

A. F. FERGUSON & CO.  
CHARTERED ACCOUNTANTS  
MAKER TOWERS "E"  
CUFFE PARADE  
MUMBAI 400 005

**AUDITORS' REPORT TO THE MEMBERS OF  
THE AHMEDABAD ADVANCE MILLS LIMITED**

1. We have audited the attached Balance Sheet of The Ahmedabad Advance Mills Limited as at March 31, 2007 and also the Profit and Loss Account and Cash Flow Statement for the nine months period ended on that date both 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 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 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 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 (the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
  - a) *the Company has given Inter Corporate Deposits (ICD) aggregating Rs.236,611,000 to two companies and one partnership firm which is not in accordance with Section 295 of the Companies Act, 1956. The two Companies have repaid the ICDs during the period with interest. However, the ICD placed with partnership firm is outstanding and the period end balance is Rs.135,820,000 (excluding accrued interest of Rs.3,793,245) (as indicated in Note 3; Schedule 16);*
  - b) *other liabilities and advances to employees are subject to adjustments, if any, arising from final settlement of workers (as indicated in Note 4; Schedule 16);*
  - c) *we are unable to ascertain the effect that the item mentioned in (b) above may have on the profits for the period and the debit balance of profit and loss account.*
5. *Subject to the matters referred to in paragraph (4) above:*
  - a) 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;

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THE AHMEDABAD ADVANCE MILLS LTD

AUTHORISED SIGNATORY

- 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 the books;
- c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) on the basis of the written representations received from the directors as on March 31 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the 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:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
  - (ii) in the case of the Profit and Loss Account, of the profit for the nine months period ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the nine months period ended on that date.

**For A. F. FERGUSON & CO.  
Chartered Accountants**



**A.C. Khanna  
Partner**

**Membership No. 17814**

MUMBAI :

**A. F. FERGUSON & CO.**  
CHARTERED ACCOUNTANTS  
MAKER TOWERS "E"  
CUFFE PARADE  
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**Annexure to Auditors' report**

Annexure referred to in paragraph 3 of our report of even date to the members of The Ahmedabad Advance Mills Limited on the accounts for the nine months period ended March 31, 2007.

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets except for assets sold till March 31, 2007. (Refer Note 2; Schedule 16).
- (b) Fixed assets have been physically verified by the management during the period and in our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) During the period under audit, the Company has sold 18,755.36 square yards of land and the remaining part of spinning department machineries. Fixed assets disposed off during the period were substantial. However, in view of the significant profits earned on sale of plant and machineries and land, the financial ability of the Company to meet its ascertained and contingent liabilities and the undertaking received from the promoters to support the Company for foreseeable future, we are of opinion that the going concern status of the Company is not affected.
- (ii) (a) The inventories have been physically verified during the period under audit 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) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventories and there were no discrepancies noticed on physical verification.
- (iii) (a) As per information and explanations given to us, the Company has granted unsecured loan to three parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs.145,933,543 and the period end balance of such loans was Rs.135,820,000.

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- (b) As per the information and explanations given to us, the rate of interest and other terms and conditions at which the loans have been given to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company having regards to the market yields.
  - (c) No stipulations or terms as to the recovery of principal and interest have been made in respect of loans given. In the absence of any stipulations or terms, we are unable to comment on the regularity of repayment of principal amount and interest.
  - (d) As no stipulations or terms have been made with regards to recovery of principal and interest amounts of loans, we are unable to comment on the overdue amount, if any, and the steps taken for recovery of overdue amounts.
  - (e) The Company has taken interest free unsecured loans from two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period is Rs.22,452,011 and the period end balance was Rs.15,943,000.
  - (f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - (g) No stipulation has been made with regards to repayment of principal amount of loans. Accordingly, regularity in repayment cannot be commented upon. The loans are interest free and accordingly regularity in payment of interest has not been commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems 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 and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the 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 have

been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) The Company has not accepted any deposits from the public to which the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply. Accordingly, the provisions of clause 4 (vi) of the Order are not applicable to the Company. As informed 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 or any other Tribunal.
- (vii) The Company's internal audit is carried out by a Chartered Accountant. In our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, the cost records as prescribed under clause (d) of sub-section (1) of section 209 of the Act have not been maintained by the Company during the period, as there was no manufacturing activity except on job work basis.
- (ix)
  - (a) According to the records of the Company and information and explanations given to us, provident fund, employees state insurance, income tax, sales tax, service tax, cess and other material statutory dues as applicable have not been regularly deposited during the period under audit with the appropriate authorities. As explained to us, the Company did not have any dues on account of investor education protection fund, custom duty, excise duty and wealth tax.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance (E.S.I.C), income tax, sales tax, service tax, cess and other material statutory dues as applicable were in arrears, as at March 31, 2007 for a period of more than six months from the date they became payable *except for E.S.I.C dues of Rs.4,44,736 in respect of earlier years.*
  - (c) According to the information and explanations given to us, there are no dues of Income Tax/Sales Tax/Service Tax/Customs Duty/Wealth Tax/Excise Duty or Cess that have not been deposited on account of any dispute. The Board for Industrial and Financial Reconstruction (BIFR) has vide the Order dated August 22, 2006 issued directives to the Income tax department to exempt the Company from payment of capital gains tax and permit the Company to set off the capital gains, if any, against accumulated losses of the Company. The Company has, accordingly, not deposited capital gain tax and interest thereon of approximately Rs.22,000,000 and Rs.33,000,000 for assessment years 2006-07 and 2007-08 respectively in accordance with the directives of

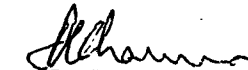
BIFR. However, the Income tax department has filed an appeal before the Appellate Authority for Industrial and Financial Reconstruction against the said directives of BIFR.

- (x) In our opinion, the accumulated losses at the end of the financial period are more than fifty per cent of its net worth. The Company has not incurred cash losses during the financial period covered by our audit and the immediately preceding financial period.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on the examination of our records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xv) According to information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4 (xv) of the Order are not applicable to the Company.
- (xvi) The Company has not taken any term loans during the period under audit. Accordingly, the provisions of clause 4 (xvi) of the Order are not applicable to the Company.
- (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 no funds raised on short-term basis have been used for long-term investment.
- (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 Companies Act, 1956.
- (xix) The Company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable to the Company.

A. F. FERGUSON & CO.

- (xx) The Company has not raised any money by way of public issues. Accordingly, the provisions of clause 4 (xx) of the Order are not applicable to the Company.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For A.F.FERGUSON & CO.  
Chartered Accountants



A.C.Khanna

Partner

Membership No. 17814

MUMBAI:

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**THE AHMEDABAD ADVANCE MILLS LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2007**

	SCHEDULE NO.	AS AT 31.03.2007 Rs.	AS AT 30.06.2006 Rs.
<b>SOURCES OF FUNDS:</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	31,128,750	31,128,750
Reserves and Surplus	2	28,962,983	28,962,983
		<u>60,091,733</u>	<u>60,091,733</u>
Share Application Money (Refer Note 7; Schedule 16)		150,000,000	150,000,000
<b>LOAN FUNDS:</b>			
Secured Loans	3	529,471	-
Unsecured Loans	4	149,268,264	21,852,011
		<u>149,797,735</u>	<u>21,852,011</u>
	<b>TOTAL</b>	<u>359,889,468</u>	<u>231,943,744</u>
<b>APPLICATION OF FUNDS:</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	2,988,285	12,917,219
Less: Depreciation		555,261	10,754,732
Net Block		<u>2,433,024</u>	<u>2,162,487</u>
Add : Capital Advances		300,000	300,000
		<u>2,733,024</u>	<u>2,462,487</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Property Constructed		1,424,943	1,424,943
Inventories	6	513,003	192,947
Sundry Debtors	7	218,700	10,154,813
Cash and Bank Balances	8	44,913,063	107,582,433
Loans and Advances	9	384,385,169	12,541,948
		<u>431,454,878</u>	<u>131,897,084</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	10	96,822,572	65,031,261
<b>NET CURRENT ASSETS</b>		334,632,306	66,865,823
<b>PROFIT AND LOSS ACCOUNT</b>	11	22,524,138	162,615,434
	<b>TOTAL</b>	<u>359,889,468</u>	<u>231,943,744</u>
Notes forming part of the accounts	16		


Per our report attached

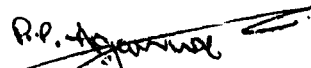
For A.F.Ferguson & Co.,  
Chartered Accountants

  
A. C. Khanna  
Partner

Place : Mumbai  
Date : 27/03/2007

For THE AHMEDABAD ADVANCE MILLS LIMITED

  
R. Vijaykumar  
Company Secretary  
and Manager(Finance)

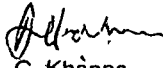
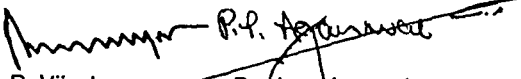
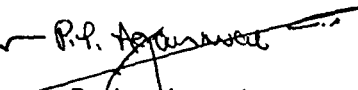

  
Pradeep Agarwal  
Director

  
S.D. Vyas  
Director

Place :  
Date :



**THE AHMEDABAD ADVANCE MILLS LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

	SCHEDULE NO.	CURRENT PERIOD Rs.	PREVIOUS PERIOD Rs.
<b>INCOME :</b>			
Sales and other Income	12	167,023,595	237,310,047
Interest Income (net)	15	8,292,856	-
<b>TOTAL</b>		<b>175,316,451</b>	<b>237,310,047</b>
<b>EXPENDITURE :</b>			
Cost of Property Constructed sold		-	1,994,917
Employees cost	13	1,554,201	2,702,220
Other Expenses	14	3,551,345	12,315,958
Interest Expense (net)	15	-	4,386,015
Depreciation	5	83,451	98,347
<b>TOTAL</b>		<b>5,188,997</b>	<b>21,497,457</b>
<b>Profit before taxation</b>		<b>170,127,454</b>	<b>215,812,590</b>
<b>Provision for Tax</b>			
Current Tax (Refer Notes 5 and 6; Schedule 16)		30,000,000	19,542,000
Fringe Benefit Tax		36,158	88,039
<b>Profit after taxation</b>		<b>140,091,296</b>	<b>196,182,551</b>
<b>Balance brought forward</b>		<b>(163,165,434)</b>	<b>(359,347,985)</b>
		<b>(23,074,138)</b>	<b>(163,165,434)</b>
<b>APPROPRIATIONS:</b>			
<b>Balance carried to balance sheet</b>		<b>(23,074,138)</b>	<b>(163,165,434)</b>
<b>Basic Earnings per share (Not Annualised)</b>		<b>Rs.45.00</b>	<b>Rs.63.02</b>
<b>Diluted Earnings per share (Not Annualised)</b>		<b>Rs.7.73</b>	<b>Rs.61.09</b>
<b>Face value per share</b> (Refer Note 9 ; Schedule 16)		<b>Rs.10.00</b>	<b>Rs.10.00</b>
Notes forming part of the accounts	16		
Per our report attached to the balance sheet		For THE AHMEDABAD ADVANCE MILLS LIMITED	
For A.F.Ferguson & Co., Chartered Accountants			
 A. C. Khanna Partner	 R. Vijaykumar Company Secretary and Manager(Finance)	 Pradeep Agarwal Director	 S.D. Vyas Director
Place : Mumbai		Place :	
Date:		Date :	

<b>THE AHMEDABAD ADVANCE MILLS LIMITED</b>			
<b>CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007</b>			
PARTICULARS	Rs.	Current Period	Previous Period
		Rs.	Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax		170,127,454	215,812,590
Adjustments for :			
Depreciation	83,451		98,347
Interest Expense/ (Income) (net)	(8,292,856)		4,386,015
Sundry Balances Written off (net)	21,891		116,861
Provision for doubtful debts	177,041		
Profit on sale of fixed assets	(4,500,000)		(1,413,324)
Profit on sale of Land	(162,087,283)		(229,373,703)
		<b>(174,597,756)</b>	<b>(226,185,804)</b>
Operating Profit Before Working Capital Changes		<b>(4,470,302)</b>	<b>(10,373,214)</b>
Adjustments for :			
Decrease / (Increase) in Trade and Other Receivable	(352,694,651)		12,821,808
Decrease/ (Increase) in Inventories & Property Cost	(320,056)		2,111,491
Increase/(Decrease) in Trade Payable	(1,208,689)		(87,862,064)
		<b>(354,223,396)</b>	<b>(72,928,765)</b>
Cash used in operating activities		<b>(358,693,698)</b>	<b>(83,301,979)</b>
Direct taxes (paid) / refunded (net)		<b>1,624,233</b>	<b>(88,744)</b>
Net Cash used in operating activities (a)		<b>(357,069,465)</b>	<b>(83,390,723)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>			
Interest received	5,875,232		3,493,405
Direct Taxes paid on Interest received	(3,372,783)		(786,637)
Purchase of fixed assets	(766,705)		(708,530)
Sale of Land	162,500,000		230,000,000
Sale of fixed assets	4,500,000		1,634,615
		<b>168,735,744</b>	<b>233,632,853</b>
Net cash generated from investing activities (b)		<b>168,735,744</b>	<b>233,632,853</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>			
Interest paid	(2,281,373)		(17,535,327)
Proceeds /(Repayment) from/ of Borrowings (net)	127,945,724		(26,551,199)
		<b>125,664,351</b>	<b>(44,086,526)</b>
Net Cash generated from / (used in) financing Activities (c)		<b>125,664,351</b>	<b>(44,086,526)</b>
Net increase / (decrease) in Cash & Cash Equivalents (a+b+c)		<b>(62,669,370)</b>	106,155,604
Cash & Cash Equivalents as at the commencement of the period		107,582,433	1,426,829
Cash & Cash Equivalents as at the end of the period		<b>44,913,063</b>	107,582,433
Net increase/(decrease) as disclosed above		<b>(62,669,370)</b>	106,155,604

Note: 1) The Cash Flow has been prepared under the (Indirect Method) as set out in Accounting Standard - 3 on cash flow statements issued by the Institute of Chartered Accountants of India.

2) Cash and Cash equivalents comprise of cash and bank balances per schedule B of Balance Sheet.

3) The figures for the current period are in respect of nine months period ended March 31, 2007 and hence not comparable with the previous period figures which are in respect of fifteen months period ended June 30, 2006

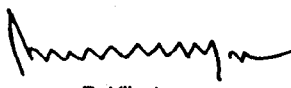
4) Previous period figures have been regrouped wherever necessary.

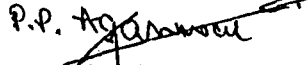
Per our report attached to the Balance Sheet  
For A.F.Ferguson & Co.,  
Chartered Accountants

  
A. C. Khanna  
Partner

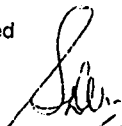
Place: Mumbai  
Date: 23 JUL 2007

For The Ahmedabad Advance Mills Limited

  
R. Vijaykumar  
Company Secretary  
cum Manager(Finance)

  
P.P. Agarwal  
Director

Place:  
Date:

  
S.D. Vyas  
Director

<b>THE AHMEDABAD ADVANCE MILLS LIMITED</b>		
<b>Schedules forming part of Balance Sheet as at March 31, 2007</b>		
SCHEDULE	As at 31.03.2007 Rs.	As at 30.06.2006 Rs.
<b><u>Schedule 1 - Share Capital</u></b>		
<b><u>Authorised:</u></b>		
25,000,000 (Previous Period 4,980,000) Equity Shares of Rs.10/- each	250,000,000	49,800,000
NIL (Previous Period 20,000) Unclassified Shares of Rs.10/- each	-	200,000
	<u>250,000,000</u>	<u>50,000,000</u>
<b><u>Issued and Subscribed:</u></b>		
3,112,875 Equity Shares of Rs.10/- each (of the above 3,45,805 Shares are allotted as fully paid pursuant to a contract without payments being received in cash)	31,128,750	31,128,750
	<u>31,128,750</u>	<u>31,128,750</u>
<b><u>Schedule 2 - Reserves and Surplus</u></b>		
Capital Reserve as per last Balance Sheet	28,962,983	28,962,983
General Reserve as per last Balance Sheet	550,000	550,000
Less: Reduced from debit balance in Profit and loss account per contra	<u>(550,000)</u>	<u>(550,000)</u>
	<u>28,962,983</u>	<u>28,962,983</u>
<b><u>Schedule 3 - Secured Loan</u></b>		
From a Bank (Secured by way of hypothecation of Motor Car)	529,471	-
	<u>529,471</u>	<u>-</u>
<b><u>Schedule 4 - Unsecured Loans</u></b>		
- Repayable within a year		
From a Bank :		
Overdraft account (Against pledge of fixed deposits made by a private limited Company in which directors of the Company are directors and members )	133,242,109	-
From Others :		
Inter Corporate Deposits	16,026,155	21,852,011
	<u>149,268,264</u>	<u>21,852,011</u>

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**Schedules forming part of Balance Sheet as at March 31, 2007**

(Figures in Rs.)

**SCHEDULE 5 - FIXED ASSETS (Refer Note 2 ; Schedule 16 )**

No	PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		AS ON 30.06.2006	ADDITIONS / ADJUSTMENTS	DEDUCTIONS	AS ON 31.03.2007	UP TO 30.06.2006	FOR THE PERIOD	DEDUCTIONS / ADJUSTMENTS	UP TO 31.03.2007	AS AT 31.03.2007	AS AT 30.06.2006
1	Land	802,952	-	412,717	390,235	-	-	-	390,235	802,952	
2	Buildings	961,747	-	-	961,747	233,624	11,757	-	245,381	716,366	728,123
3	Plant and Machinery	10,522,909	10,856	10,282,922	250,843	10,338,911	8,882	10,282,922	64,871	185,972	183,998
4	Furniture and fixtures	485,018	-	-	485,018	98,933	23,026	-	121,959	363,059	386,085
5	Motor Cars and Cycles	14,400	748,649	-	763,049	6,189	23,629	-	29,818	733,231	8,211
6	Computers	130,193	7,200	-	137,393	77,075	16,157	-	93,232	44,161	53,118
	<b>TOTAL</b>	<b>12,917,219</b>	<b>766,705</b>	<b>10,695,639</b>	<b>2,988,285</b>	<b>10,754,732</b>	<b>83,451</b>	<b>10,282,922</b>	<b>555,261</b>	<b>2,433,024</b>	
	<b>PREVIOUS YEAR</b>	<b>15,246,848</b>	<b>408,530</b>	<b>2,738,189</b>	<b>12,917,219</b>	<b>12,546,957</b>	<b>98,347</b>	<b>1,890,572</b>	<b>10,754,732</b>		<b>2,162,487</b>

<b>THE AHMEDABAD ADVANCE MILLS LIMITED</b>		
<b>Schedules forming part of Balance Sheet as at March 31, 2007</b>		
SCHEDULE	As at 31.03.2007 Rs.	As at 30.06.2006 Rs.
<b><u>Schedule 6 - Inventories</u></b>		
Raw Materials	36,731	12,680
Finished goods	476,272	180,267
	<u>513,003</u>	<u>192,947</u>
<b><u>Schedule 7 - Sundry Debtors</u></b>		
Unsecured :		
Over six months :		
- Considered Good	45,000	9,365,264
- Considered Doubtful	177,041	-
Other debts (Considered Good)	173,700	789,549
	<u>395,741</u>	<u>10,154,813</u>
Less : Provision for Bad and Doubtful Debts	177,041	-
	<u>218,700</u>	<u>10,154,813</u>
<b><u>Schedule 8 - Cash and Bank Balances</u></b>		
Cash on hand	6,870	25,943
Bank Balances with scheduled banks :		
a) In Current Accounts	42,295,688	542,363
b) In Fixed Deposit Accounts ( Includes Rs.10,505/- under lien with sales tax; As at June 30, 2006 Rs.5,127/-)	2,610,505	107,014,127
	<u>44,913,063</u>	<u>107,582,433</u>

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**Schedules forming part of Balance Sheet as at March 31, 2007**

SCHEDULE	As at 31.03.2007 Rs.	As at 30.06.2006 Rs.
<b><u>Schedule 9 - Loans and Advances</u></b>		
Unsecured and Considered good unless otherwise stated		
Advances recoverable in Cash or in kind or for value to be received (after deducting provision for doubtful advances Rs.1,495,345/-; As at June 30, 2006 Rs.1,495,345/-)	229,478	518,647
Advances to employees	7,552,506	7,801,506
Interest Accrued on Bank Deposits and ICDs	9,168,061	1,469,064
Deposits	41,560	291,560
Inter Corporate Deposits (ICD)	363,220,000	-
Advance Payment of Taxes	4,173,564	2,461,171
	<u>384,385,169</u>	<u>12,541,948</u>
<b><u>Schedule 10 - Current Liabilities and Provisions</u></b>		
<b><u>Current liabilities</u></b>		
Sundry Creditors		
-Outstanding dues of small scale industrial undertakings (Kalaika Synthetics Private Limited)	330,402	669,152
-Others	4,240,490	4,172,780
Sundry deposits and advances	99,999	-
Property development booking advance	1,755,269	1,754,269
Other liabilities (includes in respect of Gratuity Rs.14,601,687; As at June 30, 2006 Rs. 15,251,687.)	32,049,352	33,251,947
Maintenance deposits	3,347,060	3,183,113
<b><u>Provisions</u></b>		
Provision for tax	55,000,000	22,000,000
	<u>96,822,572</u>	<u>65,031,261</u>
<b><u>Schedule 11 - Profit and Loss Account</u></b>		
Debit balance in the Profit and Loss Account	23,074,138	163,165,434
Less: transferred from General Reserve - per contra	550,000	550,000
	<u>22,524,138</u>	<u>162,615,434</u>

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**Schedules forming part of the Profit and Loss Account  
for the nine months period ended March 31, 2007**

	<u>Current Period</u> Rs.	<u>Previous Period</u> Rs.
<b><u>Schedule 12 - Sales and Other Income</u></b>		
Sale of Yarn	311,250	2,484,370
Brokerage and Commission Income (Includes Prior Period Income Rs. Nil ; Previous Period Rs. 11,84,665/-)	-	1,184,665
Profit on Sale of Land	162,087,283	229,373,703
Profit on Sale of Fixed Assets, Stores and scrap	4,500,000	1,413,324
Sales of Property Constructed	-	2,700,000
Rent Received	52,200	96,000
Miscellaneous Income	72,862	57,985
	<u>167,023,595</u>	<u>237,310,047</u>
<b><u>Schedule 13 - Employees Cost</u></b>		
Salaries, Wages and Bonus	308,500	441,000
Retrenchment Expenses	1,212,049	2,195,348
Welfare expenses	33,652	65,872
	<u>1,554,201</u>	<u>2,702,220</u>

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**Schedules forming part of the Profit and Loss Account  
for the nine months period ended March 31, 2007**

	<u>Current Period</u> Rs.	<u>Previous Period</u> Rs.
<b>Schedule 14 - Other Expenses</b>		
Raw materials consumed	435,052	1,831,283
Conversion Charges	172,193	738,717
Repairs and maintenance - others	12,500	238,529
Rent	231,000	563,000
Rates and Taxes	202,073	112,588
Auditors' Remuneration (Includes Rs.295,700/- for earlier period; Previous Period Rs.Nil)		
- Audit fees	423,240	138,260
- Other services	395,870	127,240
	819,110	265,500
Insurance	640	7,144
Land Development Expenses	16,500	528,251
Electricity Expenses (Includes Rs. Nil for earlier years ; Previous Period Rs. 7,64,532/-)	62,938	913,710
Sundry expenses	254,335	1,010,731
Legal and Professional fees	755,939	1,774,833
Travelling, Conveyance and Hotel	329,344	835,291
Advertising expenses	35,374	216,317
Office maintenance expenses	89,664	44,989
Machine Shifting charges	-	813,275
Repairs and maintenance of motor vehicles	47,865	56,652
Security charges	-	151,816
Telephone expenses	76,724	146,428
Postage, Printing and Stationery	34,178	60,638
Bank charges	72,989	113,848
Penalty for Excise and Provident Fund	-	1,310,634
Exchange Rate Difference	-	316,699
Sundry Balances Written Off (Net)	21,891	116,861
Provision for doubtful debts	177,041	-
<b>(Increase) / Decrease in Inventory</b>		
Closing stock of finished goods	476,272	180,267
Less :Opening stock of finished goods	180,267	77,491
	(296,005)	(102,776)
Donation	-	251,000
<b>TOTAL</b>	<b>3,551,345</b>	<b>12,315,958</b>



**THE AHMEDABAD ADVANCE MILLS LIMITED**

**Schedules forming part of the Profit and Loss Account  
for the nine months period ended March 31, 2007**

	<u>Current Period Rs.</u>	<u>Previous Period Rs.</u>
<b>Schedule 15 - Interest</b>		
Interest Income :		
- Interest Income on Bank Fixed Deposits and Inter Corporate Deposits (Tax Deducted at Source Rs.3,372,783 /- Previous Period Rs. 786,637/-)	13,574,229	4,962,469
Less :		
- Interest paid on Bank Overdraft	2,042,109	-
-On Delayed payment of Advance Tax	3,000,000	2,458,000
-On Others (On Fixed Period Loan Rs.239,264; Previous Period Rs.Nil) (Includes Rs. Nil for earlier years; Previous Period Rs. 46,72,106)	239,264	6,890,484
	5,281,373	9,348,484
Interest Income / (Expense) (net)	<u>8,292,856</u>	<u>(4,386,015)</u>

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

- 1-A The Company had suspended its operations at Ahmedabad since March 13, 1995 due to financial constraints and labour unrest. The Company was declared as a Sick Unit within the meaning of Section 3(1)(o) of the Sick Industrial (Special Provisions) Act, 1985 (SICA). The Board for Industrial and Financial Reconstruction (BIFR) vide its Order dated August 22, 2006 has discharged the Company from the purview of SICA as the net worth of the Company had turned positive on June 30, 2006 considering the conversion of Inter Corporate Deposit of Rs.150,00,000 into Share Application Money.

The Company has sold/ scrapped all Plant and Machineries, except air conditioners, has demolished all its factory and administration buildings and has disposed off the entire surplus land available for sale. However, in view of the significant profits earned on sale of plant and machineries and land, the financial ability of the Company to meet its ascertained and contingent liabilities and the undertaking received from the promoters to support the Company for foreseeable future, the accounts have been prepared on a going concern basis.

The management is exploring various alternatives to deploy the funds in profitable lines of business.

1-B **SIGNIFICANT ACCOUNTING POLICIES:**

(i) **Basis of Accounting:**

The financial statements are prepared under the historical cost convention on an accrual basis.

(ii) **Fixed Assets and Depreciation:**

Fixed assets including structural changes/major improvements are stated at cost of acquisition including incidental expenses related to acquisition and installation less accumulated depreciation.

Depreciation is provided on the straight-line method at the rates and method specified in Schedule XIV of the Companies Act, 1956.

(iii) **Inventories:**

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence. The cost of inventories is arrived at based on first-in-first-out basis.

(iv) **Revenue recognition:**

- a. Property constructed represents costs of premises remaining with the Company on completion of a property development project, the income of which is recognised on completion of the sale of such premises.
- b. Revenue from sale of textiles is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of sales tax and other levies.

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

c. Interest Income is recognised on a time proportion basis.

**(v) Retirement Benefits:**

The Company's contribution paid/payable during the year to the Provident Fund/Gratuity Fund is charged to the Profit and Loss Account. The gratuity liability, as per Payment of Gratuity Act is payable upto 13.3.1995 to all eligible workers. Therefore, in terms of the Order dated 23.01.2004, of the Honourable BIFR, provision for Gratuity to all the eligible workers have been provided for on an arithmetic calculation.

**(vi) Retrenchment Expenses:**

Retrenchment expenses amounting to Rs. 1,212,049/- (Previous Period Rs.2,195,348/-) paid / payable to retrenched employees during the period have been charged to the profit and loss account.

**(vii) Taxation:**

Income tax expense comprises current tax and deferred tax charge or credit. The deferred tax charge or credit is recognised using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets / liabilities are reviewed as at each balance sheet date based on developments during the year and available case law, to reassess realisation / liabilities.

2. During the period, the Company has sold/scrapped all the remaining Plant and Machineries of the spinning department. The Company did not have a complete record of original cost, accumulated depreciation and written down value (W.D.V.) of fixed assets and accordingly, adjustments to the original costs and accumulated depreciation for the assets sold during the period has been derived by ascertaining the original cost and accumulated depreciation of the existing assets and reducing it from the respective opening balances.
3. The Company has given ICDs aggregating Rs.236,611,000/- (Previous Period Rs. NIL) to two companies and one partnership firm without prior approval of the Central Government as required under section 295 of the Companies Act, 1956. The two Companies have repaid the ICDs during the period with interest. However, the ICD placed with partnership firm is outstanding and the period end balance is Rs.135,820,000/- (excluding accrued interest of Rs.3,793,245). The Company is in the process of recovering the ICD amount and interest thereon and then applying to the Central Government for its approval.
4. 'Other liabilities', which include worker's dues have been ascertained on the basis of available records with the Company and are subject to adjustments. Pending settlement, the payments to Workers Included In advance to employees, as per court order amounting to Rs. 7,552,506/- (Previous period Rs. 7,801,506/-) made in earlier years have been considered as advances against their final dues.

# THE AHMEDABAD ADVANCE MILLS LIMITED

## SCHEDULE 16:

### NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)

Accordingly, other liabilities and advance to employees are subject to adjustments, if any, arising on final settlement.

5. The Company had vide its letter dated September 19, 2005 applied to the Income tax department for granting relief and concessions in accordance with the sanctioned Revival Scheme of BIFR vide their Order dated January 23, 2004. Further the BIFR vide its Order dated August 22, 2006, issued directives to the Income tax department to exempt the Company from payment of capital gains tax and permit the Company to set off the capital gains, if any, against accumulated losses of the Company. However, the Income tax department has filed an appeal before the Appellate Authority for Industrial and Financial Reconstruction against said directives of BIFR. Pending approval of such relief and concessions the Company has made a provision of Rs.33,000,000/- (Previous Period Rs.22,000,000/-), including interest of Rs.3,000,000/- (Previous Period Rs.2,458,000/-) for income tax liability in accordance with the provisions of the Income - tax Act, 1961 during the nine months period ended March 31, 2007. However, the cumulative provision for income tax of Rs.55,000,000/- will not be required if the relief and concessions are granted by the Income tax department.

6. Deferred Tax:

The Company has unabsorbed depreciation and carried forward losses available for set-off under the Income-tax Act, 1961. However, as the Company was a Sick Industrial undertaking and has not commenced significant operations, there is no virtual certainty that sufficient future taxable income will be available and accordingly, net deferred tax assets at the year end including related credit for the year have not been recognised in the accounts on the basis of prudence.

7. During the previous period unsecured loan of Rs.150,000,000/- from Anjani Commercial Corporation was converted to Share Application Money.

8. (A) Contingent Liabilities not provided for:

	Current Period Rs.	Previous Period Rs.
(i) Demands by workmen and employees, including demands pending before the Industrial Court, Gujarat	To be settled as per BIFR order dated 23 <sup>rd</sup> January, 2004-(Amount not ascertainable)	To be settled as per BIFR order dated 23 <sup>rd</sup> January, 2004-(Amount not ascertainable)
(ii) Claims against the Company not acknowledged as debts	13,709,807	13,709,807

In respect of Items (i) and (ii), future cash outflows in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums / authorities

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

(B) Capital commitment for purchase of land (net of advance paid) Rs.2,126,180/-  
(Previous period Rs. 2,126,180/-)

9. Earnings per share (EPS)

	Current Period	Previous Period
Profit after tax available to equity shareholders (*)	Rs.140,091,296	Rs. 196,182,551
Weighted average number of equity shares for Basic EPS	3,112,875	3,112,875
Weighted average number of equity shares for Diluted EPS (considering Share Application Money)	18,112,875	3,211,559
Basic EPS – Not Annualised(*)	Rs. 45.00	Rs. 63.02
Diluted EPS – Not Annualised (*)	Rs.7.73	Rs.61.09
Face value per share	Rs.10.00	Rs.10.00

(\*) Subject to adjustments in respect of qualifications contained in the Auditors' report

9 (A). Transactions with Related parties:

	Nine Months period ended 31.03.2007		Fifteen Months period ended 30.06.2006	
	Associate Promoter	Other enterprises under common control	Associate Promoter	Other enterprises under common control
	Rs.	Rs.	Rs.	Rs.
Inter corporate unsecured Loan liquidated: 1) Prateek Realty Pvt. Ltd. 2) Anjani Commercial Corpn		1,754,011 5,105,000		185,203,937 8,990,000
ICDs converted to Share Application Money-Anjani Commercial Corporation		NIL		150,000,000
Inter corporate unsecured Loan received: 1) Prateek Realty Pvt. Ltd. 2) Anjani Commercial Corpn		850,000 100,000		9,080,276 163,995,000
Inter corporate Deposits (ICDs) placed: 1) Phulchand Exports Ltd. 2) Anjani Commercial Corpn 3) Rivian International Pvt. Ltd.	4,250,000	228,545,000 3,816,000	NIL	NIL NIL

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

	Nine Months period ended 31.03.2007		Fifteen Months period ended 30.06.2006	
	Associate Promoter	Other enterprises under common control	Associate Promoter	Other enterprises under common control
	Rs.	Rs.	Rs.	Rs.
Interest on ICDs placed: 1) Phulchand Exports Ltd. 2) Anjani Commercial Corpn 3) Rivian International Pvt. Ltd.	36,330	4,890,723 22,582	NIL	NIL NIL
<b>Outstanding Balances</b>	<b>As at 31.03.2007</b>		<b>As at 30.06.2006</b>	
Inter corporate unsecured loans outstanding as at the end of the period: 1) Prateek Realty Pvt. Ltd. 2) Anjani Commercial Corpn		15,943,000 NIL		16,847,011 5,005,000
Inter corporate deposits placed outstanding as at the end of the period (including accrued interest): 1) Phulchand Exports Ltd. 2) Anjani Commercial Corpn 3) Rivian International Pvt. Ltd.	NIL	139,613,245 NIL	NIL	NIL NIL

9. (B) List of related party and their nature of relationship:

Sr. No.	Nature of Relationship	Name of the Parties
1.	Associate Promoter	Phulchand Exports Limited
2.	Other enterprises under common control	1. Prateek Realty Private Limited 2. Anjani Commercial Corporation 3. Rivian International Private Limited
3.	Key Management Personnel	1. Pradeep Agarwal 2. S. D. Vyas 3. V. S. Didwania

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

11. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956.

S.No	Description	Current Period		Previous Period	
		Kgs.	Rs.	Kgs.	Rs.
	<b>TURNOVER</b>				
I	Carded Cotton	NIL		7,354	5,30,370
	Yarn	3,750	311,250	26,000	1,954,000
	<b>PRODUCTION</b>				
II	Carded Cotton	NIL		7,358	
	Yarn	7,235		28,250	
	<b>CLOSING STOCK OF FINISHED GOODS</b>				
III	Carded Cotton	4	267	4	267
	Yarn	5,735	476,005	2,250	180,000
	<b>RAW MATERIAL CONSUMPTION:</b>				
IV	Cotton*	8,169	435,052	38,058	1,831,283

\* includes wastages and losses on conversion 934 kgs; (Previous Period 4400 Kgs)

(v) **Licensed Capacity:**

Licensed Capacity per annum not indicated due to the abolition of Industrial Licenses as per Notification No. 477(E) dated July 25, 1991 issued under The Industries (Development and Regulation) Act, 1951.

(vi) **Installed Capacity (as Certified by a Director but not verified by the Auditors being a technical matter):**

	Current Period *	Previous Period
Spindles Nos.	22,000	22,000

\*Upto February 2007, since the Company has disposed off all the remaining part of plant and machinery of spinning department on that date.

12. No companies have been identified under the Micro, Small and Medium Enterprises Development Act, 2006. This disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

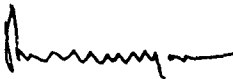
13. The figures for the Current period are in respect of nine months period ended March 31, 2007 and hence not comparable with the Previous Period figures which are in respect of fifteen months ended June 30, 2006.

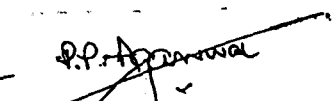
THE AHMEDABAD ADVANCE MILLS LIMITED

SCHEDULE 16:

NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED  
MARCH 31, 2007 (contd.)

14. Figures for the Previous Period have been regrouped wherever necessary.

  
R. Vijaykumar  
Company Secretary  
and Manager (Finance)

  
Pradeep Agarwal  
Director

  
S. D. Vyas  
Director

Place: Mumbai

Date: 21/03/07



**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

10. Information given in accordance with the requirements of Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India

**Information about Primary Business Segments**

	<b>Textile Mill</b>	<b>Brokerage &amp; Commission</b>	<b>Property Construction</b>	<b>Unallocated</b>	<b>Total</b>
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Revenue</b>					
External	166,971,395 233,329,382	NIL 1,184,665	52,200 2,796,000	NIL NIL	167,023,595 237,310,047
Total Revenue	166,971,395 233,329,382	NIL 1,184,665	52,200 2,796,000	NIL NIL	167,023,595 237,310,047
<b>Result</b>					
Segment result	162,878,829 218,928,817	(177,041) 1,184,665	52,200 700,903	(919,390) (615,780)	161,834,598 220,198,605
Operating profit					161,834,598 220,198,605
Interest Income/ (Expense) (net)					8,292,856 (4,386,015)
Profit before taxation					170,127,454 215,812,590
Provision for taxation					30,036,158 19,630,039
Profit after taxation					140,091,296 196,182,551
<b>Other information</b>					
Segment Assets	53,513,269 12,625,002	NIL 9,320,264	1,502,503 1,469,943	374,998,566 108,483,191	430,014,338 131,898,400
Segment Liabilities	35,743,861 37,007,967	NIL 851,593	5,206,168 5,070,397	872,543 101,304	41,822,572 43,031,261
Capital expenditure	766,705 708,530	NIL NIL	NIL NIL	NIL NIL	766,705 708,530
Depreciation	83,451 98,347	NIL NIL	NIL NIL	NIL NIL	83,451 98,347
Non Cash expenditure other than Depreciation	198,932 116,861	NIL NIL	NIL NIL	NIL NIL	198,932 116,861

**THE AHMEDABAD ADVANCE MILLS LIMITED**

**SCHEDULE 16:**

**NOTES FORMING PART OF THE ACCOUNTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (contd.)**

	Figures in Rupees
<b>Total Unallocable assets exclude:</b>	
Advance payment of taxes (net)	4,173,564
	<i>2,461,171</i>
<b>Total Unallocable liabilities exclude:</b>	
Loan Funds	149,797,735
	<i>21,852,011</i>
Provision for tax	55,000,000
	<i>22,000,000</i>

**Notes:**

a) The Company has three reportable primary segments i.e. Textile Mill, Brokerage & Commission and Property Construction.

b) Unallocated represents all unallocable items not included in the segments.

c) There are no inter-segment transactions during the period.

**d) Information about Secondary Segments**

Since all the activities of the Company in relation to the abovementioned Business segments are situated only at Ahmedabad, disclosure requirement under this segment are not applicable.

e) Figures in Italics represent Previous Period Figures.