674685</u>	<u>32312045</u>

### SCHEDULE-4

#### UNSECURED LOANS

1.Other loans & advances		
a)from Bank		
b)from others	1000000	
	<u>1000000</u>	<u>0</u>

SCHEDULE - 5

**SCHEDULE OF FIXED ASSETS ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31/03/04**

PARTICULARS	GROSS BLOCK				DEPRECIATION			NETBLOCK	
	TOTAL COST AS ON 31.03.2003	ADDITIONS DURING THE YEAR	SALE/ADJ. DURING THE YEAR	TOTAL ASSETS AS ON 31.03.2004	UP TO 31.3.2003	DURING THE YEAR	UP TO 31.03.2004	AS ON 31.03.2003	AS ON 31.03.2004
Land	2886750	0	0	2886750	0	0	0	2886750	2886750
Building	3429537	0	0	3429537	1005031	114547	1119578	2424506	2309959
Plant and Machinery	34221141	0	0	34221141	19241391	1625504	20866895	14979750	13354246
Electrical Installations	2301761	0	0	2301761	1130051	109334	1239385	1171710	1062376
Furniture & Fixture	169326	0	0	169326	100485	10718	111203	68841	58123
Office Equipment	1014709	0	0	1014709	753946	48199	802145	260763	212564
Refrigerator	11200	0	0	11200	6423	532	6955	4777	4245
<b>TOTAL (RS.)</b>	<b>44034424</b>	<b>0</b>	<b>0</b>	<b>44034424</b>	<b>22237327</b>	<b>1908834</b>	<b>24146161</b>	<b>21797097</b>	<b>19888263</b>

Capital work in Progress Rs.44260.

**SCHEDULE-6****INVESTMENTS (VALUED AT COST)****QUOTED**

1. 4800 Equity shares of Rs.10 each Partly paid up shares of H.F.C. (Market value Rs.4800)	100000	100000
2. 97200 Equity shares of Rs.10 each Partly paid up shares of Nova India Ltd. (Market value Rs.97200)	119690	119690
3 Other Investments	1950000	
	<u>2169690</u>	<u>219690</u>

**SCHEDULE-7****INVENTORIES(As valued & Certified by the Management)****QUOTED**

Stores & Spares	1272536	1272536
	<u>1272536</u>	<u>1272536</u>

**SCHEDULE-8****SUNDRY DEBTORS**

- a)Debtors outstanding for a period exceeding six months  
b)Other Debtors

	0	
	950000	
	<u>0</u>	<u>950000</u>

**SCHEDULE-9****CASH & BANK BALANCES**

- a)Cash in hand  
b)Balance with scheduled Banks

	238424.21	99899
	45404.25	45404
	<u>283828</u>	<u>145303</u>

**SCHEDULE-10****OTHER CURRENT ASSETS**

- Subsidy receivable from  
Govt. of Haryana

	3000000	300000
	<u>3000000</u>	<u>300000</u>

**SCHEDULE-11****LOANS & ADVANCES**

- a)Securitiy Deposits  
b)Excise Duty Refundable  
c)Other loans & advances  
d)Prepaid exp.  
e)Salvage

		-
	85,043	85043
	327,575	327577
		-
	770,000	770000
	<u>1182618</u>	<u>1182620</u>

**SCHEDULE-12****CURRENT LIABILITIES & PROVISIONS**

a)Sundry Creditors	3441498.15	3438798
b)Outstanding Liabilities	335177.14	300177
c)Interest accrued but not due	1232956	1111997
d)Salary Payable	2500	2500
	<u>5012131</u>	<u>4853472</u>

**SCHEDULE-13****MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Preliminary Expenses	54504	81758
Less:-Written Off	27254	27254
	<u>27250</u>	<u>54504</u>

**SCHEDULE-14****OTHER INCOME**

Insurance Claim Received	-	11955509
	<u>-</u>	<u>11955509</u>

**SCHEDULE-15****ADMINISTRATIVE & GEN.EXP.**

a)Insurance Expenses	6027	13149
b)Local Conveyance	8150	11947
c)Printing & Stationary	21320	19735
d)Entertainment	1670	1230
g)Misc.Exp.	50980	2765
h)Postage	28220	28020
j)Salary	30000	30000
k)Vehice Fuel	23258	32700
m)Telephone Exp.	2940	3103
n)Listing Fees	35000	35000
o)Auditors Remuneration	14700	14700
p)Filing Fees	4000	2500
q)Electricity Exp.	-	10152
r)Loss on sale of Assets	-	444191
s)Travelling Exp.	4805	6213
t)Prir Period account	-	656263
u)Professional Fees	-	28450
	<u>231070</u>	<u>1340118</u>

**SCHEDULE-16****INTEREST & FINANCIAL EXP.**

a)Interest	7151586	6915374
b)Bank Charges	120	327
	<u>7151706</u>	<u>6915701</u>



## AV COTTEX LIMITED

NOTES ON ACCOUNTS ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AT 31<sup>st</sup> MARCH 2004

### 1. SIGNIFICANT ACCOUNTING POLICIES:

#### (a) ~~VALUATION OF ASSETS~~

The financial statements are prepared on accrual basis under historical cost convention on the basis of going concern and matching concept with the accounting standards referred to in sub-section (37) of section 211 of the Companies Act 1956.

#### (b) ~~VALUATION OF ASSETS~~

(i) Fixed Assets are stated at cost of acquisition or contribution including freight, duties, taxes and other incidental expenses relating to acquisition and installation thereof.

(ii) Depreciation on fixed assets has been provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act 1956 and on additions/deletions during the year is on pro rata basis with reference to the month of additions/deletions thereof.

#### (c) ~~INVESTMENTS~~

The valuation of the Investments is taken into account on the basis of cost of investment.

#### (d) ~~VALUATION OF INVENTORIES~~

Inventories are valued as under:-

- |                      |   |         |
|----------------------|---|---------|
| a. Raw Material      | 1 | -N/A-   |
| b. Stock In Progress | 1 | -N/A-   |
| c. Stores and Spares | 1 | At cost |
| d. Finished goods    | 1 | -N/A-   |

#### (e) ~~CURRENT ASSETS~~

Debtors and term employees are valued on net realization basis.

#### (f) ~~RETIREMENT BENEFITS~~

- a) The Company's contribution to provident fund is accordance with the employee's provident & Misc. provisions Act 1952 and charged to Profit & Loss account.
- b) The Liability for gratuity is provided according to payment of Gratuity Act 1972.

#### (g) ~~INTEREST~~

Interest is provided on the loans to Financial Institutions and Banks in accordance with the terms and conditions of the agreements entered into with them.

#### (h) ~~PROFIT & LOSS ACCOUNT~~

L

- a. Insurance claim received has been taken as income.
- b. Preliminary expenses are written off over a period of ten years.

2. i) During the year 2000-2001 there was a major fire incident in the factory on the night of 4/5 May 2000, in which all the stocks and major plant & machinery were burnt. The factory is lying closed then.

ii) The Company has lodged an insurance claim amounting to Rs.414.08 Lacs with the insurance company in the previous years.

iii) During the year the Company has received a sum of Rs.1.90 Lacs as on account payment against the insurance claim, which is shown in other income.

### 3. CONTINGENT LIABILITIES

Contingent Liabilities not accounted for in the accounts are separately shown in the annual statement of accounts.

	2003-2004	2002-2003
a. Claims against the company not acknowledged as debts	NIL	NIL
b. Uncalled Liabilities on shares partly paid up	NIL	NIL
c. Arrears of fixed cumulative dividend	NIL	NIL
d. Estimated amount of contracts remaining to be executed on capital account and not provided for	NIL	NIL

### 4. SEGMENT REPORTING

The Company has made no Sale or Purchase during the year, hence no information is required to be provided for product information is required to be provided for product segment or geographical segment.

5. Previous year figures have been regrouped/reclassified wherever necessary.

6. The amounts in the Balance Sheet & Profit & Loss Account rounded off to the nearest rupees.

7. The state subsidy of Rs.30 Lacs receivable from Haryana Government on its fixed assets has been provided and transferred to Reserves & Surplus Account.

8. In the opinion of management there is no permanent fall in the value of the investment made by the Company.

9. The secured Loans of the Company from various Financial Institutions and banks are secured against hypothecation of plant & machinery and other movable fixed assets of the Company including stocks.

10. No provision for taxation has been made in the accounts, as there is no liability in respect of the same.

11. No provision for Deferred Tax Assets/Liabilities is made as provided by AS-22 issued by the Institute of Chartered Accountants of India is made as the Company is declared as Sick Industrial Company vide its order dt.04.06.2003.

12. The Balances of the parties under the head debtors, creditors and loans and advances are subject to confirmation.

13. No Board meeting fees charged by the directors.

14. Managerial remuneration paid during the year: -

a) Managing Director - nil

15. Amount paid to auditor Rs.14700/-

### 16. EARNINGS PER SHARE (EPS)

In terms of Accounting Standards (AS-20) issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below: -

PARTICULARS	2003-2004	2002-2003
Profit/Loss as per Account (Rs in Lacs)		
Weighted Average No. of Equity Shares Outstanding during the year		
Basic and diluted EPS		

17. Additional Information pursuant to paragraph 3 & 4 of schedule VI of the Companies Act, 1956.

A) Particulars of capacities, productions, sales and stocks or the year ending 31.03.2003

Year	Licensed Capacity (tons)	Installed Capacity (tons)	Production Qty. (tons)	Production Amt. (Lacs)	Sales Qty. (tons)	Sales Amt. (Lacs)	Opening Stock Qty. (tons)	Opening Stock Amt. (Lacs)	Closing Stock Qty. (tons)	Closing Stock Amt. (Lacs)
2003-04	Yarn 7000	---	---	---	---	---	---	---	---	---
2002-03	Yarn 7000	---	---	---	---	---	---	---	---	---

B) Raw Material consumed

	Qty. (tons)	Amount (Rs. in Lacs)
2003-2004	NIL	NIL
2002-2003	NIL	NIL
C. Value of imported / Indigenous Raw Material, Spare parts Components and stores consumed		NIL

D. Expenditure in foreign Currency

-

E. Value of imports CIF basis (Capital goods)

-

18. RELATED PARTY DISCLOSURES

(a) Name of the related parties:

Subsidiary Companies

Associated Company

Key Management Personnel

Relatives of Key Management Personnel

Detail of aggregate Remuneration for Mr. Ashwani Dewan are as follows: -

Amount in Rs.

Salary & Allowances

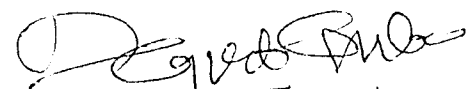
NIL


Contribution to Provident Fund & other Funds

Others

AS PER OUR REPORT OF EVEN DATE ATTACHED

For DEEPAK GULATI & ASSOCIATES  
CHARTERED ACCOUNTANTS

  
(DEEPAK GULATI)  
SOLE PROPRIETOR

  
(ASHWANI DEWAN)  
DIRECTOR

  
(ANIL DEWAN)  
DIRECTOR

PLACE: - NEW DELHI  
DATED: - 01.09.2004