

F A Z E

L I M I T E D



**24th Annual Report
2008-2009**

FAZE THREE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Saturday, 29th August 2009
2. Time and Venue : 12.00 noon at
Survey No. 356/1-2,
Village Dadra - 396191
Union Territory of Dadra & Nagar Haveli
3. Book Closure : Tuesday, 25th August 2009 to
Saturday 29th August 2009 (both days inclusive)
4. Investors' Complaints may be addressed to : Corporate Office
Faze Three Limited,
1-2, Shiv Smriti Chambers,49-A,
Dr. Annie Besant Road, Worli,
Mumbai – 400 018
Phone : 022 6660 4600
Email: investors@fazethree.com

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Board of Directors

Mr. Ajay Anand	Chairman & Managing Director
Mr. Sanjay Anand	Whole Time Director
Mrs. Rashmi Anand	Whole Time Director
Mr. G. G. Prabhu	Executive Director
Mr. Vasudeva Rao	Director
Mr. Kishore M. Mahimkar	Director
Mr. Rajiv Rai Sachdev	Director

Company Secretary

Mr. Martin Golla	VP-Legal & Company Secretary
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Auditors

M/s Thakur Vaidyanath Aiyar & Co.
Chartered Accountants,
Mumbai.

Solicitors

Mahimkar & Mahimkar

Bankers

Canara Bank

Registered Office

Survey No. 380/1, Khanvel Silvassa Road,
Dapada -396191
Union Territory of Dadra & Nagar Haveli

Corporate Office

1-2, Shiv Smriti Chambers, 49-A, Dr. Annie
Besant Road, Worli, Mumbai - 400 018.

Works

1. Handloom & Made-ups Plant, Jatal Road,
Anand Nagar, Panipat
2. Weaving & Made-Ups Plant Survey No.
380/1, Village Dapada, UTD&NH
3. Bathmat Plant Survey No. 356/1-2, Village
Dadra, UTD&NH
4. Dye-House Plot No. 71, GIDC, Vapi
Industrial Area, Pardi Distt. Valsad,
Gujarat.

Registrar & Share Transfer Agent

Sharex Dynamic (I) P Ltd,
Unit-1, Luthra Industrial Premises,
Andheri - Kurla Road, Safed Pool,
Andheri (E) Mumbai - 400 072
www.sharexindia.com

Web-site

www.fazethree.com

DIRECTORS' REPORT

To the Members,

Yours Directors present the 24th Annual Report together with the Audited Statements of Accounts for the year ended March 31st 2009.

FINANCIAL RESULTS

	For the Year ended 31.03.2009 (Rs. Lakhs)	For the Year ended 31.03.2008 (Rs. Lakhs)
Sales & Other Income	15085.02	12430.33
Profit / (Loss) before taxation	(1817.70)	716.02
Less: Provision for Taxation		
Current Tax	-	81.83
Deferred Tax	65.50	102.13
Fringe Benefits Tax	8.50	15.50
Less: Prior Period Charges	3.38	6.59
Profit / (Loss) after Taxation	(1895.09)	509.97
Balance brought forward from Previous Year	256.44	146.48
Profit / (Loss) available for appropriation	(1638.64)	656.45
Transfer to General Reserve	(1638.64)	400.00
Balance carried over to the next year	-	256.44

COMPANY OPERATIONS

The Company registered a growth of 17.60% in the sales and other income for the year 2008-09 which amounted to Rs. 15085.02 Lacs as compared to Rs. 12605.26 Lacs during the previous year 2007-08. The growth in sales is primarily driven by a healthy increase in the volumes of exports. However, the Company has suffered a loss of Rs. 1895.09 Lacs during the year under review. The reduction in the profitability is mainly due to adverse exchange rate fluctuations coupled with increased input cost, finance and other operating costs.

During the year under review, the Company's performance on export front was satisfactory, reporting a sound growth of 19.61% in total turnover of the Company. The Company expects that going forward the market for its products remains quite strong.

BUSINESS OVERVIEW

The year 2008-2009 witnessed global economic recession across all the sectors of the industry affecting all major economies of the world viz. USA & European Countries and Indian economy is not an exception to this.

Faze Three Limited has stepped up by achieving sales of Rs. 139 crores than previous years sales of Rs. 110 Crores. Though the colossal consequence of recession affected the company's performance in the current year, the company's sturdy and growing aspiration enabled to meet its targets and kept the sales revenues growing. The strong product base of the Company has enabled to look forward and achieve its sales targets. The excellent client base also facilitated the company to face the onslaught of the economic downturn.



DIVIDEND

Consequence of exchange fluctuation and various higher input costs resulting into loss, your Directors have refrained from recommending any dividend for the year under review.

AWARDS

The Company has awarded a Gold Trophy under Category - I by the Handloom Export Promotion Council, Ministry of Textiles, Government of India for outstanding performance in exports for the year 2005-2006 and 2006-2007.

SUBSIDIARIES COMPANIES:

The Company has made an application under Section 212 (8) of the Companies Act, 1956 seeking exemption from attaching the Balance Sheet and Profit & Loss accounts of the subsidiary companies i.e. Pana Textil GmbH and Faze Three Netherlands B.V. The approval in this regard is awaited.

FIXED DEPOSITS

Your Company has not accepted any deposits from public, and no amount of principal or interest was outstanding on the date of the Balance Sheet.

AUDITORS

M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under section 224(1B) of the Companies Act, 1956, and have indicated their willingness to continue. Members are requested to appoint the auditors and fix their remuneration.

DIRECTORS

Mr. Kishore Madhav Mahimkar is a Solicitor by profession and has been associated with the Company for quite a long time and has been highly instrumental in advising on Corporate Law affairs of the Company.

Mr. Vasudeva Rao is a well-known Chartered Accountant having vast experience in the Finance Sector. He brings with him an experience of over 4 decades and has been of great help to the Company in advising on corporate and tax matters.

The aforesaid Directors are retiring at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. A brief resume of the above said directors is forming the part of the corporate governance report.

Your directors recommend re-appointment of the said directors.

PARTICULARS OF EMPLOYEE

As required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, a statement showing the names and other particulars of employees are here below:

Disclosure under Section 217(2A) of the Companies Act, 1956 for the year ended March 31st 2009.

Name	Designation	Remuneration (Rs.)
Mr. Ajay Anand	Chairman & Managing Director	42,33,602/-

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure to this Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision 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 "going concern basis".

CORPORATE GOVERNANCE

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed thereto.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, customers, vendors, Banks and Financial Institutions, regulatory and government authorities, stock exchanges and employees of the Company for their continued support and co-operation.

Place: Mumbai
Date: 05.08.2009

For and on behalf of the Board

Ajay Anand
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 forming part of the Report of the Directors.

1. RESEARCH AND DEVELOPMENT (R & D)

- (i) Specific area in which R & D is carried out by the Company:
- Introduction of new products and Improving the Processes of existing products.
 - Making new Designs acceptable to international customers.
- (ii) Benefits derived as a result of R & D activities:
- Product Range Extension
 - Improvement of quality and yield
 - Cost reduction leading to competitiveness
 - Development of various designs as well as new products, with high standard in international market.
 - Reduction in cost and time cycle, better effluent management and utilizing only indigenous products for offering finished products in export market.
 - Reduction in cost and time cycle, better effluent management.
- (iii) Future Plan of Action
- Development of Products for indigenous market.
 - Substitute Development of new designs for Export of high value products, which are currently imported.
 - Expanding the market by going in for diversification in the home product range.
 - Developing new products range to have edge over others with high standards of quality and unique design to compete with other indigenous manufacturers to improve the export turnover base.

2. CONSERVATION OF ENERGY

The particulars with respect to Conservation of Energy etc. pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 under section 217 (1)(e) of the Companies Act, 1956 are set out as under:

A.	(i) Electricity	For the year ended March 31st 2009	For the year ended March 31st 2008
	A) Purchased		
	Units (Lakhs)	55.34	51.98
	Total Cost (Rs. in Lakhs)	235.22	205.00
	Rate Per Unit (Rs.)	4.25	3.94
	B) Own Generation (Thru DG Set)		
	Units (Lakhs)	12.45	11.20
	Total Cost (Rs. in lakhs)	137.13	107.88
	Rate Per Unit (Rs.)	11.01	9.63
	(ii) Coal, Firewood, Rice Husk etc. (Qty in Qntls)	135839.97	96611.35
	Total Cost (Rs. in Lakhs)	485.04	289.71
	Rate per Qntl. (Rs.)	357.07	268.08
B.	FOREIGN EXCHANGE EARNINGS AND OUTGO (Rs. in Lakhs)	2008-2009	2007-2008
	Total Foreign Exchange Earnings Eamed	12794.28	9872.94
	Total Foreign Exchange Used	147.03	300.06

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

India's economy has been one of the best performers in the world economy in recent years. India's economy has been one of the stars of global economies, growing at around 9% in 2006 and 2007. In the year 2008-09, due to economic downturn, the growth slowed down to around 7%. However, the Indian economy geared up due to its strong fundamentals and economic policies. While the developed economies are still struggling, various reports suggest that the emerging economies like India are growing consistently, that gives us the sigh of relief in an otherwise gloomy scene of other economies.

There is a slight thaw in the negative trend and it is expected that the global economy may improve from the second half of the Financial Year 2009-10. To counter the negative impact on exports due to the global financial crisis, the Central Government has extended the interest subvention of 2 per cent on pre and post shipment credit for employment oriented sectors i.e. Textiles (including handloom & handicrafts), Carpets, Leathers and SMEs beyond March 31, 2009 till September 30, 2009.

Faze Three Limited is having sound international market base in home textiles and has strong brand equity under trademarks like Eazylon and Easydry which are successfully registered in US. While focusing on creating brand equity in Bathmats and Rugs, the Company is now focusing on establishing its foothold in European markets as well.

OPPORTUNITIES AND CHALLENGES

The present global economic scenario throws up opportunities for fundamentally strong companies having inherent strengths, in the form of strong domain expertise, powerful product positioning, strength and resilience of the product range and unparalleled product innovation capabilities combined with deep market penetration, provide a highly potent platform to seize the opportunities in the form of niche markets including novice market segments and channels of distribution, etc.

The Company is realigning its strategic thinking towards re-engineering the production process, streamlining its product offerings base, improving current products, creating new designs and products, entering new segments and new markets with innovative designs and development of value added products with a view to increase market share.

ECONOMY AND BUSINESS OUTLOOK

The future outlook of the Indian textile industry is predicted to remain gloomy for 2009-10 due to negative impact of the recession on international markets. The textile industry expects the growth momentum to be either flat or marginally lower in the fiscal 2009-10. It has been expected that textile industry will start growing by the month of October 09-10 but the growth in this fiscal will be flat or marginal.

However, Decrease in excise duty on artificial fibre has been implemented to favor cheaper production costs and ensure competitiveness on export market. The TUF, with its interest subsidy, provides textile players with much needed funding plan for their expansion and development strategies.

After a full year in heads-down crisis mode, the Company is looking again to the future by examining the underlying forces that shape the business environment and to look for opportunities.

RISK & CONCERN

The grim outlook for the Indian textile industry for next year is forecasted in the backdrop of economic slowdown in the international market. These factors along with elonging cash cycles and rising working capital requirements have put extensive pressure on the short-term liquidity of the industry.

The Company operates in a highly competitive environment. The demand for the Company's products depends upon various global factors and most importantly the customers spending habits. The Company is looking forward to have a strong access in the European Markets through its subsidiary Pana Textil GmbH. This requires a continuous process of adapting to the changing needs of European Markets. To mitigate the above risks, the Company has a strong focus on continuous innovation process and hence has been introducing technologically improved products in the market and endeavors to keep introducing enhanced features in the products to improve the value proposition to the customer.

INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

The Company has adequate systems of internal control procedures and review mechanism commensurate with the size and nature of the business and an effective system of accounting to guarantee optimal use of its resources and protection thereof. The internal control system comprises of those controls established in order to provide reasonable assurance of safeguarding assets against unauthorized use or disruption and maintenance of proper accounting records and the reliability of financial information used within the business.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Your company is of the strong belief that the employees are the most vital resources giving the Company an edge over its competitors in the dynamic business environment. Your company has continued with its collaborative approach to manage industrial relations. This has ensured a cordial and harmonious working environment at the plants/factories of the Company. Further, the Company is taking all possible and prompt measures and is also reinventing itself, so as to keep pace and cope up with the ever-increasing competition. The work force of the Company has a fine blend of youth and seasoned experience.

POLLUTION AND ENVIRONMENTAL CONTROLS

All the plants of the company are subject to strict certification requirements from its esteemed international buyers like Walmart, Target, J C Penny, Marks & Spencer, etc. The certification by these reputed buyers encompasses strict environmental compliances. Your company is an accredited supplier to these buyers. Your company has put in place a sustainable environmental friendly mechanism in all its plants.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of the applicable corporate laws and regulations. It may be noted that the actual results may differ from what has been expressed or implied herein.

Place: Mumbai
Dated: 05.08.2009

For and on behalf of the Board

Ajay Anand
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

THE REPORT & ITS APPLICABILITY

The Corporate Governance represents the value, ethical and moral framework under which business decisions are taken. Corporate Governance is the mechanism by which the values, principles, policies and procedures of the organization are inculcated and manifested. The essence lies in promoting and maintaining transparency, integrity and accountability throughout the organization.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Philosophy on Corporate Governance is to achieve business excellence and to create and enhance the value for its shareholders, employees, Banks & Financial Institution, creditors, customers and the Government thereby, to make a significant contribution to the social responsibility. FTL endeavors to achieve the highest levels of transparency, accountability, integrity and responsibility and continues to focus on good Corporate Governance, in line with local and global standards.

COMPOSITION OF BOARD OF DIRECTORS

Your Board comprises combination of independent professionals as well as company executives having in-depth knowledge of the business of the Industry. The size and composition of the Board conforms to the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchange. Out of the total number of directors 3 are independent and Non-Executive Directors and balance 4 are Executive and Non-independent directors including the Chairman of the Board.

None of the Directors hold directorships in more than the permissible number of companies under the relevant provisions. Further, none of the directors on the Board are members of more than ten committees or chairman of more than five committees.

During the financial year under review 9 Board Meetings were held on the following dates 30.04.2008, 31.07.2008, 28.08.2008, 31.10.2008, 15.11.2008, 08.01.2009, 30.01.2009, 25.02.2009 & 30.03.2009.

The names of the Directors and the category to which they belong to, along with their attendance at Board Meetings, at the last Annual General Meeting, and the number of directorships and committee memberships held by them in other companies are as herein below:-

Name	Designation	Category	Attendance		Particulars of other Directorships Committee member/Chairmanship		
			Board Meetings	Last AGM held on 11.12.08	Director	Chairman	Member
Mr. Ajay Anand	Chairman & Managing Director	Promoter, Executive	7	No	2	--	2
Mrs. Rashmi Anand	Whole Time Director	Non-promotor Executive	9	No	--	--	--
Mr. Sanjay Anand	Whole Time Director	Non-promotor Executive	3	No	2	--	2
Mr. G.G. Prabhu	Executive Director	Executive & Non Independent	9	Yes	2	--	3
Mr. Vasudeva Rao	Director	Non-Executive & Independent	4	Yes	---	---	---
Mr. Kishore M. Mahimkar	Director	Non-Executive & Independent	4	Yes	---	--	--
Mr. Rajiv Rai Sachdev	Director	Non-Executive & Independent	2	No	---	--	---

Appointment / Re-appointment of Directors:

- Mr. Kishore Mahimkar and Mr. Vasudeva Rao are liable to retire by rotation, appointed as directors of the company.

DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

Particulars	Mr. Kishore M Mahimkar	Mr. Vasudeva Rao
Date of Birth	02-08-1941	22.08.1939
Date of appointment	29-05-2004	30.10.2002
Qualifications	Solicitor	Chartered Accountant
Expertise in specific functional area	Wide experience in Corporate Law matters	Wide experience in the Finance & Accounting
Directorship held in other Public Companies	NIL	NIL
Membership/chairmanship of committees of other Public Companies	NIL	NIL

AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee constituted in line with the provisions of clause 49 of the Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956.

The committee is headed under the stewardship of Mr. Vasudeva Rao, a Chartered Accountant and an independent non-executive Director. The other members of the committee are Mr. Rajiv Rai Sachdev and Mr. Kishore Madhav Mahimkar, both independent non-executive directors, have requisite financial and management experience. Mr. Ajay Anand, Chairman and Managing Director of the Company is also a member of the Committee.

The role of the audit committee shall include the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions
 - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated

in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Composition, Meetings and Attendance:

Audit Committee met 6 times during the year on 29.04.2008, 31.07.2008, 31.10.2008, 15.11.2008, 30.01.2009 & 31.03.2009. Executive Director Mr. G. G. Prabhu, who is in-charge of Finance Function is the permanent invitee to Committee Meetings.

Attendance: -

S. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings Attended
1.	Mr. Vasudeva Rao	Chairman	6	6
2.	Mr. Ajay Anand	Member	6	6
3.	Mr. Rajiv Rai Sachdeva	Member	6	2
4.	Mr. Kishore Madhav Mahimkar	Member	6	6

Mr. Martin Golla, VP- Legal and Company Secretary acts as the Secretary to the Committee.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee headed by Mr. Rajiv Rai Sachdev, a Non-executive Independent Director and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the committee. The Committee looks into the matters of share transfers, transmissions, dematerialization, issue of duplicate share certificates and related matters.

Mr. Martin Golla, VP - Legal and Company Secretary acts as the Secretary to the Committee.

The Committee met 12 times and at least once in every month during the financial year to consider the request for transfer and transmissions and the members were present at all the meetings.



SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders' / Investors' Grievance Committee comprises of Mr. Rajiv Rai Sachdev a Non-Executive Independent Director, as Chairman and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the Committee.

Mr. Martin Golla, VP Legal and Company Secretary acts as the Secretary to the Committee.

The Committee met 5 times during the financial year and all the members were present at the meeting. The Company has not received any serious complaints and the routine complaints received were attended to promptly and no complaint as such is pending with the company.

REMUNERATION COMMITTEE:-

The Remuneration Committee consists of Three Independent directors Mr. Vasudeva Rao Mr. Rajiv Rai Sachdev and Mr. Kishore Mahimkar. The Committee is headed by Mr. Vasudeva Rao.

The Committee is constituted to formulate and recommend to the Board from time to time, a compensation structure for the Directors of the company.

The details of remuneration paid to Whole Time Directors during the year 2008-09 is given as follows:(No sitting fees paid to the following directors)

<u>Director</u>	<u>Designation</u>	<u>Remuneration (including all perquisites) Rs.</u>	<u>Service Contract</u>
Mr. Ajay Anand	Chairman & Managing Director	42,33,602/-	5years
Mr. Sanjay Anand	Whole Time Director	15,01,681/-	5years
Mrs. Rashmi Anand	Whole Time Director	14,40,000/-	5years
Mr. G.G. Prabhu	Executive Director	12,60,000/-	5years

The details of Sitting Fees paid to Non-Executive Directors during the year ended March 31st 2009 are as follows:

Sr. No.	Name of the Non-Executive Director	Sitting Fees (Rs.)
1.	Mr. Vasudeva Rao	20,000/-
2.	Mr. Kishore M. Mahimkar	20,000/-
3.	Mr. Rajiv Rai Sachdev	10,000/-

Apart from sitting fees for the attending Board / Committee meetings, no other fees / compensation is paid to the Directors. Your Company does not have any stock option scheme for its Directors and employees.

GENERAL BODY MEETINGS:-

Year	Location	Date	Time
2005-2006	Survey No. 380/1, Kharvel Silvassa Road, Dapada - 396191	29 th September 2006	2.00 p.m.
2006-2007	Survey No. 356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	28 th September 2007	12.30 p.m.
2007-2008	Plot No. 146, Waghdhara Village Road , Dadra – 396 191 Union Territory of Dadra & Nagar Haveli	11 th December 2008	12.00 p.m.

- All the resolutions set out in the respective Notices were passed by the members. No postal Ballot was conducted during the year.
- The following special resolutions were passed by the members during the previous three Annual General Meetings:
 - o No special resolutions were passed at the Annual General Meeting held on 29.09.2006
 - o The members passed a special resolution at the Annual General Meeting held on 28.09.2008 for allotment of convertible warrants to Whitley Willows Overseas Ltd.
 - o The members passed a special resolution at the Annual General Meeting held on 11.12.2008 for appointment of Mr. G. G. Prabhu as Executive Director of the Company and approval for payment of remuneration.

Other Information:

a) Risk Management Framework:

The Company has in place mechanism to inform Board of Directors about the risk assessment and risk minimization procedures and periodical reviews to ensure that risk is controlled by the Management through the means of a properly laid-out framework.

b) Code of Conduct:

The Company has laid down a code of conduct for the Board of Directors and Senior Management personnel of the Company. The code of conduct is available on the website of the Company www.fazethree.com. The declaration of Chairman & Managing Director is given below:

To the Shareholders of Faze Three Limited

Sub: Compliances with Code of Conduct

I hereby declare that the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Mumbai, 5th August 2009

Ajay Anand
Chairman & Managing Director



Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification, issued pursuant to the provisions of Clause 49 of the Listing Agreement:

To the Board of Directors of Faze Three Limited

Dear Sirs,

Sub: CEO/CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Faze Three Limited for the year ended March 31st 2009 and that to the best of our knowledge and belief, we state that:-

- (a) They have reviewed financial statement and the cash flow statement for the year and that to the best of their knowledge and belief.
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
 - (ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) They have indicated to the auditors and the Audit Committee:
 - (i) significant changes in the internal control over financial reporting during the year, if any;
 - (ii) significant changes in accounting policies made during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Yours sincerely,

G. G. Prabhu
Executive Director

Ajay Anand
Chairman & Managing Director

Prevention of Insider Trading :

The Company has framed a code of conduct for Prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors/Designated Employees. The code insures the prevention of dealing in Company's shares by persons having access to unpublished price sensitive information.



Disclosures :

There are no materially significant transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance on any matter related to the Capital Markets.

The Company has been providing the Chairman of the Company with the resources required to implement its role.

The Company has a process in place that meets the objectives of the Whistle blower policy. The Board annually reviews the findings and action taken, if any, on matters initiated through this mode. In the opinion of the Board there are no cases where a person was denied access to the grievance process set up by the Company.

MEANS OF COMMUNICATION :-

The Company publishes its annual, half yearly and the quarterly financial results in the following Newspapers:

- (i) Times of India (English), Ahmedabad
- (ii) Divya Bhaskar (Gujarathi), Ahmedabad

Company's results and official news releases, if any, are also displayed on the Company's website www.fazafree.com

GENERAL SHAREHOLDER INFORMATION

AGM Date, time and venue

Saturday, 29th August 2009 at 12.00 Noon
Survey No. 356/1-2,
Village Dadra 396191
Union Territory of Dadra & Nagar Haveli

Financial Calendar for 2009-10 (Tentative)

2nd Quarter Results
3rd Quarter Results
4th Quarter Results
Results for the year ending March 2010

Last week of October 2009
Last week of January 2010
Last week of April 2010
End June 2010

DATE OF BOOK CLOSURE
(Both days inclusive)

25th August 2009 to 29th August 2009

LISTING ON STOCK EXCHANGES

The Bombay Stock Exchange
Luxemburg Stock Exchange

STOCK CODE

530079 on The Bombay Stock Exchange
027941079 on Luxemburg Stock Exchange

DEMAT ISIN No. FOR NSDL & CDSL

INE963C01025

SHARE TRANSFER SYSTEM

All the transfers received are processed by the Registrar & Transfer Agents and are approved by the Share Transfer Committee, which meets once in a fortnight. Every effort is made to dispose off the Share Transfer / Transmission requests within 10 days of the receipts of the same.

PLANT LOCATION

1. Handloom & Made-Ups Plant Jatal Road, Anand Nagar, Panipat 132103 (Haryana)
2. Weaving & Made-Ups Plant Survey No. 380/1, Village Dapada, U.T.D & N.H.
3. Bathmat Plant Survey No. 356/1-2, Village Dadra, U.T.D & N.H.
4. Dye-House Plot No. 71, GIDC, Vapi Industrial Area, Pardi Distt. Valsad, Gujarat.

ADDRESS FOR COMMUNICATION

Corporate Office
FAZE THREE LIMITED
 1-2, Shiv Smriti Chambers, 49-A,
 Dr. Annie Besant Road,
 Worli, Mumbai – 400 018.
 Phone 022 6660 4600

DESIGNATED E-MAIL ID FOR SHAREHOLDERS

investors@fazethree.com

Dividend Information :

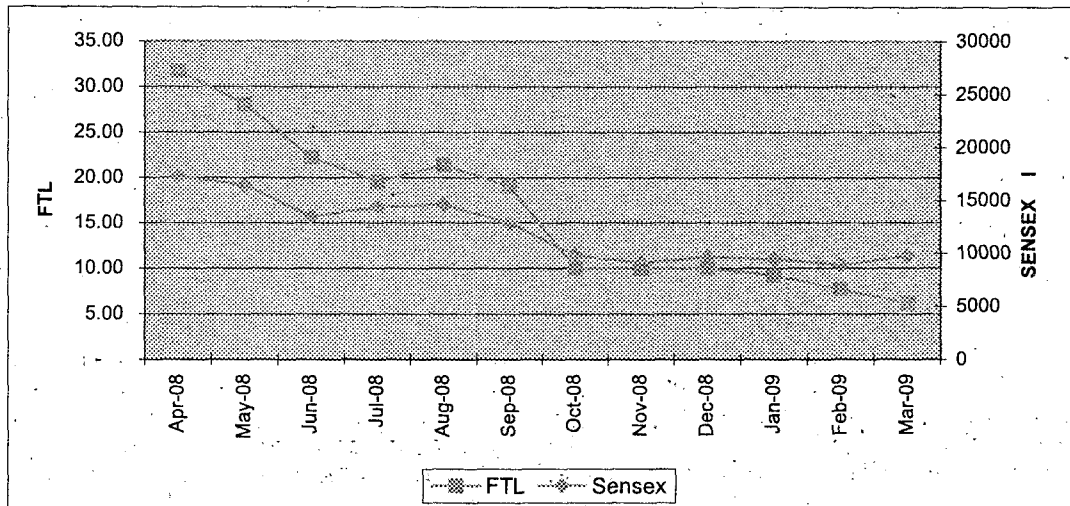
Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial-year ended 2001-2002 which remained unpaid or unclaimed will be transferred to the Investor Education and Protection Fund ("IEPF") constituted by the Central Government under Section 205C of the Companies Act, 1956 on 29th March 2010.

Members who have not claimed the dividend for the above period are requested to claim the same at the earliest.

Stock Market Data (BSE) :

<u>Month</u>	<u>Month's High Price</u>	<u>Month's Low Price</u>	<u>Volume</u>	<u>BSE Sensex High</u>	<u>BSE Sensex Low</u>
April 2008	34.75	29.00	27389	17480.74	15297.96
May 2008	33.25	26.25	56725	17735.70	16196.02
June 2008	29.90	22.10	52810	16632.72	13405.54
July 2008	26.00	18.00	81093	15130.09	12514.02
August 2008	25.05	19.50	137185	15579.78	14002.43
September 2008	22.90	18.00	57201	15107.01	12153.55
October 2008	20.15	8.70	79844	13203.86	7697.39
November 2008	11.75	7.25	18057	10945.41	8316.39
December 2008	12.15	8.20	27678	10188.54	8467.43
January 2009	11.77	8.58	7938	10469.72	8361.60
February 2009	9.60	7.20	25171	9724.87	8619.22
March 2009	8.00	5.99	16754	10127.09	8047.17

Stock Market Data (BSE) :



Distribution of Shareholding as on March 31st 2009:-

Sr. No.	No. of Equity Shares held		Shareholders		Shareholding	
	From	To	Nos.	%	Nos.	%
1	Upto 100		2294	43.82	134233	1.10
2	101	200	776	14.82	133494	1.10
3	201	500	1570	29.99	490915	4.03
4	501	1000	306	5.85	246087	2.02
5	1001	5000	226	4.32	489437	4.02
6	5001	10000	23	0.44	170563	1.40
7	10001	100000	26	0.50	806159	6.61
8	100001 and above		14	0.27	9717909	79.73
TOTAL			5435	100	12188797	100.00

Shareholding Pattern as on March 31st 2009

Sr. No.	Category of Shareholder	Total no. of shares	Percentage of Shareholding
A	Promoter & Promoter Group		
	1 Indian Promoters	5309974	43.56
	Total Promoter Holding	5309974	43.56
B	Non - Institutions		
	1 Private Bodies Corporate	3514948	28.84
	2 Individuals	3300703	27.08
	3 Any Other (Clearing Member)	5058	0.04
	4 NRI	58114	0.48
	Total Non Promoter Holding	6878823	56.44
	Grand Total (A+B)	12188797	100.00

For and on behalf of the Board

Place: Mumbai
Dated: 05.08.2009

Ajay Anand
Chairman & Managing Director

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

TO THE MEMBERS OF FAZE THREE LIMITED

Auditor's Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of The Listing Agreement

To the Members of Faze Three Limited

We have examined the compliance of conditions of Corporate Governance by Faze Three Limited for the year ended 31st March 2009 as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the guidance note on certification of Corporate Governance (as stipulated in clause 49 of the Listing Agreement) issued by Institute of Chartered Accountants of India and limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as mentioned in the above-mentioned Listing Agreement(s) except in case of the Composition of Board where the Company's strength of Independent Director is short by one Director.

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

**For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants**

Place: Mumbai
Date: 30.06.2009

**C.V.PARAMESWAR
Partner
M.No.11541**

AUDITOR'S REPORT

To The Members
Faze Three Ltd
Mumbai

We have audited the attached Balance Sheet of **Faze Three Limited**, as at 31st March 2009 and also the Profit and Loss Account and Cash Flow Statement 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 statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) 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.
2. Further to our comments in the Annexure referred to in Paragraph 1 above:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books, and proper returns adequate for the purposes of our audit have been received from the branch.
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and the 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.
 - e. On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a 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 Balance Sheet and Profit and Loss Account read together with the Accounting Policies and Notes thereon 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, of the state of affairs of the Company as at 31st March 2009 and
 - ii. In the case of Profit and Loss Account, of the Loss for the year ended on that date.
 - iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For THAKUR VAIDYANATHAIYAR & CO.
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 30th June, 2009

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 1of our report of even date

- i. In respect of Fixed Assets
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.
 - (b) As explained to us the major Fixed Assets have been physically verified by the Management at reasonable intervals during the year. As per the information given to us no material discrepancy has been noticed on such verification.
 - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of Inventories
 - (a) As informed to us, physical verification of finished goods, store, spare parts and raw materials has been conducted by the Management at the end of the year.
 - (b) Based on the explanations given to us, in our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion, the Company is maintaining proper records of inventories and as explained to us, there were no material discrepancies noticed between the physical stocks and book record.
- iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has taken from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 unsecured loan from two parties amounting to Rs. 431.50 Lakhs. The Company has granted loan to two Companies listed in the Register maintained under Sec 301 of the Companies Act, 1956 amounting to Rs. 713 Lakhs, no fresh loan have been granted during the current year.
 - (b) As per the information and explanations given to us, rate of interest and the terms and conditions of the said loans taken / given, are not prima facie prejudicial to the interest of the Company.
 - (c) As explained to us no amount of principal and interest has become due during the period.
 - (d) In view of our comment in (c) above, Para 4(iii)(d) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct weaknesses in internal controls.
- v. In respect of transactions covered under Section 301 of the Companies Act, 1956
 - (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the Register maintained under section 301 of the Act have been so entered.
 - (b) In our opinion and according to the information & explanations given to us, the transaction made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sec 58A and 58AA of the Act and the Rules framed there under.
- vii. In our opinion, the Company has an Internal Audit System, which is commensurate with the size and nature of its business.
- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- ix. In respect of Statutory dues

- (a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income- Tax, Sales-Tax, Wealth- tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2009 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the details of dues of income-tax which have not been deposited on account of dispute are given below:-

Particulars	Assessment years to which the matter pertains to	Forum where dispute is pending	Amount (Rs. in Lakhs)
Income tax	2002-2003	ITAT (Mumbai)	13.65
Income tax	2003-2004	ITAT (Mumbai)	53.34
Income tax	2004-2005	ITAT (Mumbai)	40.79
Income tax	2005-2006	CIT (Appeals)	52.88
Income tax	2006-2007	CIT (Appeals)	8.80

- x. The Company has no accumulated losses and has incurred cash losses during the financial year covered by our audit. the Company has not incurred cash losses in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore Para 4 (xiii) is not applicable to the Company.
- xiv. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of para 4(xiv) of the Order are not applicable to the Company.
- xv. The Company has not given guarantee for loan taken by others from banks or financial institutions. In our opinion and according to the information and explanation given to us the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- xvi. According to information & explanation given to us, in our opinion, term loans availed by the company were, prima facie, applied by the company for the purpose for which the loans were obtained.
- xvii. On the basis of our examination & according to the information & explanations given to us, on an overall examination of the Balance Sheet of the Company, Funds raised on short term basis have, prima facie, not being used during the year for long term investments and vice versa.
- xviii. The Company has not made any preferential allotment of shares during the year 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 during the year and therefore para 4(xix) of the Order is not applicable to the Company.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year, nor have we been informed of any such case by the management.

For THAKUR VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 30th June 2009

BALANCE SHEET
 as at 31 March, 2009

	Schedule	As At 31ST MARCH 2009 [Rupees]	As At 31ST MARCH 2009 [Rupees]
I SOURCES OF FUNDS			
1. Shareholder's Funds			
(a) Share Capital	I	121,887,974	121,887,974
(b) Reserves and Surplus	II	398,966,025	588,804,148
2. Loan Funds			
(a) Secured Loans	III	707,690,793	649,845,332
(b) Unsecured Loans	IV	573,100,786	485,235,531
3. Deferred Tax Liability for the year		95,817,503 6,550,489	85,604,586 10,212,916
		<u>1,904,013,570</u>	<u>1,941,590,487</u>
II APPLICATIONS OF FUNDS			
1. Fixed Assets	V		
(a) Gross Block		1,163,535,632	1,065,467,724
(b) Less: Depreciation		256,013,026	205,756,330
(c) Net Block		<u>907,522,606</u>	<u>859,711,394</u>
(d) Capital Work-in-progress Including Advances		154,766,655	124,989,964
2. Investments	VI	58,343,149	58,343,149
3. Current Assets, Loans & Advances	VII	1,096,355,430	1,094,588,412
Less: Current Liabilities & Provisions	VIII	312,974,270	199,028,615
Net Current Assets		<u>783,381,160</u>	<u>895,559,797</u>
4. Miscellaneous Expenditure [To the extent not written off or adjusted]	IX	-	2,986,183
		<u>1,904,013,570</u>	<u>1,941,590,487</u>
SIGNIFICANT ACCOUNTING POLICIES	XVIII		
NOTES FORMING PART OF ACCOUNTS	XIX		

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
 Chartered Accountants

For and on behalf of the Board

C. V. Parmeswar
 Partner
 M.No.: 11541

Ajay Anand
 Managing Director

Rashmi Anand
 Director

Place : Mumbai
 Dated : 30th June' 2009

G. G. Prabhu
 Executive Director

Martin Golla
 VP-Legal & Company Secretary

24th Annual Report 2008-2009



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule	Current Year [Rupees]	Previous Year [Rupees]
INCOME			
(a) Sales	X	1,391,162,481	1,118,386,872
(b) Other Income	XI	117,339,768	124,647,003
(c) Increase / (Decrease) in Stocks	XII	(36,924,766)	43,786,910
		<u>1,471,577,483</u>	<u>1,286,820,785</u>
EXPENDITURE			
(a) Material Cost	XIII	689,420,351	616,039,289
(b) Employees Cost	XIV	123,553,679	120,245,294
(c) Operating Expenses	XV	256,508,309	192,757,188
(d) Admn. & Selling Expenses	XVI	226,985,176	202,498,522
(e) Interest [Net]	XVII	102,611,586	56,566,142
(f) Depreciation	V	49,298,614	44,604,878
(g) Foreign Exchange Fluctuation Loss		204,970,075	(17,492,508)
		<u>1,653,347,790</u>	<u>1,215,218,806</u>
PROFIT / (LOSS) BEFORE TAX		(181,770,307)	71,601,980
Provision for Income Tax		-	8,182,995
Provision for Fringe Benefit Tax		850,000	1,550,000
Provision for Deferred Tax		6,550,489	10,212,916
Prior Period Adjustments		338,246	659,399
PROFIT / (LOSS) AFTER TAX		<u>(189,509,042)</u>	<u>50,996,667</u>
Add: Balance Brought Forward from Previous Year		25,644,973	14,648,304
Profit / (Loss) available for appropriation		<u>(163,864,069)</u>	<u>65,644,973</u>
APPROPRIATIONS :			
Transferred to General Reserve.		(163,864,069)	40,000,000
Balance Carried to Balance Sheet		-	25,644,973
		<u>(163,864,069)</u>	<u>65,644,973</u>
Earning per Share [Basic & Diluted]		(15.55)	4.18
SIGNIFICANT ACCOUNTING POLICIES	XVIII		
NOTES FORMING PART OF ACCOUNTS	XIX		

Thakur Vaidyanath Aiyar & Co.
Chartered Accounts

For and on behalf of the Board

C. V. Parmeswar
Partner
M.No.: 11541

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 30th June 2009

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009**

	Year ended 31st March 2009	(Rs in Lakhs) Year ended 31st March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & extra ordinary items	(1,821.08)	709.43
Adjustments for:		0.00
Depreciation	492.99	446.05
Interest(Net)	1,026.11	565.66
Miscellaneous Exp w/off	29.86	56.40
Loss/(Profit) on sale of Assets		0.73
Loss/(Profit) on sale of Investments		4.92
Operating profit before working capital changes	<u>(272.12)</u>	<u>1783.19</u>
Adjustments for		
Trade & other receivables	(162.89)	(3368.88)
Inventories	86.24	(793.30)
Trade payables	1,139.46	493.28
Cash generated from operations	<u>790.69</u>	<u>(1885.70)</u>
Direct taxes paid	(15.39)	(84.74)
Cash flow before extra ordinary items	<u>775.30</u>	<u>(1970.45)</u>
Extraordinary items	-	0.00
Net cash from operating activities	<u>775.30</u>	<u>(1970.45)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets & Capital Work in process	(1,261.62)	(2044.79)
Sale of Fixed assets		3.83
Purchase of Investments		(12.13)
Sale of Investments		5.62
Loans		0.00
Net cash used in investing activities	<u>(1,261.62)</u>	<u>(2047.47)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share capital including Share Premium	.....	.....
Borrowings (Net)	1,457.11	2550.18
Interest(Net)	(1,026.12)	(565.66)
Dividend paid, including Dividend Tax	-	(171.12)
Net cash from Financing activities	<u>430.99</u>	<u>1,813.40</u>
CASH & CASH EQUIVALENTS(OPENING)	204.77	2409.29
ADD: NET INCREASE/(DECREASE) IN CASH/ CASH EQUIVALENTS(A+B+C)	<u>(55.33)</u>	<u>(2204.52)</u>
CASH & CASH EQUIVALENTS(CLOSING) (NOTE: Figures in bracket signifies 'Outflow')	<u>149.44</u>	<u>204.77</u>

As per our report of even date attached

For **THAKUR VAIDYANATH AIYAR & CO.**
Chartered Accountants**C V PARAMESWAR**
Partner
M.No.11541**Ajay Anand**
Managing Director**Rashmi Anand**
DirectorPlace : Mumbai
Dated :30th June 2009**G.G. Prabhu**
Executive Director**Martin Golla**
VP-Legal & Company Secretary

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SCHEDULES TO THE ACCOUNTS FOR YEAR ENDED 31ST MARCH 2009

As At
31st March 2009
[Rupees]

As At
31st March 2008
[Rupees]

SCHEDULE - I

SHARE CAPITAL

Authorised :

1,70,00,000 (8,50,00,000) Equity Shares of Rs.10 Each
(Previous Year Rs.2/- each)

170,000,000

170,000,000

170,000,000

170,000,000

Issued, Subscribed & Paid up

1,21,88,797 Equity Shares of Rs.10/- Each

121,887,974

121,887,974

121,887,974

121,887,974

SCHEDULE - II RESERVES & SURPLUS

Revaluation Reserve

Balance as per last balance sheet

19,072,957

19,402,038

Less : Depreciation on revalued amount of fixed assets

329,081

329,081

18,743,876

19,072,957

Security Premium Account

Balance as per last balance sheet

31,273,767

31,273,767

Less: FCCB issue Expenses

31,273,767

31,273,767

General Reserve

Balance as per last balance sheet

459,480,760

419,480,760

Add: Transfer from Profit & Loss Account

(163,864,069)

40,000,000

295,616,691

459,480,760

Capital Reserve

Balance as per last balance sheet

53,331,692

53,331,692

53,331,692

53,331,692

Profit & Loss Account

398,966,025

25,644,972

588,804,148

**SCHEDULES TO THE ACCOUNTS Contd.**

As At
31st March 2009
[Rupees]

As At
31st March 2008
[Rupees]

**SCHEDULE - III
SECURED LOANS**

From Bank :

Term Loan (From Canara Bank)

246,128,161

212,187,960

(Secured by EMT of Land & Bldg and Hypothecation of Plant and Machineries and other Movable fixed assets in respect of the expansion / new projects, as prime security, collateral security by way of extension of first collateral charge on the existing fixed assets and exclusive charge on the worli office premises (comprising built up area 1983 sq. ft.)

Packing Credit (From Canara Bank)

356,384,423

279,806,040

Other Cash Credit (From Canara Bank)

3,036,612

2,431,886

Advance Against Export Bills (From Canara Bank)

94,048,986

148,654,521

(Secured by hypothecation of Stock, Book Debts and collateral security by way of charge on fixed assets of the company and exclusive charge on the worli premises (comprising built up area 1983 sq. ft.)

Other loans

8,092,611

6,764,925

[Secured against hypothecation of Vehicles]

707,690,793

649,845,332

**SCHEDULE - IV
UNSECURED LOANS**

8,000 1.5% Foreign Currency Convertible Bonds of USD 1,000 each, totalling to USD 8 Million

348,720,000

348,720,000

Short term loans & advances

From Company / Firms / Others

196,323,910

131,715,531

From Directors

28,056,876

4,800,000

573,100,786

485,235,531

SCHEDULES TO THE ACCOUNTS Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
SCHEDULE - VI		
INVESTMENTS (NON TRADE) (AT COST) LONG TERM		
Unit Trust of India - 6.75% Tax free US 64 Bonds 424 (424) units bonds	42,400	42,400
Quoted		
Canara Bank 5500 (5500) Equity shares of Rs.10 each Market Value Rs. 912450/- (Rs.1238600/-)	192,500	192,500
V. R. Woodart Ltd 14,56,612 (14,56,612) Equity shares of Rs.10 each. Market Value Rs. 1310950.80/- (Rs.1529443/-)	11,669,869	11,669,869
Unquoted		
V. R. Woodart Ltd 4,52,000 (4,52,000) 5% Preference Shares of Rs.100 each fully paid up	45,200,000	45,200,000
Saraswat Co-operative Bank Ltd 2500 (2500) Equity shares of Rs.10 each fully paid up	25,000	25,000
Investment in Foreign Subsidiary Faze Three Netherlands B.V. Netherlands (Wholly Owned Subsidiary) 20000 (20000) Equity share of Euro 1.00 each	1,213,380	1,321,950
	<u>58,343,149</u>	<u>58,451,719</u>
SCHEDULE - VII		
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS :		
Interest Accrued but not due	-	365,305
STOCK IN TRADE :		
[At cost/Estimated cost or at lower of cost or net realisable value (as certified by Director) as the case may be]		
Dyes & Chemicals	1,626,757	1,298,652
Spares & Stores	8,682,086	8,875,872
Raw Material	171,792,752	143,626,161
Finished Goods	165,565,557	213,706,401
Work in process	56,685,716	45,469,638
	<u>404,352,868</u>	<u>412,976,724</u>
SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Over Six months	12,465,572	11,593,219
OTHERS :	364,279,074	350,935,029
	<u>376,744,646</u>	<u>362,528,248</u>
Less : Provision for doubtful debts	2,197,097	192,193
	<u>374,547,549</u>	<u>362,336,055</u>



SCHEDULES TO THE ACCOUNTS Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
CASH & BANK BALANCES :		
Cash on Hand	338,667	720,378
Balance with Scheduled Bank :		
On Current Account	7,417,112	11,490,894
On EEFC Account	226,997	226,997
On Deposit Account	6,961,876	8,039,004
	<u>14,944,652</u>	<u>20,477,273</u>
LOANS & ADVANCES :		
Advances recoverable in cash or in kind or for value to be recd. Unsecured - Considered Good *	281,723,629	-
Deposits	5,111,908	-
	<u>286,835,537</u>	-
Less: Provision for doubtful advances	-	286,899,232
	<u>286,835,537</u>	<u>286,899,232</u>
Advance Income Tax (Net of Provisions)	15,674,824	11,533,824
	<u>1,096,355,430</u>	<u>1,094,588,412</u>

(* Includes Rs. 648.00 Lakhs (Rs. 648.00 Lakhs) being loan advanced to joint venture company M/s. AUNDE Faze Three Limited a company under the same management and Rs. 65.03 Lakhs (Rs. 65.03 Lakhs) to M/s. Faze Three Netherlands BV, a wholly owned subsidiary.)

SCHEDULE - VIII

CURRENT LIABILITIES AND PROVISION

A) CURRENT LIABILITIES

Sundry Creditors

: Micro, Small & Medium Enterprises

(Refer Note 8 on Schedule XIX)

: Others

Other Liabilities

239,498,690	239,498,690	162,517,465
73,475,580	73,475,580	36,511,150

B) PROVISIONS

<u>312,974,270</u>	<u>199,028,615</u>
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SCHEDULE - IX

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Deferred Revenue Expenditure:

Publicity/Product/Design Development and Promotion Expenses

-	2,986,183
<u>-</u>	<u>2,986,183</u>

SCHEDULES TO THE ACCOUNTS Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
SCHEDULE - X		
SALES		
Export	1,362,950,530	1,054,999,198
Local	28,211,951	63,387,674
	<u>1,391,162,481</u>	<u>1,118,386,872</u>
SCHEDULE - XI		
OTHER INCOME		
Export Incentives	104,261,919	110,526,111
Dividend	5,000	5,931
Miscellaneous Income	13,072,849	13,622,511
Profit on Sale of Investment	-	492,450
	<u>117,339,768</u>	<u>124,647,003</u>
SCHEDULE - XII		
INCREASE / DECREASE IN STOCK :		
Closing Stock		
- Finished Goods	165,565,557	213,706,401
- Work In Progress	56,685,716	45,469,638
	<u>222,251,273</u>	<u>259,176,039</u>
Opening Stock		
Less : - Finished Goods	213,706,401	170,936,150
Less : - Work In Progress	45,469,638	44,452,979
	<u>259,176,039</u>	<u>215,389,129</u>
	<u>(36,924,766)</u>	<u>43,786,910</u>
SCHEDULE - XIII		
MATERIALS		
Materials Consumed :		
Opening Stock	143,626,161	106,530,151
Add : Purchases	717,586,942	653,135,299
	<u>861,213,103</u>	<u>759,665,450</u>
Less : Closing Stock	171,792,752	143,626,161
	<u>689,420,351</u>	<u>616,039,289</u>
SCHEDULE - XIV		
EMPLOYEES COST		
Salaries & Wages	110,385,709	107,648,731
Contribution to Provident Fund & ESIC	5,889,354	6,669,963
Staff Welfare Expenses	7,278,616	5,926,601
	<u>123,553,679</u>	<u>120,245,295</u>



SCHEDULES TO THE ACCOUNTS Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
SCHEDULE - XV		
OPERATING EXPENSES :		
Excise Duty	5,863,477	3,943,856
Sewing, Stitching, Processing & Finishing Charges	119,606,791	89,493,349
Fabric Printing Charges	127,002	302,808
Repairs & Maintenance :		
Plant & Machinery	5,504,391	7,018,622
Buildings	1,721,937	2,230,155
Others	3,570,224	2,037,399
Power and Fuel	89,173,622	62,217,649
Stores & Spares Consumed	30,550,253	24,651,439
Loom Accessories	390,612	861,911
	<u>256,508,309</u>	<u>192,757,188</u>

SCHEDULE - XVI
ADMINISTRATIVE AND SELLING EXPENSES :

Donation	-	211,169
Rent Rates & Taxes	2,501,663	1,744,224
P.F Administration Charges	305,708	242,439
Auditors Remuneration	390,030	377,810
Travelling & Conveyance Expenses	12,982,301	17,862,907
Legal & Professional Fees	7,761,723	26,657,593
Insurance	2,537,711	4,834,288
Miscellaneous Expenses	41,371,164	26,706,074
Directors Sitting Fees	51,000	38,000
Clearing & Forwarding Expenses	83,521,602	67,704,770
Packing Material Expenses	59,447,132	44,402,510
Commission & Service Charges	-	1,698,367
Business Promotion Expenses	6,079,928	3,929,129
Other Selling & Distribution Expenses	10,035,214	6,089,242
	<u>226,985,176</u>	<u>202,498,522</u>

SCHEDULE - XVII

INTEREST [NET]

Interest on Bank Borrowings and Bank charges	64,392,280	36,344,822
Interest - Others	67,012,072	42,235,076
(Rs. 1278704/-) (Rs. 203573/- to Director)	<u>131,404,352</u>	<u>78,579,898</u>
Less : Interest Received	28,792,766	22,013,756
	<u>102,611,586</u>	<u>56,566,142</u>

SCHEDULE XVIII

SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis and in accordance with requirement of Companies Act, 1956.

2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statement relates to Faze Three Limited (the company) and its subsidiary. The consolidated financial statement have been prepared on the following basis:

* The financial statements of the company and its subsidiary have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income, and expenses after fully eliminated intra group balance and intra group transaction resulting in unrealized profits or losses.

* The consolidated financial statement have been prepared using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

3) FIXED ASSETS:

a) Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all cost relating to the acquisitions and installation of fixed assets.

b) Capital work in progress includes all cost relating to the capital expenditure incurred on the projects

4) DEPRECIATION:

Depreciation on original cost has been provided under the Straight Line Method at the rates provided by Schedule XIV to the Companies Act, 1956 except for Motor Vehicles, which is charged on W.D.V. method. In the case of revalued asset, depreciation is charged on revalued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the revalued amount it is adjusted against the Revaluation Reserve.

Loom accessories, which are of replacement in nature, are expensed.

5) INVESTMENTS:

Investments are considered as long term and are accordingly stated at cost. Provision for diminution in the value of long-term investments is made only, if such decline is other than temporary.

6) INVENTORIES:

a) Raw Materials are valued at cost or net realizable value whichever is lower.

b) Work-in-process are valued at cost or net realizable value whichever is lower.

c) Finished Products are valued at Cost or net realizable value whichever is lower.

d) Cost is ascertained on a weighted average cost basis.

Cost of work in process and finished products comprises expenditure incurred in the normal course of business in bringing such inventories to its present locations and includes appropriate overheads based on normal level of activity and excise duty where applicable.

7) SALES:

Sales are inclusive of Excise Duty.

8) FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are translated into Indian Currency at the exchange rate prevailing on the date of transaction. Other monetary assets / liabilities are valued at the rate prevailing on the date of balance sheet. The gain / losses resulting from the settlement of these transactions are recognized in the Profit and Loss Account.

9) RETIREMENT BENEFITS:

Company's contribution to Provident Fund and Family Pension Fund is defined contribution plan and is charged to Profit and Loss Account. There are no other obligations other than the contribution payable to the Recognised Provident Fund Commission.

The Company has covered its Gratuity Liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC.

The company does not have scheme for encashment of earned leave.

10) EARNING IN FOREIGN EXCHANGE:

F.O.B. value of Exports is worked out based on total exports sales less freight and insurance charges incurred thereon.

11) CONTINGENT LIABILITIES:

Liabilities which are of contingent nature, are disclosed by way of Notes and such liabilities, which are likely to mature are provided for.

12) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED:

The expenditure incurred prior to April, 1, 2003 comprising the following are amortized as under:

1. Share issue Expenses - Over period of 10 years.

2. Deferred Revenue Expenditure on product development / publicity and promotion - over a period of 5 years.

13) TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**SCHEDULE XIX
NOTES TO THE FINANCIAL STATEMENTS**

	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
1 In the absence of taxable income for the year ended 31-3-2009 and in the observe & profit for the year ended 31-3-2009 no provision for tax has been made in the accounts including Minimum Alternate Tax.		
2 Managerial Remuneration:		
To Managing Director and Whole-time Directors:		
Salaries & Allowances	7,152,000	6,141,400
Company's Contribution to Provident Fund	37,440	28,080
Commission		1,024,345
3 Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956.		
Profit before Tax as per Profit & Loss Account	(181,770,307)	71,601,979
Add:		
(a) Depreciation as per Profit & Loss Account	49,298,614	44,604,878
(b) Profit/ (loss) on sale of Fixed Assets as per books		66,091
© Managerial Remuneration	7,152,000	7,193,825
(d) Profit/(loss) on Sale of Investments		492,450
(e) Provision for Doubtful Debts	2,197,097	.....
	(123,085,156)	123,959,223
Less:		
(a) Depreciation chargeable u/s. 350	49,298,614	44,604,878
(b) Profit/ (loss) on sale of Fixed Assets u/s. 350	-	66,091
(c) Profit/(loss) on Sale of Investments		492,450
	49,298,614	45,163,419
Profit on which commission is payable	(172,383,770)	78,795,804
Commission to Managing Director:		
At 1% per annum of net profit		787,958
Commission to Director		
At 0.3% per annum of net profit		236,387
		1,024,345
4 Estimated amount of contracts remaining to be executed on capital account and not provided for	10,862,775	35,000,000
5 Auditors' remuneration (excluding service tax) :		
Statutory Audit Fees	300,000	300,000
Tax Audit Fees	50,000	50,000
Certification Fees	25,000	25,000
Out of Pocket Expenses reimbursed	15,030	2,810
	39,00,30	377,810
6 Contingent Liabilities:		
Bills Discounted	94,048,986	148,654,521
Bank Guarantees	2,625,000	2,625,000
Foreign / Inland Letter of Credits	13,324,800	25,916,409

7 Additional information pursuant to paragraph 3,4(c) and 4(d) of Part II of Schedule VI of the Companies Act, 1956.		Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
(A) Details of Registered and Installed Capacities,			
Actual Production:			
Installed Capacity (P.A.)	Mtrs. *	3,000,000	3,000,000
	Pcs **	2,400,000	2,400,000
Actual Production			
	Mtrs. *	1,579,280	1,590,054
	Pcs **	1,608,130	866,591

NOTES:

- (1) *The above details relates to Dapada factory
(2) ** The above details relates to Dadra Factory.
(3) The above details are not stated for Panipat Factory as it is not applicable.

(B) Turnover:

Class of Goods		
Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc.	1,362,950,530	1,193,007,430
Home furnishing wood items and other Traded Products		
Rs. NIL ./- (Rs.51,98,565/-)		

(C) Itemwise Breakup of opening & closing stock

Opening Stock:		
Fabrics / Made-ups	213,706,401	170,936,150
Others (for resale)	-	-
Closing Stock		
Fabrics / Made-ups	165,565,557	213,706,401
Others (for resale)	-	-

(D) Raw Material/Intermediate products Consumed:	Year ended 31.03.2009		Year ended 31.03.2008	
	Qty. Kgs.	Amount Rs.	Qty. Kgs.	Amount Rs.
Yarn	5,773,833	538,761,268	3,201,451	480,217,590
Other Raw Materials and Intermediate products		230,897,683		200,869,229

(E) Value of imported and indigenous Raw Materials/Intermediate Products, Stores & Spares consumed and their percentage to total consumption.

	Amount Rs.	Percentage	Amount Rs.	Percentage
1 Raw material/Intermediate Products				
Imported	81,238,722	10.56	106,571,882	15.65
Indigenous	688,420,229	89.44	574,514,937	84.35
2 Stores & Spares				
Imported	2,652,541	8.68	2,479,726	10.06
Indigenous	27,897,712	91.32	22,171,713	89.94

(F) CIF Value of Imports		
(a) Capital Goods	2,274,032	68,966,322
(b) Others	83,891,263	109,051,607
(G) Expenditure in Foreign Currency: Travelling and other expenses	14,703,832	30,005,507
(H) Earnings in Foreign Exchange: FOB Value of Exports	1,279,428,928	987,294,428

(i) The relevant information regarding turnover, opening stock and closing stock of Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc., Home/auto Fabrics, Made-ups, other traded products etc. is given only in aggregate and no breakup thereof is given as the items are too numerous to be conveniently grouped.

(ii) Consumption includes adjustments for shortages/excess etc., and the effects of reduction of inventory to realisable value.

(iii) Quantities of consumption, production, opening and closing stock of fabrics is in metres and in pieces while that of raw material and other materials are in Kilograms.

8 From the records available with the Company, dues to small scale industrial undertakings amount to Rs. NIL- (Rs.NIL/-).
There are no Small Scale industrial undertakings to whom the Company owes a sum exceeding Rs.1,00,000/- and which is outstanding for more than 30 days.

9 Segmental Reporting :
In accordance with the Accounting Standard - 17 on " Segment Reporting ", issued by the institute of Chartered Accountants of India, the Company has only one segments i.e manufacturing of home furnishing items The manufactured items comprises Durries, Made ups, Cushion covers, Carpets, floor coverings, blankets, throws etc.

10 Related Party Disclosures

a) List of Related Parties Relationship

Name of the party	Relationship
1 V.R.Woodart Ltd	Associate
2 Aunde Faze Three Ltd	.....do.....
3 Instyle Investments Pvt.Ltd	.....do.....

b) Key Management Personnel

1 Mr.Ajay Anand	Chairman & Managing Director
2 Mrs. Rashnmi Anand	Whole-time Director
3 Mr.Sanjay Anand	.....do.....
4 Mr. G. G. Prabhu	Executive Director

c) Relatives of Key Management Personnel

Vishnu Anand	Son of Mr.Ajay Anand
Ms. Rohina Anand	Daughter of Mr. Ajay Anand

	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
d) Related Party Transaction		
1 Purchase of goods Aunde Faze Three Ltd	7,916,663	19,442,684
2 Sale of goods Aunde Faze Three Ltd Pana Textil Gmbh	19,285,278 18,353,868	55,282,417 -
3 Jobwork Income Aunde Faze Three Ltd	35,258	11,510,667
4 Sales of DEPB License Aunde Faze Three Ltd	1,958,464	5,252,792
5 Interest paid Aunde Faze Three Ltd Ajay Anand Ajay Anand (HUF) Vishnu Anand Rashmi Anand G. G. Prabhu L. G. Prabhu	3,900,000 1,243,615 106,404 35,521 31,912 3,067 3,067	1,159,075 194,819 - - 8,754 79,537.00 62,178.00
6 Finance Taken Aunde Faze Three Ltd Ajay Anand V. R. Woodart Ltd G. G. Prabhu L. G. Prabhu	22,650,000 20,500,000 - - -	5,000,000 5,500,000 300,000 1,300,000 1,600,000
7 Interest Received Aunde Faze Three Ltd	5,940,000	5,435,507
8 Managerial Remuneration Ajay Anand Rashmi Anand Sanjay Anand G. G. Prabhu	3,456,000 1,440,000 1,176,000 1,080,000	3,961,301 1,305,360 1,461,942 460,000
11 Earning Per Share Earning per share computed in accordance with Accounting Standard 20: " Earning Per Share "		
Basic Earnings Per Share Profit after tax as per Accounts is Rs.	(190,264,548)	50,996,669
Number of Shares	12,188,797	12,188,797
Basic and Diluted EPS (Rs.)	(15.61)	4.18
12 Deferred Tax:		
Major components of Deferred tax Assets and Deferred Tax Liabilities		
Deferred Tax Assets	NIL	NIL
Deferred Tax Liabilities		
Difference between Book Value of Depreciable Assets as per books of account and Written Down Value for the purposes	102,367,993	95,817,504
Net Deferred Tax Liability	102,367,993	95,817,504
Deferred Tax Liability as at 01.04.2008	95,817,504	95,817,504
Net Incremental Liability charged to Profit & Loss Account	6,550,489	10,212,917
13 Company does not have scheme for encashment of earned leave. The Company contributes to the Government Provident Fund Scheme towards provident fund dues of its employees short term employees benefits are recognised as an expense at the undiscounted amount in the profit & loss account of the year in which the related services is rendered.		
14 Previous period's figures have been regrouped / reclassified wherever necessary, to make them comparable with current period's figures.		

15 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS:

Registration No.	L99999DN1985PLE000197
State Code	04
Balance Sheet	31ST MARCH 2009

II CAPITAL RAISED DURING THE YEAR

	(Rs.in Thousands)
Public Issue	Nil
Rights Issue	Nil
Private Placement	Nil
Bonus Issue	Nil

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:

Total Liabilities	1904014
Total assets	1904014

SOURCES OF FUNDS:

Paid up Capital	121888
Reserves & Surplus	398966
Secured Loans	707691
Unsecured Loans	573101
Deferred Tax	6550

APPLICATION OF FUNDS:

Net Fixed Assets	1062287
Investments	58343
Net Current Assets	783381
Misc. Expenditure	NIL
Accumulated Losses	NIL

IV PERFORMANCE OF THE COMPANY:

Turnover [incl. Other Income]	1508502
Total Expenditure	1653348
Profit/(Loss) Before Tax	(181770)
Profit/(Loss) After Tax	(189509)
Earning Per Share (Rs.)	(15.55)
Dividend Rate	0%

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

[AS PER MONETARY TERMS]:

Item Code No. [ITC Code]	Product Description
5514 / 5209	Woven Fabrics
5703	Carpets and Floor coverings

As per our report of even date attached

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants

For FAZE THREE LIMITED

C.V. PARAMESWAR
Partner

Ajay Anand
Managing Director

Rashmi Anand
Director

G.G. Prabhu
Executive Director

M.No.11541
Place : Mumbai
Dated: 30th June 2009

Martin Golla
VP-legal & Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY- FAZE THREE NETHERLANDS B.V.**

PARTICULARS	
Financial year of the subsidiary company ended on	31.03.2009
No. of Equity Shares held by Faze Three limited in the subsidiary as at 31.03.2009	20,000 Equity Shares of 1 Euro each
Extent of Interest of Faze Three Limited in the capital of the subsidiary company	100%
Net aggregate amount of Profit / Losses of the Subsidiary so far as if concerns the Members of FAZE THREE LIMITED and is not dealt with the Company's accounts of FAZE THREE LIMITED	
Profits/(Loss) of the Subsidiary for the Financial year ended on 31st March, 2009	Rs. (1865619.56)
Profit / Losses for the previous Financial year of the Subsidiary since it became Subsidiary of FAZE THREE LIMITED.	N.A.
Net aggregate amount of Profit / Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of FAZE THREE LIMITED.	

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL

STATEMENTS OF FAZE THREE LIMITED AND ITS SUBSIDIARY

1. We have audited the attached consolidated Balance Sheet of **Faze Three Limited** and its subsidiary (collectively referred to as the Group), as at 31st March, 2009 and also the consolidated Profit and Loss Account and the consolidated Cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Faze Three Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. These 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of the subsidiary (Faze Three Netherlands B.V.), whose financial statements reflect the total assets of Rs.18.89 lacs as at 31st March, 2009 and related cash outflow for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiary have been audited by the other auditor whose report has been furnished to us, and our opinion, in so far as it related to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditor.
4. *The consolidated financial statement prepared by Faze Three Limited's management have not considered the accounts of Pana Textile GmbH which is a subsidiary of Faze Three Netherlands B.V. holding 76% interest, which in turn is a subsidiary of Faze Three Limited. As the company is in the process of obtaining an exemption from Central Government for not including the same. However the company has included the financial data of the above subsidiary under notes to the consolidated account (refer note 14)*
5. Subject to our comments in paragraph 4 above, we report that the consolidated financial statements have been prepared by Faze Three Limited's management in accordance with the requirements of Accounting Standard 21, issued by the Institute of Chartered Accountants of India notified by the Companies (Accounting Standards) Rules 2006.
6. Based on our audit and on consideration of the report of other auditor on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanation given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. In the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2009;
 - b. In the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c. In the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For THAKUR VAIDYANATHAIYAR & CO.
CHARTERED ACCOUNTANTS

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 31st July, 2009

**CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2009**

	Schedule	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
I SOURCES OF FUNDS			
1. Shareholder's Funds			
(a) Share Capital	I	121,887,974	121,887,974
(b) Reserves and Surplus	II	397,304,105	588,804,148
2. Loan Funds			
(a) Secured Loans	III	707,690,793	649,845,332
(b) Unsecured Loans	IV	573,100,786	485,235,531
3. Deferred Tax Liability for the year			
		95,817,503	85,604,586
		6,550,489	10,212,916
		<u>1,902,351,650</u>	<u>1,941,590,487</u>
II APPLICATIONS OF FUNDS			
1. Fixed Assets			
(a) Gross Block	V	1,163,535,632	1,065,467,724
(b) Less: Depreciation		256,013,026	205,756,330
(c) Net Block		<u>907,522,606</u>	<u>859,711,394</u>
(d) Capital Work-in-progress Including Advances		154,766,655	124,989,964
2. Investments			
	VI	58,546,849	58,343,149
3. Current Assets, Loans & Advances			
Less: Current Liabilities & Provisions	VII	1,095,041,730	1,094,588,412
Net Current Assets	VIII	313,526,190	199,028,615
		<u>781,515,540</u>	<u>895,559,797</u>
4. Miscellaneous Expenditure [To the extent not written off or adjusted]			
	IX	-	2,986,183
		<u>1,902,351,650</u>	<u>1,941,590,487</u>
SIGNIFICANT ACCOUNTING POLICIES	XVIII		
NOTES FORMING PART OF ACCOUNTS	XIX		

SIGNATURES OF THE ACCOUNTS AND SCHEDULES THERE OF

As per our report of even date.
Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

C. V. Parmeswar
Partner
M.No.11541

Place : Mumbai
Dated : 31st July 2009

For and on behalf of the Board

Ajay Anand
Managing Director

G. G. Prabhu
Executive Director

Rashmi Anand
Director

Martin Golla
VP-Legal & Company Secretary

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CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009	Schedule	Current Year [Rupees]	Previous Year [Rupees]
INCOME			
(a) Sales	X	1,391,162,481	1,118,386,872
(b) Other Income	XI	117,339,768	124,647,003
(c) Increase / (Decrease) in Stocks	XII	(36,924,766)	43,786,910
		<u>1,471,577,483</u>	<u>1,286,820,785</u>
EXPENDITURE			
(a) Material Cost	XIII	689,420,351	616,039,289
(b) Employees Cost	XIV	123,553,679	120,245,294
(c) Operating Expenses	XV	256,508,309	192,757,188
(d) Admn. & Selling Expenses	XVI	227,738,118	203,534,113
(e) Interest [Net]	XVII	102,614,150	56,566,142
(f) Depreciation	XVII	49,298,614	44,604,877
(g) Foreign Exchange Fluctuation Loss	V	204,970,075	(17,492,508)
		<u>1,654,103,296</u>	<u>1,216,254,395</u>
PROFIT / (LOSS) BEFORE TAX		(182,525,813)	70,566,390
Provision for Income Tax		-	8,182,995
Provision for Fringe Benefit Tax		850,000	1,550,000
Provision for Deferred Tax		6,550,489	10,212,917
Prior Period Adjustments		338,246	659,399
		<u>(190,264,548)</u>	<u>499,611,079</u>
PROFIT / (LOSS) AFTER TAX		(190,264,548)	499,611,079
Add: Balance Brought Forward from Previous Year		24,609,382	14,648,304
Profit / (Loss) available for appropriation		<u>(165,655,166)</u>	<u>64,609,383</u>
APPROPRIATIONS :			
Transferred to General Reserve.		(165,655,166)	40,000,000
Balance Carried to Balance Sheet			24,609,382
		<u>(165,655,166)</u>	<u>64,609,382</u>
Earning per Share [Basic & Diluted]		(15.61)	4.10
SIGNIFICANT ACCOUNTING POLICIES	XVIII		
NOTES FORMING PART OF ACCOUNTS	XIX		

Thakur Vaidyanath Aiyar & Co.
Chartered Accountants

For and on behalf of the Board

C. V. Parmeswar
Partner
M.No.11541

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 31st July, 2009

G. G. Prabhu
Executive Director

Martin Golla
VP-Legal & Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009**

	Year ended 31st March 2009	(Rs in Lakhs) Year ended 31st March 2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & extra ordinary items	(1,828.64)	699.07
Adjustments for:		0.00
Depreciation	492.99	446.05
Interest(Net)	1,026.14	565.66
Miscellaneous Exp w/off	29.86	56.40
Adjustment on Consolidation	-	1.09
Loss/(Profit) on sale of Assets	-	0.73
Loss/(Profit) on sale of Investments	-	4.92
Operating profit before working capital changes	<u>(279.65)</u>	<u>1773.92</u>
Adjustments for		
Trade & other receivables	(141.80)	(3372.11)
Inventories	86.24	(793.30)
Trade payables	1,123.18	515.08
Cash generated from operations	<u>787.97</u>	<u>(1876.41)</u>
Direct taxes paid	(16.16)	(84.74)
Cash flow before extra ordinary items	771.81	(1961.15)
Extraordinary items	-	0.00
Net cash from operating activities	<u>771.81</u>	<u>(1961.15)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets & Capital Work in process	(1,261.62)	(2044.79)
Sale of Fixed assets	-	3.83
Purchase of Investments	-	(13.22)
Sale of Investments	-	5.62
Loans	-	0.00
Net cash used in investing activities	<u>(1,261.62)</u>	<u>(2048.56)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share capital including Share Premium	.....	.....
Borrowings (Net)	1,457.11	2550.18
Interest(Net)	(1,026.12)	(565.66)
Dividend paid, including Dividend Tax	-	(171.11)
Net cash from Financing activities	<u>430.99</u>	<u>1,813.41</u>
CASH & CASH EQUIVALENTS(OPENING)	212.98	2409.28
ADD: NET INCREASE/(DECREASE) IN CASH/ CASH EQUIVALENTS(A+B+C)	<u>(58.82)</u>	<u>(2196.30)</u>
CASH & CASH EQUIVALENTS(CLOSING)	<u>154.16</u>	<u>212.98</u>
(NOTE: Figures in bracket signifies 'Outflow')		

As per our report of even date attached

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants

C V PARAMESWAR
Partner
M.No.11541

Ajay Anand
Managing Director

Rashmi Anand
Director

Place : Mumbai
Dated : 31st June 2009

G. G. Prabhu
Executive Director

Martin Golla
VP - Legal & Company Secretary

SCHEDULES TO CONSOLIDATED ACCOUNTS

As At
31st March 2009
[Rupees]

As At
31st March 2008
[Rupees]

SCHEDULE - I

SHARE CAPITAL

Authorised :

1,70,00,000 (8,50,00,000) Equity Shares of Rs.10 Each 170,000,000 170,000,000
(Previous Year Rs.2/- each)

170,000,000 170,000,000

Issued, Subscribed & Paid up

1,21,88,797 Equity Shares of Rs.10/- Each 121,887,974 121,887,974

121,887,974 121,887,974

SCHEDULE -.II RESERVES & SURPLUS

Revaluation Reserve

Balance as per last balance sheet 19,072,957 19,402,038

Less : Depreciation on revalued amount of fixed assets 329,081 329,081

18,743,876 19,072,957

Security Premium Account

Balance as per last balance sheet 31,273,767 31,273,767

Less: FCCB issue Expenses

31,273,767 31,273,767

General Reserve

Balance as per last balance sheet 459,480,760 419,480,760

Add: Transfer from Profit & Loss Account (165,655,166) 40,000,000

293,825,594 459,480,760

Capital Reserve

Balance as per last balance sheet 53,331,692 53,331,692

Add: Addition during the year 129,177 108,570

53,460,869 53,440,262

Profit & Loss Account - 24,609,382

397,304,105 587,877,127

**SCHEDULES TO THE ACCOUNTS Contd.****As At
31st March 2009
[Rupees]****As At
31st March 2008
[Rupees]****SCHEDULE - III
SECURED LOANS****From Bank :**

Term Loan (From Canara Bank)	246,128,161	212,187,960
<p>(Secured by EMT of Land & Bldg and Hypothecation of Plant and Machineries and other Movable fixed assets in respect of the expansion / new projects, as prime security, collateral security by way of extension of first collateral charge on the existing fixed assets and exclusive charge on the worli office premises (comprising built up area 1983 sq. ft.)</p>		
Packing Credit (From Canara Bank)	356,384,423	279,806,040
Other Cash Credit (From Canara Bank)	3,036,612	2,431,886
Advance Against Export Bills (From Canara Bank)	94,048,986	148,654,521
<p>(Secured by hypothecation of Stock, Book Debts and collateral security by way of charge on fixed assets of the company and exclusive charge on the worli premises (comprising built up area 1983 sq. ft.)</p>		
Other loans [Secured against hypothecation of Vehicles]	8,092,611	6,764,925
	<u>707,690,793</u>	<u>649,845,332</u>

**SCHEDULE - IV
UNSECURED LOANS**

8,000 1.5% Foreign Currency Convertible Bonds of USD 1,000 each, totalling to USD 8 Million	348,720,000	348,720,000
Short term loans & advances		
From Company / Firms / Others	196,323,910	131,715,531
From Directors	23,056,876	4,800,000
	<u>573,100,786</u>	<u>485,235,531</u>

SCHEDULES TO THE ACCOUNTS Contd.
SCHEDULE - V
FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	AS AT 1.04.08	ADDITIONS	DEDUCTIONS/ TRANSFERS	AS AT 31.03.09	AS AT 1.04.08	ADJ. ON ITEMS SOLD/TRANSF	FOR THE ON REVALUED YEAR AMT TAKEN TO REVALUATION RESERVE	AS AT 31.03.09	AS AT 31.03.09	AS AT 31.03.08
LAND - FREEHOLD	42,859,494	6,123,983		48,983,477					48,983,477	42,859,494
LAND - LEASEHOLD	12,185,987			12,185,987					12,185,987	12,185,987
BUILDING	373,833,095	35,136,045		408,969,140	62,888,917	3,017	11,742,339	329,087	74,957,326	334,011,813
PLANT & MACHINERY	494,497,459	41,039,184		535,536,643	83,569,298	476,642	24,276,909		107,369,565	428,167,078
FURNITURE & FIXTURES	47,734,609	1,757,611		49,492,220	18,674,737		3,361,393		22,036,130	27,456,090
OFFICE EQUIPMENTS	7,258,957	566,730		7,825,687	1,800,249		378,109		2,178,358	5,647,329
COMUTERS	16,987,570	854,437		17,842,007	10,986,103		2,680,697		13,666,800	4,175,208
ELECTRICAL INSTALLATION	41,198,283	3,540,015		44,738,298	11,164,792		1,985,173		13,149,965	31,588,333
VEHICLES	30,594,692	7,367,483		37,962,175	18,354,655	573,767	4,873,995		22,654,883	15,307,292
TOTAL	1,067,150,145	96,385,487		1,163,535,632	207,438,751	1,053,427	49,298,614	329,087	256,013,026	907,522,606
PREVIOUS YEAR	967,015,474	101,254,668	1,119,997	1,067,150,145	163,314,692	809,900	44,604,878	329,081	207,438,751	859,711,394



**SCHEDULES TO CONSOLIDATED ACCOUNTS Contd.**

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
SCHEDULE - VI		
INVESTMENTS (NON TRADE) (AT COST) LONG TERM		
Unit Trust of India - 6.75% Tax free US 64 Bonds 424 (424) units bonds	42,400	42,400
Quoted		
Canara Bank 5500 (5500) Equity shares of Rs.10 each Market Value Rs. 912450/- (Rs.1238600/-)	192,500	192,500
V. R. Woodart Ltd 14,56,612 (14,56,612) Equity shares of Rs.10 each Market Value Rs. 1310950.80/- (Rs.1529443/-)	11,669,869	11,669,869
Unquoted		
V. R. Woodart Ltd 4,52,000 (4,52,000) 5% Preference Shares of Rs.100 each fully paid up	45,200,000	45,200,000
Saraswat Co-operative Bank Ltd 2500 (2500) Equity shares of Rs.10 each fully paid up	25,000	25,000
Investment in Foreign Subsidiary Pana Textil GmbH 19000 (19000) Equity share of Euro 1.00 each	1,417,080	1,321,950
	<u>58,546,849</u>	<u>58,451,719</u>
SCHEDULE - VII		
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS :		
Interest Accrued but not due		365,305
STOCK IN TRADE :		
[At cost/Estimated cost or at lower of cost or net realisable value (as certified by Director) as the case may be]		
Dyes & Chemicals	1,626,757	1,298,652
Spares & Stores	8,682,086	8,875,872
Raw Material	171,792,752	143,626,161
Finished Goods	165,565,557	213,706,401
Work in process	56,685,716	45,469,638
	<u>404,352,868</u>	<u>412,976,724</u>
SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Over Six months	12,465,572	11,593,219
OTHERS :	364,279,074	351,258,088
	<u>376,744,646</u>	<u>362,851,307</u>
Less : Provision for doubtful debts	2,197,097	192,193
	<u>374,547,549</u>	<u>362,659,114</u>

SCHEDULES TO CONSOLIDATED ACCOUNTS
Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
CASH & BANK BALANCES :		
Cash on Hand	338,667	720,378
Balance with Scheduled Bank :		
On Current Account	7,889,404	12,311,950
On EEFC Account	226,997	226,997
On Deposit Account	6,961,876	8,039,004
	<u>15,416,944</u>	<u>21,298,329</u>
LOANS & ADVANCES :		
Advances recoverable in cash or in kind or for value to be recd. Unsecured - Considered Good *	279,937,636	
Deposits	5,111,908	
	<u>285,049,544</u>	
Less : Provision for doubtful advances	-	286,899,232
Advance Income Tax (Net of Provisions)	15,674,824	11,533,824
	<u>1,095,041,730</u>	<u>1,095,732,527</u>

(* Includes Rs. 648.00 Lakhs (Rs. 648.00 Lakhs) being loan advanced to joint venture company M/s. AUNDE Faze Three Limited a company under the same management and Rs. 65.03 Lakhs (Rs. 65.03 Lakhs) to M/s. Faze Three Netherlands BV, a wholly owned subsidiary.)

SCHEDULE - VIII
CURRENT LIABILITIES AND PROVISION
A) CURRENT LIABILITIES

Sundry Creditors			
: Micro, Small & Medium Enterprises (Refer Note 8 on Schedule XIX)			
: Others	239,498,691	239,498,691	162,517,465
Other Liabilities	74,027,499	74,027,499	38,690,857

B) PROVISIONS

<u>313,526,190</u>	<u>201,208,322</u>
--------------------	--------------------

SCHEDULE - IX
MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		2,986,183
Deferred Revenue Expenditure:		
Publicity/Product/Design Development and Promotion Expenses		
	<u>2,986,183</u>	

SCHEDULES TO CONSOLIDATED ACCOUNTS

Contd.

	As At 31st March 2009 [Rupees]	As At 31st March 2008 [Rupees]
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SCHEDULE - X
SALES

Export	1,362,950,530	1,054,999,198
Local	28,211,951	63,387,674
	1,391,162,481	1,118,386,872

**SCHEDULE - XI
OTHER INCOME**

Export Incentives	104,261,919	110,526,111
Dividend	5,000	5,931
Miscellaneous Income :	13,072,849	13,622,511
Profit on Sale of Investment		492,450
	117,339,768	124,647,003

SCHEDULE - XII
INCREASE / DECREASE IN STOCK :

Closing Stock		
- Finished Goods	165,565,557	213,706,401
- Work In Progress	56,685,716	45,469,638
	222,251,273	259,176,039
Opening Stock		
Less : - Finished Goods	213,706,401	170,936,150
Less : - Work In Progress	45,469,638	44,452,979
	259,176,039	215,389,129
	(36,924,766)	43,786,910

SCHEDULE - XIII
MATERIALS
MATERIALS CONSUMED :

Opening Stock	143,626,161	106,530,151
Add : Purchases	717,586,942	653,135,299
	861,213,103	759,665,450
Less : Closing Stock	171,792,752	143,626,161
	689,420,351	616,039,289

**SCHEDULE - XIV
EMPLOYEES COST**

Salaries & Wages	110,385,709	107,648,731
Contribution to Provident Fund & ESIC	5,889,354	6,669,963
Staff Welfare Expenses	7,278,616	5,926,601
	123,553,679	120,245,295

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SCHEDULES TO CONSOLIDATED ACCOUNTS

Contd.

As At
31st March 2009
[Rupees]

As At
31st March 2008
[Rupees]

SCHEDULE - XV

OPERATING EXPENSES :

Excise Duty	5,863,477	3,943,856
Sewing, Stitching, Processing & Finishing Charges	119,606,791	89,493,349
Fabric Printing Charges	127,002	302,808
Repairs & Maintenance :		
Plant & Machinery	5,504,391	7,018,622
Buildings	1,721,937	2,230,155
Others	3,570,224	2,037,399
Power and Fuel	89,173,622	62,217,649
Stores & Spares Consumed	30,550,253	24,651,439
Loom Accessories	390,612	861,911
	<u>256,508,309</u>	<u>192,757,188</u>

SCHEDULE - XVI

ADMINISTRATIVE AND SELLING EXPENSES :

Donation	-	211,169
Rent Rates & Taxes	2,501,663	1,744,224
P.F Administration Charges	305,708	242,439
Auditors Remuneration	390,030	377,810
Travelling & Conveyance Expenses	12,982,301	17,862,907
Legal & Professional Fees	8,514,665	27,657,050
Insurance	2,537,711	4,834,288
Miscellaneous Expenses	41,371,164	26,742,207
Directors Sitting Fees	51,000	38,000
Clearing & Forwarding Expenses	83,521,602	67,704,770
Packing Material Expenses	59,447,132	44,402,510
Commission & Service Charges	-	1,698,367
Business Promotion Expenses	6,079,928	3,929,129
Other Selling & Distribution Expenses	10,035,214	6,089,242
	<u>227,738,118</u>	<u>203,534,113</u>

SCHEDULE - XVII

INTEREST [NET]

Interest on Bank Borrowings and Bank charges	64,394,844	36,344,822
Interest - Others	67,012,072	42,235,076
(Rs.1278704/-) (Rs. 203573/- to Directors)	<u>131,406,916</u>	<u>78,579,898</u>
Less : Interest Received	28,792,766	22,013,756
	<u>102,614,150</u>	<u>56,566,142</u>

SCHEDULE XVIII

SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis and in accordance with requirement of Companies Act, 1956.

2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statement relates to Faze Three Limited (the company) and its subsidiary. The consolidated financial statement have been prepared on the following basis:

- * The financial statements of the company and its subsidiary have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income, and expenses after fully eliminated intra group balance and intra group transaction resulting in unrealized profits or losses.
- * The consolidated financial statement have been prepared using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

3) FIXED ASSETS:

- a) Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all cost relating to the acquisitions and installation of fixed assets.
- b) Capital work in progress includes all cost relating to the capital expenditure incurred on the projects

4) DEPRECIATION:

Depreciation on original cost has been provided under the Straight Line Method at the rates provided by Schedule XIV to the Companies Act, 1956, except for Motor Vehicles, which is charged on W.D.V. method. In the case of revalued asset, depreciation is charged on revalued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the revalued amount it is adjusted against the Revaluation Reserve.

Loom accessories, which are of replacement in nature, are expensed.

5) INVESTMENTS:

Investments are considered as long term and are accordingly stated at cost. Provision for diminution in the value of long-term investments is made only, if such decline is other than temporary.

6) INVENTORIES:

- a) Raw Materials are valued at cost or net realizable value whichever is lower.
 - b) Work-in-process are valued at cost or net realizable value whichever is lower.
 - c) Finished Products are valued at Cost or net realizable value whichever is lower.
 - d) Cost is ascertained on a weighted average cost basis.
- Cost of work in process and finished products comprises expenditure incurred in the normal course of business in bringing such inventories to its present locations and includes appropriate overheads based on normal level of activity and excise duty where applicable.

7) SALES:

Sales are inclusive of Excise Duty.

8) FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are translated into Indian Currency at the exchange rate prevailing on the date of transaction. Other monetary assets / liabilities are valued at the rate prevailing on the date of balance sheet. The gain / losses resulting from the settlement of these transactions are recognized in the Profit and Loss Account.

9) RETIREMENT BENEFITS:

Company's contribution to Provident Fund and Family Pension Fund is defined contribution plan and is charged to Profit and Loss Account. There are no other obligations other than the contribution payable to the Recognised Provident Fund Commission.

The Company has covered its Gratuity Liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC.

The company does not have scheme for encashment of earned leave.

10) EARNING IN FOREIGN EXCHANGE:

FO.B. value of Exports is worked out based on total exports sales less freight and insurance charges incurred thereon.

11) CONTINGENT LIABILITIES:

Liabilities which are of contingent nature, are disclosed by way of Notes and such liabilities, which are likely to mature are provided for.

12) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED:

The expenditure incurred prior to April, 1, 2003 comprising the following are amortized as under:

1. Share issue Expenses - Over period of 10 years.
2. Deferred Revenue Expenditure on product development / publicity and promotion - over a period of 5 years.

13) TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

FAZE THREE LIMITED
SCHEDULE XIX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1	In the absence of taxable income for the year ended 31-3-2009 and in the absence of profit for the year ended 31-3-2009, no provision for tax has been made in the accounts including Minimum Alternate Tax.		
		Year ended	Year ended
		31.03.2009	31.03.2008
		Rupees	Rupees
2	Managerial Remuneration:		
	To Managing Director and Whole-time Directors:		
	Salaries & Allowances	7,152,000	6,141,400
	Company's Contribution to Provident Fund	37,440	28,080
	Commission		1,024,345
3	Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956.		
	Profit before Tax as per Profit & Loss Account	(182,525,813)	71,601,979
	Add:		
	(a) Depreciation as per Profit & Loss Account	49,298,614	44,604,878
	(b) Profit/ (loss) on sale of Fixed Assets as per books		66,091
	© Managerial Remuneration	7,152,000	7,193,825
	(d) Profit/(loss) on Sale of Investments		492,450
	(e) Provision for Doubtful Debts	.....	.....
		(123,840,662)	123,959,223
	Less:		
	(a) Depreciation chargeable u/s. 350	49,298,614	44,604,878
	(b) Profit/ (loss) on sale of Fixed Assets u/s. 350	-	66,091
	(c) Profit/(loss) on Sale of Investments	49,298,614	492,450
		(173,139,276)	78,795,804
	Profit on which commission is payable		
	Commission to Managing Director:		
	At 1% per annum of net profit		787,958
	Commission to Director		
	At 0.3% per annum of net profit	-	236,387
		-	1,024,345
4	Estimated amount of contracts remaining to be executed on capital account and not provided for	10,862,775	35,000,000
5	Auditors' remuneration (excluding service tax) :		
	Statutory Audit Fees	300,000	300,000
	Tax Audit Fees	50,000	50,000
	Certification Fees	25,000	25,000
	Out of Pocket Expenses reimbursed	15,030	2,810
		39,00,30	377,810
6	Contingent Liabilities:		
	Bills Discounted	94,048,986	148,654,521
	Bank Guarantees	2,625,000	2,625,000
	Foreign / Inland Letter of Credits	13,324,800	25,916,409

7 Additional information pursuant to paragraph 3,4(c) and 4(d) of Part II of Schedule VI of the Companies Act, 1956.		Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
(A) Details of Registered and Installed Capacities, Actual Production:			
Installed Capacity (P.A.)	Mtrs. *	3,000,000	3,000,000
	Pcs **	2,400,000	2,400,000
Actual Production	Mtrs. *	1,579,280	1,590,054
	Pcs **	1,608,130	866,591

NOTES:

- (1) *The above details relates to Dapada factory
 (2) ** The above details relates to Dadra Factory.
 (3) The above details are not stated for Panipat Factory as it is not applicable.

(B) Turnover:

Class of Goods Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc. Home furnishing wood items and other Traded Products Rs. NIL /- (Rs.51,98,565/-)		1,362,950,530	1,193,007,430
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(C) Itemwise Breakup of opening & closing stock

Opening Stock:			
Fabrics / Made-ups		213,706,401	170,936,150
Others (for resale)		-	-
Closing Stock			
Fabrics / Made-ups		165,565,557	213,706,401
Others (for resale)		-	-

(D) Raw Material/Intermediate products Consumed:	Year ended 31.03.2009		Year ended 31.03.2008	
	Qty. Kgs.	Amount Rs.	Qty. Kgs.	Amount Rs.
Yarn	5,773,833	538,761,268	3,201,451	480,217,590
Other Raw Materials and Intermediate products		230,897,683		200,869,229

(E) Value of imported and indigenous Raw Materials/Intermediate Products, Stores & Spares consumed and their percentage to total consumption.	Year ended 31.03.2009		Year ended 31.03.2008	
	Amount Rs.	Percentage	Amount Rs.	Percentage
1 Raw material/Intermediate Products				
Imported	81,238,722	10.56	106,571,882	15.65
Indigenous	688,420,229	89.44	574,514,937	84.35
2 Stores & Spares				
Imported	2,652,541	8.68	2,479,726	10.06
Indigenous	27,897,712	91.32	22,171,713	89.94

(F) CIF Value of Imports		
(a) Capital Goods	2,274,032	68,966,322
(b) Others	83,891,263	109,051,607
 (G) Expenditure in Foreign Currency: Travelling and other expenses	 14,703,832	 30,005,507
 (H) Earnings in Foreign Exchange: FOB Value of Exports	 1,279,428,928	 987,294,428

(I) The relevant information regarding turnover, opening stock and closing stock, of Cotton Handloom Products, Durries, Made ups, Cushion Covers, Carpets etc., Home/auto Fabrics, Made-ups, other traded products etc. is given only in aggregate and no breakup thereof is given as the items are too numerous to be conveniently grouped.

(ii) Consumption includes adjustments for shortages/excess etc., and the effects of reduction of inventory to realisable value.

(iii) Quantities of consumption, production, opening and closing stock of fabrics is in metres and in pieces while that of raw material and other materials are in Kilograms.

8 From the records available with the Company, dues to small scale industrial undertakings amount to Rs. NIL- (Rs.NIL/-).

There are no Small Scale industrial undertakings to whom the Company owes a sum exceeding Rs.1,00,000/- and which is outstanding for more than 30 days.

9 Segmental Reporting :

In accordance with the Accounting Standard - 17 on " Segment Reporting ", issued by the institute of Chartered Accountants of India, the Company has only one segments i.e manufacturing of home furnishing items The manufactured items comprises Durries, Made ups, Cushion covers, Carpets, floor coverings, blankets, throws etc.

10 Related Party Disclosures

a) List of Related Parties Relationship

Name of the party	Relationship
1. V.R.Woodart Ltd	Associate
2. Aunde Faze Three Autofab Ltd	.....do.....
3. Instyle Investments Pvt.Ltd	.....do.....

b) Key Management Personnel

1 Mr.Ajay Anand	Chairman & Managing Director
2 Mrs. Rashnmi Anand	Whole-time Director
3 Mr.Sanjay Anand	.....do.....
4 Mr. G. G. Prabhu	Executive Director

c) Relatives of Key Management Personnel

Mr. Vishnu Anand	Son of Mr.Ajay Anand
Ms. Rohina Anand	Daughter of Mr. Ajay Anand

d) Related Party Transaction		Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
1	Purchase of goods Aunde Faze Three Ltd	7,916,663	19,442,684
2	Sale of goods Aunde Faze Three Ltd Pana Textil Gmbh	19,285,278 18,353,868	55,282,417 -
3	Jobwork Income Aunde Faze Three Ltd	35,258	11,510,667
4	Sales of DEPB License Aunde Faze Three Ltd	1,958,464	5,252,792
5	Interest paid Aunde Faze Three Ltd Ajay Anand Ajay Anand (HUF) Vishnu Anand Rashmi Anand G. G. Prabhu L. G. Prabhu	3,900,000 1,243,615 106,404 35,521 31,912 3,067 3,067	1,159,075 194,819 - - 8,754 79,537.00 62,178.00
6	Finance Taken Aunde Faze Three Ltd Ajay Anand V. R. Woodart Ltd. G. G. Prabhu L. G. Prabhu	22,650,000 20,500,000 - - -	5,000,000 5,500,000 300,000 1,300,000 1,600,000
7	Interest Received Aunde Faze Three Ltd	5,940,000	5,435,507
8	Managerial Remuneration Ajay Anand Rashmi Anand Sanjay Anand G. G. Prabhu	3,456,000 1,440,000 1,176,000 1,080,000	3,961,301 1,305,360 1,461,942 460,000

11 Earning Per Share

Earning per share computed in accordance with Accounting Standard 20: " Earning Per Share "

Basic Earnings Per Share		
Profit after tax as per Accounts is Rs.	(190,264,548)	50,996,669
Number of Shares	12,188,797	12,188,797
Basic and Diluted EPS (Rs.)	(15.61)	4.18

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	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
12 Deferred Tax: Major components of Deferred tax Assets and Deferred Tax Liabilities		
Deferred Tax Assets	NIL	NIL
Deferred Tax Liabilities		
Difference between Book Value of Depreciable Assets as per books of account and Written Down Value for the purposes	102,367,993	95,817,504
Net Deferred Tax Liability	102,367,993	95,817,504
Deferred Tax Liability as at 01.04.2008	95,817,584	95,817,584
Net Incremental Liability charged to Profit & Loss Account	6,550,489	10,212,917

13 Employee Benefit

Company does not have scheme for encashment of earned leave.

The Company contributes to the Government Provident Fund Scheme towards provident fund dues of its employees short term employee benefits are recognised as an expense at the undiscounted amount in the profit & loss account of the year in which the related service is rendered.

14 Consolidation of Subsidiary

The subsidiary considered in the financial statement is Faze Three Netherland B.V.

Name of Company	Country of Incorporation	% Ownership interest as at 31st March, 2009	% Ownership interest as at 31st March, 2009
Faze Three Netherlands B.V.	Netherland	100.00%	Nil

Consolidated financial statement do not included the accounts of M/s. Pana Textile GmbH which is subsidiary of the Company's subsidiary Faze Three Netherland B.V.

The Company is in the process of obtaining an exemption from Cental Government for not including the same. However the Company has included the financial data of the above subsidiary as under.

Sr. No.	PARTICULARS	NAME OF THE SUBSIDIARY PANATEXTILE GMBH, GERMANY
1	Financial period of the subsidiary company ended on	31.03.2009
2	Date on which became subsidiary	20.11.2007
3	No. of Equity Shares held by Faze Three Limited in the subsidiary as at 31.03.2009	Through Faze Three Netherlands BV 19,000 equity shares of Euro 1.0 each
4	Extent of Interest of Faze Three Limited in the capital of the subsidiary company	76%
5	Net aggregate amount of Profit / Losses of the Subsidiary so far as it concerns the Members of FAZE THREE LIMITED and is not dealt with the Company's accounts of FAZE THREE LIMITED	
i.	For the year ended 31st March 2009	(Euro 3,2509.66)
ii.	For the financial year since they became subsidiaries	Euro 2709.06
	Net aggregate amount of Profit / Losses of the Subsidiary so far as it concerns the Members of FAZE THREE LIMITED and is dealt with the Company's accounts of FAZE THREE D	
	ii. For the financial year since they became subsidiaries	(Euro 2,9800.60) Euro 2709.06

15. Previous period's figures have been regrouped / reclassified wherever necessary, to make them comparable with current period's figures.

SIGNATURES TO THE ACCOUNTS AND SCHEDULES I TO XVIII

As per our report of even date attached
For **THAKUR VAIDYANATH AIYAR & CO.**
Chartered Accountants

For **FAZE THREE LIMITED**

C.V. PARAMESWAR
Partner
M.No.11541

Ajay Anand
Managing Director

rashmi Anand
Director

Place : Mumbai
Dated: 15th November 2008

G.G. Prabhu
Executive Director

Martin Golla
VP-legal & Company Secretary

15 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I REGISTRATION DETAILS:

Registration No.	:	L99999DN1985PLC000197
State Code	:	04
Balance Sheet	:	31ST MARCH 2009 (Rs.in Thousands)

II CAPITAL RAISED DURING THE YEAR:

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:

Total Liabilities	:	1903352
Total assets	:	1903352

SOURCES OF FUNDS:

Paid up Capital	:	121888
Reserves & Surplus	:	397304
Secured Loans	:	707691
Unsecured Loans	:	573101
Deferred Tax	:	6550

APPLICATION OF FUNDS:

Net Fixed Assets	:	1062289
Investments	:	58547
Net Current Assets	:	781516
Misc. Expenditure	:	NIL
Accumulated Losses	:	NIL

IV PERFORMANCE OF THE COMPANY:

Turnover [incl. Other Income]	:	1508502
Total Expenditure	:	1654103
Profit/(Loss) Before Tax	:	(182526)
Profit/(Loss) After Tax	:	(190265)
Earning Per Share (Rs.)	:	(15.61)
Dividend Rate	:	0%

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY
[AS PER MONETARY TERMS]:

Item Code No. [ITC Code]	Product Description
5514 / 5209	Woven Fabrics
5703	Carpets and Floor coverings

SIGNATURES TO THE ACCOUNTS AND SCHEDULES I TO XVIII

As per our report of even date attached

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants

For FAZE THREE LIMITED
C.V. PARAMESWAR
Partner
M.No.11541
Place : Mumbai
Dated: 31st July 2009

Ajay Anand
Managing Director

Rashmi Anand
Director

G. G. Prabhu
Executive Director

Martin Golla
VP - Legal & Company Secretary

BOOK-POST

To,

If undelivered please return to :

FAZE THREE LIMITED

Corporate Office

1-2, Shiv Smriti Chambers,

49-A, Dr. Annie Basant Road, Worli,

Mumbai - 400 018.