

BOARD OF DIRECTORS AND OTHER INFORMATION

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BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA

COMPLIANCE OFFICER

N. K. JAIN

STATUTORY AUDITORS

M B A H & CO
Chartered Accountants
R. KABRA & CO.
Chartered Accountants

Works

Embroidery Plants:

- 1) SARIGAM : 1637,1639, G.I.D.C. Sarigam, Dist. Valsad, Gujarat
- 2) NAROLI : Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Dadra & Nagar Haveli (U.T.)
- 3) THANE : Unit No.-1.Vimal House, Dhanji Udyog Nagar, Pankar Pada, Mira Road, Thane
- 4) COIMBATORE : Chinnamaddampalayam, Billichi Village, Coimbatore - 641 019

Bobbin Lace Plants:

- 1) DADRA : Ankur, Plot No. 1, Sheetal Industrial Estate, Demni, Dadra & Nagar Haveli (U.T.)
- 2) KARAD : Survey No. 150/4, Village Karad, Silvassa, Dadra & Nagar Haveli (U.T.)
- 3) COIMBATORE : Chinnamaddampalayam, Billichi Village, Coimbatore - 641 019

Process House : 1638, G.I.D.C., Sarigam, Dist. Valsad, Gujarat

Dope Dyed Plant : Village-Kheri, Trilokpur Road, Kala-amb, Dist Sirmour, Himachal Pradesh -173 030

Offices

- Registered Office : Unit No, 101B, 1st Floor, Abishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058
- Corporate Office : 318, 3rd Floor, Linkway Estate, New Link Road, Chincholi Bunder, Malad (West), Mumbai - 400 064
- Chennai Office : Kumbhat Complex, 29 & 30, Ralan Bazar, 3rd Floor, Chennai - 600 003
- Delhi Office : 4986, Baratooti Sadar Bazar, 1st Floor, Delhi -110 006
- Manesar Office : Plot No. 18, Sector-4, IMT Manesar, Gurgaon, Haryana -122 050
- Jaipur Office : Plot No.1, Durga Vihar, Dalda Factory Road, Near Durgapur Bus Stand, Jaipur - 302 018
- Kolkata Office : 14/2, Old China Bazar Street, 2nd Floor, Room No. 135, Kolkata - 700 001
- Bangalore Office : 37/115, 2nd Main Road, Gangadara Layout, 2nd Floor, Vijaya Nagar, Bangalore - 560 040
- Surat Office : Adarsh Market 2, Shop No. 546 & 547, Ring Road, Surat - 395 002
- Mumbai Sales Office : Godown No.1, Rajada Chawl No.2/4, Old Hanuman 2nd Cross Road, Mumbai - 400 002
- Telephone No. : 91-22- 42232323
- Fax No. : 91-22- 42232313
- Website : www.pelhakoba.com
- E-mail Address : mumbai@pelhakoba.com
- Listing : Stock Exchanges : Bombay Stock Exchange and National Stock Exchange of India Ltd.
- ISIN for Dematerialisation : INE156C01018
- Share Transfer Agent : LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai - 400 078

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Pioneer Embroideries Limited will be held on **Tuesday, the 28th September, 2010** at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400095 at **9:30 A.M.** to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the period ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Anand Kumar Jain, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date and subject to approval of Central Government, if required, consent and approval be and is hereby accorded to the re-appointment of and the remuneration being paid or provided to Mr. Harsh Vardhan Bassi as Executive Director of the Company for a period of three years with effect from 29th October, 2010 at a remuneration of Rs. 2,20,000/- per month and perquisites and on such other terms and conditions as set out in draft letter, a copy whereof initialed by Mr. Raj Kumar Sekhani, Chairman of the Company, for the purpose of identification has been placed before this Meeting, which draft letter is hereby specifically approved."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration to the extent the Board of Directors may consider appropriate and as may be permitted or authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Mr. Harsh Vardhan Bassi shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder and the terms of the aforesaid Letter shall be suitably modified to give effect to such variation or increase as the case may be."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Harsh Vardhan Bassi as Executive Director, the remuneration set out in the aforesaid draft letter be paid or granted to Mr. Harsh Vardhan Bassi as minimum remuneration provided that the total remuneration by way of salary and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and the provisions in the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the stock exchanges, where the shares of the Company are listed, Guidelines of preferential issue contained in Chapter VII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, as may be modified or re-enacted from time to time (hereinafter referred as "ICDR Regulations") the applicable rules, notifications, guidelines issued by Government of India, Reserve Bank of India, provisions of Foreign Exchange Management Act, 1999 and subject to the approvals, permissions, sanctions and consents as may be necessary from the regulatory and other appropriate authorities and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee of the Board authorized to exercise the powers of the Board) or as may be prescribed under applicable laws or imposed by regulatory and other appropriate authorities (including but not limited to SEBI), while granting such approvals, permissions, sanctions and consents, which may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board to offer, issue and allot 3,80,645 Equity shares of Rs. 10/- each for cash at a price of Rs. 31/- per share (including a premium of Rs. 21/- per share) aggregating to Rs. 1.18 Crores to Archana Salil Maroo, Salil Mahesh Maroo HUF and Salil Mahesh Maroo in one or more combinations thereof, whether they are members of the Company or not, on the basis of preferential allotment/private placement and in such manner and on such other terms and conditions as the Board may in its absolute discretion think fit.

RESOLVED FURTHER THAT the "Relevant Date" as per Regulation 71(a) for the pricing of equity shares to be allotted as per ICDR Regulations will be 29th August, 2010 being the date 30 days prior to the date on which the meeting of the shareholders is held to consider the preferential issue.

RESOLVED FURTHER THAT the equity shares to be issued and allotted shall rank pari passu including to dividend with the then existing equity shares of the Company in all respects and be listed on the stock exchanges where the Equity shares of the Company are listed.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution(s), the Board be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable for such purpose and to modify, accept and give effect to any modifications in the terms and conditions of the issue or in the above proposal as may be suggested by the statutory, regulatory and other appropriate authorities (including but not limited to SEBI and as may be

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.... a stitch ahead of time



PIONEER GROUP

agreed by the Board and to settle all questions, difficulties or doubts that may arise in the proposed issue, pricing of the issue, offer and allotment of the said equity shares, including utilization of the issue proceeds and to execute all such deeds, documents, writings, agreements, applications in connection with the proposed issue as the Board may in its absolute discretion deem necessary or desirable without being required to seek any further consent or approval of the members or otherwise with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors to give effect to this resolution.”

Registered Office

Unit No, 101B, 1st Floor,
Abhishek Premises,
Plot No. C5-6, Dalia Industrial Estate,
Off. New Link Road,
Andheri West, Mumbai - 400 058

By Order of the Board of Directors
For PIONEER EMBROIDERIES LTD.

N K JAIN
CFO and Company Secretary

Place: Mumbai

Date : 27th August, 2010

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the businesses under Item Nos.4 & 5 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY FORMS DULY COMPLETED AND SIGNED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
3. Members are requested to affix their signature at the place provided on the Attendance Slip and hand over the slip at the entrance to the place of meeting for attending the Meeting.
4. Corporate Members intending to send their Authorised Representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their Representative to attend and vote at the Meeting on their behalf.
5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report to the Meeting.
6. In terms of the Notification issued by Securities and Exchange Board of India (SEBI), the Equity Shares of the Company are compulsorily traded in Electronic mode. Shareholders are requested to avail this facility and get their shareholding converted into Dematerialised form by sending the Dematerialisation Request Form (DRF) alongwith the Share Certificates through their Depository Participant (DP) to the Company's Registrar & Transfer Agent.
7. The Register of Members and Share Transfer books of the Company will remain closed from September 24, 2010 to September 28, 2010 (both days inclusive).
8. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. N. K. Jain, Company Secretary and Compliance Officer, at the Company's Registered Office. Members are requested to note that Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
9. Dividend for the Financial year March 31, 2003 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to **Investor Education and Protection Fund (IEPF)**. Members who have not so far encashed Dividend Warrant(s) for the aforesaid years are requested to seek issue of Duplicate Warrants(s) by writing to the Company immediately. **Members are requested to note that NO CLAIMS shall lie against the Company or IEPF in respect of any amounts that were unclaimed and unpaid for a period of 7 years from the dates they first became due for payment and no payment shall be made in respect of any such claims.**
10. Members are requested to notify any change in their address to the Registrar & Transfer Agent of the company M/s. Link Intime Share Registry Limited.
11. Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.
12. Shareholders seeking any information with regard to the Accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned under the Item Nos. 4 & 5 of the accompanying Notice.

Item 4

Mr. Harsh Vardhan Bassi, aged 36, is a Graduate in Commerce stream from Punjab University. He has over 13 years of experience in marketing of textiles. He was associated with R. K Khanna Group of Companies for around nine years, having served in various positions and functional areas like manufacturing and marketing embroidered fabrics and laces. Mr. Harsh Vardhan Bassi is the Executive Director of your Company since 10th December, 2003. He is also on the Board of Hakoba Lifestyle Limited and Member of the Audit and Shareholder's Grievance Committee of your Company.

In view of this the Remuneration Committee and Board of Directors has decided to re-appoint Mr. Harsh Vardhan Bassi as Executive Director for a period of 3 years w.e.f. 29th October, 2010.

The detailed terms and conditions regarding remuneration to be paid to him is given below which is as per Section 198, 269 and 309 read with Schedule XIII of the Companies Act, 1956.

1) Details of Salary to be paid is as follows :

Rs.2,20,000/- per month with an increment of 10% per year as may be decided by the Board of Directors.

2) Perquisites

Perquisites & Allowances: Shri Harsh Vardhan Bassi shall be entitled to the following perquisites and allowances:

- i) **Housing:** Furnished / unfurnished residential accommodation or House Rent Allowance upto 10% of salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules 1962.
- ii) **Medical Reimbursement / Allowance:** Reimbursement of actual expenses for self and family and / or allowance will be paid as decided by the Remuneration Committee from time to time.
- iii) **Leave Travel Concession / Allowance:** For self and family once in a year as decided by the Remuneration Committee from time to time.
- iv) **Club Fees:** Fees payable subject to a maximum of two Clubs.
- v) **Company Car And Telephone:**

Car for use on company's business and telephone at residence will not be considered as perquisites, personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

The above Perquisites & Allowances shall be restricted to an amount equal to the annual salary and subject to an overall ceiling of remuneration stipulated under section 198 and 309 of the Companies Act, 1956 (the Act) read with Schedule XIII thereto, or any modification(s) or re-enactment thereof. The perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income Tax Act, 1961 or any rules thereunder or any Statutory modification(s) or re-enactment thereof (Income Tax Law).

Other Benefits: Company's contribution to the Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Law, and Gratuity payable and encashment of leave at the end of tenure, as per the rules of the Company and to the extent not taxable under the Income Tax Law, shall not be included for the purpose of computation of the overall ceiling of remuneration.

3) Minimum Remuneration:

Where in any financial year, during the tenure of Executive Director, the Company has no profit or its profits are inadequate, the Company will pay remuneration not exceeding the limits specified under Section II of Part II of Schedule XII to the Companies Act, 1956.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement of concern or interest under Section 302 of the Companies Act, 1956.

A copy of the Letter referred to in the resolution set out under item no. 4 of the Notice for revision of remuneration payable to Mr. Harsh Vardhan Bassi as the Executive Director is open for inspection by the Members at the Registered Office of the Company between 10:00 A.M. to 12:30 P.M. on any working day.

The Board recommends the Resolutions in the best interest of the Company for your approval.

None of the Directors of the Company except Mr. Harsh Vardhan Bassi is concerned or interested in the resolution.

Item 5

The Board of Directors at its meeting held on 27th August, 2010 has decided to issue Equity Shares to Archana Salil Maroo and Salil Mahesh Maroo-HUF and Salil Mahesh Maroo. The proposed preferential issue and allotment of Equity Shares shall be in accordance with Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations). The Price per Share calculated in accordance with the Regulation works out to Rs.31/- per share.

In terms of Regulation 73 (1) of SEBI ICDR Regulations, the Company submits/make following disclosures.

1. Objects of the Issues:

The Objects of the issue of Equity Shares on Preferential basis is to augment the working capital requirements of the Company.

2. Intention of Promoters, Directors or Key Management Personnel to subscribe to the proposed preferential offer:

The persons who intends to subscribe to the shares proposed to be issued.

| Sr. No. | Name of the Proposed Allottee | No of Shares to be subscribed |
|--------------|-------------------------------|-------------------------------|
| 1. | Archana Salil Maroo | 1,93,548 |
| 2. | Salil Mahesh Maroo - HUF | 90,323 |
| 3. | Salil Mahesh Maroo | 96,774 |
| Total | | 3,80,645 |

There is no intention by Promoters/key personnel to subscribe to the offer.

3. Shareholding pattern before and after the offer:

The Shareholding pattern before and after completion of the proposed preferential issue would be as under:

| Sr. No. | Category | Shareholding Pattern | | | |
|----------|---------------------------------|----------------------|---------------|-----------------|---------------|
| | | Pre - Issue | | Post - Issue | |
| | | No . of Shares | % of Capital | No. of Shares | % of Capital |
| A | Promoter holding | | | | |
| 1 | Indian Promoter | 4176788 | 33.32 | 4176788 | 32.34 |
| | Foreign Promoters | --- | --- | --- | --- |
| 2 | Persons Acting in Concert | 23298 | 0.19 | 23298 | 0.18 |
| | Sub - Total | 4200086 | 33.51 | 4200086 | 32.52 |
| B | Non Promoter Holding | | | | |
| 1 | Institutional Investors | | | | |
| | Mutual funds | 900 | 0.01 | 900 | 0.01 |
| | Banks, FIs, Insurance Companies | 999594 | 7.97 | 999594 | 7.74 |
| | NRIs/OCBs | 204127 | 1.63 | 204127 | 1.58 |
| | FIs | 287993 | 2.30 | 287993 | 2.23 |
| | Sub - Total | 1492614 | 11.91 | 1492614 | 11.56 |
| 2 | Others | | | | |
| | Private corporation Bodies | 1188486 | 9.48 | 1188486 | 9.20 |
| | Indian Public | 5420705 | 43.25 | 5801350 | 44.92 |
| | Clearing Members | 232629 | 1.86 | 232629 | 1.80 |
| | Sub - Total | 6841820 | 54.58 | 7222465 | 55.92 |
| | Grand Total | 12534520 | 100.00 | 12915165 | 100.00 |

Note:- The Above shareholding pattern has been prepared on the basis of shareholding as on 30th June, 2010.

4. Proposed time within which the allotment will be completed

As per Regulation 74(1) the Company will allot shares within 15 days from the date on which the Special Resolution is passed.

5. The identity of the proposed allottees and the percentage of the post-preferential issue capital that may be held by them:

| Sr. No. | Name of the Proposed Allottee | No of Shares to be subscribed | % in the post -issue Capital (including pre issue holding) |
|--------------|-------------------------------|-------------------------------|--|
| 1. | Archana Salil Maroo | 1,93,548 | 1.50 |
| 2. | Salil Mahesh Maroo - HUF | 90,323 | 0.70 |
| 3. | Salil Mahesh Maroo | 96,774 | 0.75 |
| Total | | 3,80,645 | 2.95 |

6. Undertakings

The Company hereby undertakes to re-compute the price of the specified securities in terms of the provision of these regulations where it is required to do so;

The Company hereby undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked-in till the time such amount is paid by the allottees.

7. Certificate from Statutory Auditors

The statutory Auditors Certificate as mentioned in Regulations 73(2) of the SEBI ICDR regulations shall be available for inspection at the registered office of the Company during business hours except on Public holiday and Saturday and Sunday until conclusion of Annual General Meeting and will be placed before the Annual General Meeting.

8. Lock-in-period

The equity shares to be allotted will be locked in as per the provisions of ICDR Regulations.

In terms of Section 81(1A) of the Companies Act, 1956 if any Public Limited Company proposed to increase the subscribed share capital of the Company by way further allotment of shares, the same shall be offered to existing shareholders in the proportion of their respective shareholding in the Company. Pursuant to Section 81(1A) of the Companies Act, 1956 a Public Company may offer its further equity shares in any manner whatsoever to persons other than those mentioned in Section 81(1), if a special resolution to that extent is passed.

The necessary Special Resolution is proposed at item No. 5 of the Notice for your approval.

None of the Directors, in any way, concerned or interested in the said resolution.

Registered Office

Unit No, 101B, 1st Floor,
Abhishek Premises,
Plot No. C5-6, Dalia Industrial Estate,
Off. New Link Road,
Andheri West, Mumbai - 400 058

Place: Mumbai

Date : 27th August, 2010

By Order of the Board of Directors
For PIONEER EMBROIDERIES LTD.

N K JAIN
CFO and Company Secretary



DIRECTOR'S REPORT

To,
The Members,
PIONEER EMBROIDERIES LIMITED

Your Directors present their Eighteenth Report on the business and operations of your Company for the period ended 31st March, 2010.

FINANCIAL HIGHLIGHTS:

(Rs. in lacs)

| | For the period ended 31st March, 2010 (6 months) | For the year ended 30th September, 2009 (12 months) |
|---|--|---|
| Turnover - Domestic | 7,536.49 | 11,740.57 |
| - Export | 249.57 | 564.48 |
| Total | 7,786.06 | 12,305.05 |
| Profit / (Loss) before Financial Charges, Depreciation, Exceptional Items & Tax | 377.91 | 498.96 |
| Financial Charges | 768.42 | 1,628.63 |
| Profit / (Loss) before Depreciation, Exceptional Items and Tax | (390.51) | (1,129.67) |
| Depreciation | 599.52 | 1,125.22 |
| Profit/(Loss) before Exceptional Items & Tax | (990.03) | (2,254.89) |
| Exceptional Items | 1592.09 | - |
| Provision for Deferred Tax Liability / (Asset) | (159.90) | (1,704.60) |
| Provision for Fringe Benefit Tax | - | 4.90 |
| Profit/(Loss) after Tax | 761.96 | (555.19) |
| Income Tax for earlier years | 176.30 | (0.77) |
| Net Profit/(Loss) | 585.66 | (554.42) |
| Balance of net profit brought forward from previous year | (1,040.73) | (486.31) |
| Disposable Profits/(Loss) | (455.07) | (1,040.73) |
| Balance of Profit/(Loss) carried forward | (455.07) | (1,040.73) |
| Per share data | | |
| Basic Earning per Share (Rs.) | 4.80 | (4.54) |
| Book Value per Share (Rs.) | 38.93 | 18.10 |

PERIOD IN RETROSPECT

Profit before interest, depreciation, tax and exceptional items for the period stood at Rs.377.91 lacs (Rs.498.96 lacs). However, with high interest cost and depreciation, loss before tax and exceptional items for the Company stood at Rs.990.03 lacs (Rs.2254.89 lacs) and profit after providing tax/deferred tax asset, stood at Rs.585.66 lacs (loss of Rs.554.42 lacs).

During the period under review, the Dope Dyed Polyester Yarn (DDPY) business has achieved encouraging operational performance with a turnover of Rs.4,963 lacs (Rs.6,619 lacs) and EBIDTA of Rs.731 lacs (Rs.959 lacs).

Though DDPY business continued to provide higher turnover and EBIDTA vis a vis projected level under the CDR package, the Embroideries and Laces business suffered due to overall margin pressure as prevalent in Indian Textile Industry coupled with the high cotton prices & stiff competition from unorganized sector and severe power shortage in Tamilnadu.

Your Company continued to enhance the thrust on its R&D capabilities in the DDPY segment and is in the process to expand the installed capacity of DDPY division. The move is with aim to meet increasing market demand and also to achieve strong earning growth supported by volume growth and focusing more on high margin product mix.

Leveraging on the projected growth forecasts, high sales volumes of DDPY and operational flexibility, your Company expects improved operating performance during the next financial year.

A review of the performance during the period is given under the section Management Discussion and Analysis Report.

CORPORATE DEBT RESTRUCTURING

As reported last year, the debt restructuring proposal under Corporate Debt Restructuring (CDR) mechanism has been implemented and the banks and other lenders have classified and restructured accounts as per restructuring scheme.

The impact of CDR package, excluding allotment of 9% OCCRPS to be carved out of Term Loans, has been considered in the accounts and pending

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allotment of OCCRPS, the interest on the said carved out portion has been provided in the accounts and the treatment of such interest shall be made upon decision by CDR-EG in this regard.

In the EOGM held on 22nd June, 2010, the members had approved the said allotment of OCCRPS as well as allotment of equity shares to the Promoters as per CDR approved package. In the Board meeting held on 27th August, 2010, the Company has allotted 2,75,53,610 Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.10/- each aggregating Rs.275,536,100 to all secured lenders, except to ICICI Bank Ltd. for want of RBI approval to its restructured ECB.

The Company has settled the dues of unsecured lenders in terms of CDR package and payments are being made as per settlement arrived with them.

Out of total outstanding FCCBs of USD 28 million, the Company has so far settled and bought back a total FCCBs worth USD 16.25 million (face value) by making payment of USD 4.50 million and further by converting FCCBs worth USD 7.50 lacs into 3,26,305 equity shares of Rs.10/- each to Bondholders. For balance FCCBs of USD 11 million, the Company and Bondholders have entered into an agreement for buy back of FCCBs for a sum of USD 2.40 million by 31st December, 2010.

Your Directors are hopeful that upon the implementation of the CDR Package in entirety, the Company shall be able to revive its operational plan and profitability.

BUSINESS RESTRUCTURING

As reported last year and in terms of CDR package, the monetization of unencumbered property at Borivli (Mumbai) has been completed and the proceeds were used to settle part of the outstanding FCCBs and other unsecured lenders.

One of the secured lenders, ING Vysya Bank Ltd., who had initiated recovery proceedings before DRT, has arrived at a settlement with the Company for an OTS of Rs.12.00 crore against its suit claim of Rs.18.27 crore and filed consent terms on 11th March, 2010 before the DRT. As per the consent terms, the Company has entered into a tripartite agreement dated 15th April, 2010 with ING bank and the buyer for sale of land and building at Bangalore for a sum of Rs.16.00 crore to pay the part settled amount. So far a sum of Rs.8.00 crore has been paid to ING bank as per consent terms and balance Rs.4.00 crore shall be paid by 30th September, 2010. The effect of the said settlement with ING bank shall be given in the current year.

LISTING

The Equity Shares of the Company are listed with the BSE, NSE, Delhi and Kolkata. The Company had applied for delisting the Company's Equity Shares from the Stock Exchanges at Delhi and Kolkata and yet to receive the permission for delisting from these Stock Exchanges.

The Company has paid the listing fees for the period to all the stock exchanges, where the shares of the Company are listed.

DIVIDEND

In view of accumulated losses, the Directors have not recommended any dividend for the period ended 31st March, 2010.

SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current period decreased to Rs.552 lacs from Rs.1830 lacs as compared to previous year. Loss after tax stood at Rs.768 lacs as compared to Rs.647 lacs during previous year.

The gross sales of Mas Embroideries Private Limited in current year ended 31st March, 2010 stood at Rs.171 lacs (Rs.171 lacs). The Company has incurred a net loss of Rs.55 lacs as compared to net loss of Rs.5 lacs in previous year.

Pioneer Realty Ltd. had no activity during the year.

S.R Investments Limited has investment holding as a principal activity and has incurred net loss of Rs.4.30 lacs excluding service charges payable to the Company.

The Balance Sheet, Profit and Loss Account, Auditor's Report and Director's Report of its subsidiaries, Hakoba Lifestyle Limited, Mas Embroideries Private Limited, and Pioneer Realty Limited have been attached.

The statement of subsidiaries pursuant to section 212 of the Companies Act, 1956 is attached and forms part of this report.

RETAIL

Hakoba Lifestyle Limited, a subsidiary of your Company, is in retail business with the well known Brand name "Hakoba".

As reported earlier, the Company could revamp the retail business by closing non-profitable stores and opening fewer profitable outlets. Presently, Hakoba is operating 23(40) stores with a mix of franchisee and company run stores.

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DEPOSITORY SYSTEM

The trading in the equity shares of your Company are under compulsory dematerialisation mode. Till date, shares representing 96.88% of the share capital are in dematerialised form. As the Depository System offers numerous advantages, Members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

FIXED DEPOSITS

During the period under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and as such no amount of principal or interest was outstanding as on the Balance Sheet date.

SAFETY, HEALTH & ENVIRONMENT

No efforts have been spared to ensure safety in the operation of the Plants, promote health and protect the environment. The health of the Employees is being continuously monitored and environment improvement measures in and around the Plant area have been given due care and attention.

HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of businesses. The Company takes various HR initiatives to align the HR policy to the growing requirements of business.

Technical and safety training programmes are given priority.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act read with the Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office at the Company.

DIRECTORS

Mr. Anand Kumar Jain retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Harsh Vardhan Bassi has been reappointed as Executive Director for a further term of three years commencing from 29th October, 2010 and ending on 28th October, 2013.

INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery are adequately insured against risk of fire and other risks.

ACCOUNTING STANDARDS AND CONSOLIDATED FINANCIAL STATEMENTS

A company, whose securities are listed on the Stock Exchanges, is compulsorily required to follow the Accountings Standards prescribed by the Institute of Chartered Accountants of India. As a consequence, the Company is obliged to make a provision for deferred tax liability net of deferred tax asset in the accounts. In the period under review, the Company has provided deferred tax assets of Rs.159.90 lacs, and the total outstanding deferred tax assets as on 31st March, 2010 stood at Rs.1771.00 lacs.

In accordance with the Accounting Standard -21 on Consolidated Financial Statement read with Accounting Standard- 27 on Financial Reporting of Interest in Joint Venture, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

AUDITORS

M/s M B A H & CO (formally Bhageria Naredi & Associates) and M/s R. Kabra & Co. , Chartered Accountants are to be appointed as Joint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

AUDITOR'S REPORT

The Auditor's Report to the shareholders is self-explanatory and qualifications, wherever stated by auditors, have been either explained in notes to accounts and are also self-explanatory.

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DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts for the period 2009-10, the applicable Accounting Standards have been followed, except otherwise stated in notes to Accounts and Accounting Policies;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period and of the profit of the Company for the period;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance with Auditors Certificate on Compliance with the conditions of Corporate Governance and a Management Discussion & Analysis Report has been attached to form part of the Annual Report.

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

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Annexure to this report.

ACKNOWLEDGEMENT

The Management of your Company is grateful to the CDR-Cell, Government authorities, Shareholders, Valued Customers, Company's Bankers, Financial Institutions, Raw Material Suppliers, and other Business Associates for their continued support and co-operation.

The Directors also wish to place on record their appreciation of the co-operation, active involvement and dedication of the employees, which enabled the Management to contribute to the growth of your Company.

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 27th August, 2010.

RAJ KUMAR SEKHANI
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

I. Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 31.03.2010.

A) CONSERVATION OF ENERGY:

The manufacturing processes of the Company are not energy intensive, therefore impact of energy saving devices are insignificant.

B) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

The Company has not imported any technology at any time during the last five periods except erection of modern technology based machines.

RESEARCH AND DEVELOPMENT:

- | | |
|---|--|
| a) Specific areas in which R & D has carried out by the Company | The Company has carried out R & D in the area of product development & cost reduction. |
| b) Benefit derived as a result of R & D. | Sales and quality of the products of the Company has improved substantially. |
| c) Future Plan of action | The Company plans to strengthen its R & D activity and intensify its cost reduction programme. |
| d) Expenditure on R & D | Expenditure has been incurred but no separate account is kept. |
| i) Capital | |
| ii) Recurring | |
| iii) Total | |
| iv) Total R & D Expenditure | |
| As a Percentage of total turnover. | |

C) FOREIGN EXCHANGE EARNING AND OUTGO:

(Rs. in lacs)

| | 2009-10 | 2008-09 |
|---|---------|---------|
| Total Foreign Exchange Used (Payment Basis) | 126.07 | 807.54 |
| Total Foreign Exchange Earned | 380.16 | 866.05 |

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 27th August, 2010.

RAJ KUMAR SEKHANI
Chairman



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

(Rs. in thousand)

| Name of Subsidiaries | Financial year ending of subsidiary | Holding - % | For financial year of the subsidiary | | For previous financial years since it became a subsidiary | |
|------------------------------------|-------------------------------------|-------------|---|--|---|--|
| | | | Aggregate profits / losses not dealt with in the company's accounts | Aggregate profits/ losses dealt with in the company's accounts | Aggregate profits / losses not dealt with in the company's accounts | Aggregate profits/ losses dealt with in the company's accounts |
| 1 Hakoba Lifestyle Limited | 31.03.2010 | 85% | (65,312) | Nil | (384,514) | Nil |
| 2 Mas Embroideries Private Limited | 31.03.2010 | 100% | (5,534) | Nil | (4,000) | Nil |
| 3 Pioneer Realty Limited | 31.03.2010 | 100% | (26) | Nil | (57) | Nil |
| 4 S.R Investments Limited | 30.06.2010 | 51% | (4,777) | Nil | (8,966) | Nil |

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 27th August, 2010.

RAJ KUMAR SEKHANI
Chairman



CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

While the regulatory environment in the country has done well to have relevant structures, code and practices in place for ensuring better standards of corporate governance, we, at Pioneer, believe that compliance of the same should be both in letter and in spirit. Even before the framework was in place, your Company has always imbibed the spirit of good governance in its corporate philosophy and has created an enabling environment for nurturing good management practices. Apart from efficiency and competitiveness, other traits like transparency, accountability and ethical values have come to dominate our corporate culture.

The Board of Directors at Pioneer is committed to ensure that the affairs of your Company are governed in the best interests of the shareholders, and that all endeavors would be made to maintain transparency and fairness in all facets of its operations. Emphasis is on maintaining integrity of internal control systems and accountability and compliance with all statutory/ regulatory requirements. Your Company is also conscious of its responsibility as a good Corporate Citizen, and assures that its' operations would be guided by ethics and social values. Moreover, efforts are made to have such values well-defined and explicit, and have them filter down from the top brass to the lower levels of the organisation. We acknowledge the fact that quality of governance is a critical success factor for brand building, resource mobilisation, market penetration and overall business competitiveness.

In accordance with clause 49 of the Listing Agreement with the domestic stock exchanges and best practices followed internationally on Corporate Governance, the details of compliance by the Company are as under:

2. Board of Directors

The Board of the Company comprises Four Directors, out of which two are Executive Directors, and Two are Independent Non-Executive Directors. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world. The Board is headed by Executive Chairman.

The Composition of Directors on the Board of the Company is as under:

| Category | No. of Directors |
|---|------------------|
| Executive Directors | 2 |
| Non-Executive Independent Directors | 1 |
| Non-Executive Director (Nominee of EXIM Bank) | 1 |
| Total | 4 |

The Category of Directors on the Board of the Company is as under:

| Name of the Director | Category | No. of other Directorships@ | No. of Board Committee in which Director is@@ | |
|---------------------------|------------------------------------|-----------------------------|---|----------|
| | | | Member | Chairman |
| Mr. Raj Kumar Sekhani | Executive Chairman & Promoter | 4 | Nil | 1 |
| Mr. Harsh Vardhan Bassi | Executive Director | 3 | 1 | Nil |
| Mr. Samuel Joseph Jebaraj | Independent Non-Executive Director | 1 | 1 | Nil |
| Mr. Anand Kumar Jain | Independent Non-Executive Director | 1 | 1 | Nil |

@ Does not include Directorships in Private Companies

@@ As per Clause 49 of the Listing Agreement, only Membership in Audit Committee / Shareholders Grievance Committee is taken into consideration.

None of the Directors of the Company holds membership of more than 10 Board Committees or holds Chairmanships of more than 5 Board Committees

Attendance of Directors at Board Meetings and at the last Annual General Meeting :

The Board of the Company met Three times during the period ended March 31, 2010 on the following dates:30-11-2009, 28-01-2010, and 09-02-2010.

The Board discussed the operating plans, performance of various units and various other information, including those specified under Annexure I to Clause 49 of the Listing Agreement, from time to time.

| Name of the Director | Board Meetings held during the tenure of the Director | Board Meeting Attended | Attendance at the last AGM held on December 31, 2009 |
|---------------------------|---|------------------------|--|
| Mr. Raj Kumar Sekhani | 3 | 3 | Present |
| Mr. Harsh Vardhan Bassi | 3 | 3 | Present |
| Mr. Samuel Joseph Jebaraj | 3 | 2 | Absent |
| Mr. Anand Kumar Jain | 3 | 3 | Present |

Director seeking reappointment

A brief resume of Director appointed/re-appointed at the Annual General Meeting, the nature of his expertise in specific functional areas, and the names of the companies in which he holds directorship and membership of the Committees of the Board are furnished hereunder:

i) Mr. ANAND KUMAR JAIN

Mr. Anand Kumar Jain, aged 50 years is law graduate; He has over 25 years of experience in the field of Accounts, Management & Textile business. He is having vast experience of Embroidery business while in employment and running his own Embroidery manufacturing unit.

Details of other Directorship and Committee Membership: Director and Audit Committee Member of Hakoba Lifestyle Limited.

ii) Mr. HARSH VARDHN BASSI

Mr. Harsh Vardhan Bassi has been reappointed as Executive Director for a further term of three years commencing from 29th October, 2010 and ending on 28th October, 2013 subject to the approval of the shareholders.

Brief profile of Mr. Harsh Vardhan Bassi, is given in notice being issued to the Shareholders of ensuring Annual General Meeting of the Company.

3. Audit Committee

Brief description of Terms of Reference

The following terms of reference stipulated by the Board of Directors to the Audit Committee covers all the matters specified under the Listing Agreement as well as the provisions of Section 292A of the Companies Act, 1956.

1. Oversee the Company's financial reporting process.
2. Oversee the Company's disclosures of financial information.
3. Recommend appointment / removal of statutory auditors and fixation of their fees.
4. Review of the quarterly/half yearly financial results and annual financial statements with the management, internal auditor and the statutory auditor.
5. Consideration of the reports of the internal auditors and discussion about their findings with the management and suggesting corrective actions wherever necessary.
6. Review with the management, statutory auditors and the internal auditors about the nature and scope of audits and of the adequacy of internal control systems.
7. Review major accounting policies and compliance with accounting standards and listing agreement entered into with the stock exchange and other legal requirements concerning financial statements.
8. Look into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors, if any.
9. Review of any related party transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.
10. Authority to investigate into any matter covered by Section 292A of the Companies Act, 1956.
11. Reviewing the Company's financial and risk management policies.

Composition, Name of Members and Chairman and the attendance details are as under:

During the period ended March 31, 2010, Two Meetings of the Audit Committee were held on 30-11-2002 and 28-01-2010.

| Name of the Director | Designation | Status | Committee Meetings held during the tenure of Director on the Committee | Committee Meetings Attended |
|---------------------------|-------------|------------------------------------|--|-----------------------------|
| Mr. Anand Kumar Jain | Member | Non-Executive Independent Director | 2 | 2 |
| Mr. Samuel Joseph Jebaraj | Member | Non-Executive Independent Director | 2 | 2 |
| Mr. Harsh Vardhan Bassi | Member | Executive Director | 2 | 2 |

4. Remuneration Committee

Brief description of terms of reference:

The Committee comprises of two Independent Non-Executive Directors. The terms of reference of the Committee is to deal with the matters related to remuneration by way of salary, perquisites, benefits, etc. for the Executive and Whole-time Directors of the Company.

The Committee comprises of following Members:

| Name of the Director | Designation | Status |
|---------------------------|-------------|------------------------------------|
| Mr. Anand Kumar Jain | Chairman | Non-Executive Independent Director |
| Mr. Samuel Joseph Jebaraj | Director | Non-Executive Independent Director |

The Committee is authorised, inter alia to deal with the matters related to remuneration by way of salary, perquisites, benefits etc. for the Executive Director of the Company and set guidelines for salary, performance pay and perquisites to other senior employees.

During the period ended March 31, 2010 no meeting of the Remuneration Committee was held.

The remuneration of the employees consists of fixed pay i.e. Basic pay, Allowances, perquisites etc., which is related to Industry pattern, qualification, experience and responsibilities handled by the employee etc. The objectives of the remuneration policy are to motivate employees and recognize their contribution, reward merit and to attract and retain talent in the organization.

Details of Remuneration paid / payable to the Directors for the period ended March 31, 2010 are as follows:

(Amount in Rupees)

| Name of the Director | Position | Sitting Fees | Salary & Perquisites | Total |
|---------------------------|------------------------------|---------------|----------------------|------------------|
| Mr. Raj Kumar Sekhani | Chairman & Managing Director | Nil | 24,00,000 | 24,00,000 |
| Mr. Harsh Vardhan Bassi | Executive Director | Nil | 16,24,613 | 16,24,613 |
| Mr. Samuel Joseph Jebaraj | Director | 5,000 | Nil | 5,000 |
| Mr. Anand Kumar Jain | Director | 7,500 | Nil | 7,500 |
| TOTAL | | 12,500 | 40,24,613 | 40,37,113 |

5. Shareholder's Grievance Committee

The broad functions of Shareholder's Grievance Committee includes redressal of investor's complaints like share transfers, non-receipt of Annual Reports, dividend payment, issue of duplicate share certificates, transfer and transmission of shares and other allied transactions. Its scope also includes delegating the powers to the executives of Company / Share Transfer Agents to process share transfer etc.

The composition of Shareholder's Grievance Committee is as under:

| Name of the Director | Designation | Status |
|-------------------------|-------------|------------------------------------|
| Mr. Raj Kumar Sekhani | Chairman | Executive Chairman |
| Mr. Harsh Vardhan Bassi | Member | Executive Director |
| Mr. Anand Kumar Jain | Member | Non-Executive Independent Director |

The Company has appointed Link Intime India Pvt. Limited, Mumbai, as its Registrar & Share Transfer Agents to expedite the process of share transfers. The share transfers lodged are being processed and Memorandum of Transfers is generated on a fortnightly basis.

During the period ended March 31, 2010 an aggregate of 640 shares were transferred. The details of the complaints and other correspondences received and attended during the period ended March 31, 2010 are given hereunder:

| Nature of Complaints | Received | Attended to | Pending |
|--|-----------|-------------|------------|
| Non-receipt of Share Certificates | 6 | 6 | Nil |
| Non-receipt of Dividend Warrants | 3 | 3 | Nil |
| Non-receipt of Annual Report | 1 | 1 | Nil |
| Non-receipt of Demat Credit/Remat Certificates | 1 | 1 | Nil |
| Non-receipt of rejected DRF | 1 | 1 | Nil |
| Non-receipt of Exchange Certificates | 1 | 1 | Nil |
| Others | 2 | 2 | Nil |
| TOTAL | 15 | 15 | Nil |

6. General Body Meetings

The venue and time of the Annual General Meetings held during the last three years are as follows:

| Year | Date | Time | Venue | No. of Special Resolutions passed |
|-----------|----------------------------------|----------|---|-----------------------------------|
| 2006-2007 | 29 th September, 2007 | 4:00 P.M | The Avenue, Thakur Complex, Western Express Highway, Kandivati (East), Mumbai -400 101 | Nil |
| 2007-2008 | 27 th December, 2008 | 9.30 A.M | The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 | Nil |
| 2008-2009 | 31 st December, 2009 | 9.30 A.M | The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 | Nil |

All the Resolutions set out in the Notices were passed by the Shareholders.



During the period ended March 31, 2010 the Company has not passed any resolution through Postal Ballot as per the provisions of Companies Act, 1956 and the rules framed thereunder.

At this meeting also there are no Ordinary or Special Resolution requiring passing by way of Postal Ballot.

7. Disclosures

There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

There were no instances of non-compliance by the Company nor have any penalties, strictures been imposed by the Stock Exchanges or SEBI or any other Statutory Authority for the last three years on any matter related to capital markets.

8. Means of Communication

The Unaudited Quarterly and Half Yearly Results are sent to all the Stock Exchanges, where the shares of the Company are listed. The Results are normally published in 'The Free Press Journal', 'Navashakti'. The results are displayed on the Company's Website www.pelhakoba.com.

The "Management Discussion and Analysis Report" forms part of this Annual Report.

General Shareholder Information

- i) **AGM**
Date and Time : 28th September, 2010, 9:30 A. M.,
Venue : The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West),
Mumbai 400 095
- ii) **Financial Calendar 2010-11 (tentative)**
Financial Reporting for
Quarter ending June 30, 2010 : 11th August, 2010
Half year ending September, 2010 : By Second Week of November, 2010
Quarter ending December, 2010 : By Second Week of February, 2011
Year ending March 31, 2011 : By Second Week of May, 2011
Annual General Meeting (2010-11) : By end of September, 2011
- iii) **Date of Book Closure** : 24th September, 2010 to 28th September, 2010 (both days inclusive)
- iv) **Listing on Stock Exchanges** : National Stock Exchange of India Limited
(Code: PIONEEREMB)
: Bombay Stock Exchange Limited
(Code: 514300)
: The Calcutta Stock Exchange Association*
(Code: 26033)
: The Delhi Stock Exchange Association Ltd*
(Code: 16158)

*The Company has already applied for the voluntary delisting of Equity Shares of the Company from the Stock Exchanges at: Delhi and Calcutta.

- v) **Listing Fees** : Annual Listing Fees for the Financial Year 2010-2011 have been paid to the above Stock Exchanges.
- vi) **Demat ISIN No.** : INE156C01018
- vii) **Stock Market Data**

The month-wise movement (High & Low) of the shares of the Company at the Bombay Stock Exchange during each month for the period ended March 31, 2010 is as under:

Share Price BSE

| Month | High (Rs.) | Low (Rs.) | Volume |
|---------------|------------|-----------|----------|
| October 2009 | 22.25 | 18.00 | 1,70,674 |
| November 2009 | 19.25 | 16.00 | 2,25,659 |
| December 2009 | 22.85 | 18.35 | 4,44,973 |
| January 2010 | 25.30 | 18.30 | 6,91,311 |
| February 2010 | 20.50 | 16.50 | 2,01,989 |
| March 2010 | 19.60 | 14.50 | 3,97,895 |



viii) **Share Transfer System**

Presently, the share transfers, which are received in physical form, are processed and the share certificates returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects.

ix) **Dividend Payment Procedure**

Members who have so far not encashed their dividend warrants or have not received the dividend warrants are requested to seek issue of duplicate warrants. Such members may write to the Company at the Registered Office of the Company for payment of such dividend warrant. It may kindly be noted by the Shareholders of the Company that the Dividend declared by the Company, if remains unclaimed or unpaid for the period of 7 years will be transferred to the Investor Education & Protection Fund.

x) **Registrar & Share Transfer Agent** : Link Intime India Pvt. Limited.,
C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West),
Mumbai - 400 078

xi) **Distribution of Shareholding as on March 31, 2010**

| Slab of No. of Shareholding (Rs.) | No. of Shareholders | % to No. of Shareholders | Amount (Rs.) | % to paid-up capital |
|-----------------------------------|---------------------|--------------------------|---------------------|----------------------|
| Upto 5000 | 21865 | 92.11 | 1,47,76,010 | 12.11 |
| 5001 - 10000 | 898 | 3.78 | 74,71,600 | 6.12 |
| 10001 - 20000 | 484 | 2.04 | 74,21,860 | 6.08 |
| 20001 - 30000 | 173 | 0.73 | 44,22,950 | 3.62 |
| 30001 - 40000 | 67 | 0.28 | 23,94,540 | 1.96 |
| 40001 - 50000 | 68 | 0.29 | 32,01,710 | 2.62 |
| 50001 - 100000 | 82 | 0.35 | 59,62,060 | 4.88 |
| > 100001 | 99 | 0.42 | 76,431,420 | 62.61 |
| Total | 23736 | 100.00 | 12,20,82,150 | 100.00 |

xii) **Categories of Shareholding Pattern as on March 31, 2010**

| Category | No. of Shareholders | % to No. of Shareholders | No. of Shares held | % of Shareholding |
|--|---------------------|--------------------------|--------------------|-------------------|
| Promoters | 6 | 0.02 | 41,76,788 | 34.21 |
| Mutual Funds & UTI | 2 | 0.01 | 900 | 0.01 |
| Banks/Financial Institutions/Ins/Govt. | 2 | 0.01 | 9,99,594 | 8.19 |
| Corporates | 389 | 1.64 | 10,88,984 | 8.92 |
| Individuals | 22780 | 95.97 | 54,71,164 | 44.81 |
| NRIs/OCBs | 476 | 2.01 | 1,94,775 | 1.60 |
| Others | 81 | 0.34 | 2,76,010 | 2.26 |
| Total | 23736 | 100.00 | 1,22,08,215 | 100.00 |

xiii) **Dematerialisation of Shares**

The Company shares are compulsory traded in dematerialized form. As on March 31, 2010 the details of the shares of the Company held in physical and demat form are given below:

| | No. of Shares | % to the Capital |
|------------------------------|--------------------|------------------|
| Shares held in Physical Form | 3,80,640 | 3.12 |
| Shares held in Demat Form | 1,18,27,575 | 96.88 |
| TOTAL | 1,22,08,215 | 100.00 |

xiv) **Outstanding GDRs / Warrants and Convertible Instruments**

The Company had issued FCCBs for US\$ 30 million, which are convertible into equity shares of the Company and have converted FCCBs for US\$ 2 million into the equity shares on 29th January, 2008. The Company has also bought back US \$ 4.75 mn aggregate face value of FCCBs for a sum of US \$ 1 mn. The outstanding FCCBs as at 31st March, 2010 are US \$ 23.25 million.

xv) **Plant Locations** :

- i) Sarigam, Gujarat
- ii) Naroli, Dadra & Nagar Haveli
- iii) Dadra, Dadra & Nagar Haveli
- iv) Karad, Dadra & Nagar Haveli
- v) Mira Road, Thane, Maharashtra
- vi) Coimbatore, Tamilnadu
- vii) Kala-amb, Himachal Pradesh

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PIONEER GROUP

xvi) **Address for Correspondence** : Shareholder correspondence should be addressed to the Company's Registrar and Transfer Agents:
Link Intime India Pvt. Ltd.,
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (West),
Mumbai 400 078
Tel No.: (022) 25963838

Investors may also write or contact Mr. N. K. Jain, CFO & Company Secretary at the Corporate Office of the Company at:
318, 3rd Floor, Linkway Estate,
New Link Road,
Chincholi Bunder,
Malad (W), Mumbai - 400 064
Tel.: (022) 42232323
Fax: (022) 42232313

Non-Mandatory Requirements

- | | |
|---------------------------|--|
| a) Chairman of the Board | Mr. Raj Kumar Sekhani |
| b) Remuneration Committee | The Company has formed a Remuneration Committee |
| c) Shareholder's Rights | The Company's Quarterly and Half yearly results are published in English and Marathi Newspapers. Hence the same are not sent to the shareholders. |
| d) Postal Ballot | The Company has not transacted any business through postal ballot. The Company shall comply with the provisions of law in this regard whenever required. |

PIONEER EMBROIDERIES LIMITED

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Management Certificate on clause 49 (1D) of the Listing Agreement

To,
The Members,
Pioneer Embroideries Limited

This is to affirm that the Board of Directors of Pioneer Embroideries Limited has adopted a Code of Conduct for its Directors and Senior Management Personnel in compliance with the provisions of Clause 49 (1D) of the Listing Agreement with the Stock Exchange and Board of Members and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said code for the financial period ended 31st March, 2010.

Place : Mumbai
Date : 27th August, 2010

RAJ KUMAR SEKHANI
Chairman & Managing Director



CERTIFICATE FROM THE AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,
The Members of Pioneer Embroideries Limited

We have examined the compliance of conditions of Corporate Governance by Pioneer Embroideries Limited for the period ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

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

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

For **M B A H & CO**
Chartered Accountants
(Firm Regn No. 121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place : Mumbai
Date : 27th August, 2010

For **R. KABRA & CO.**
Chartered Accountants
(Firm Regn No. 104502W)

R. L. KABRA
Partner
Membership No. 16216

Management Discussion and Analysis

Disclaimer:

Statements made in the Management Discussion and Analysis and relating to Company's objectives, projections, outlook, expectations, estimates, etc., may constitute forward looking statements within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions, which cannot be guaranteed by the Company. Several factors, over which the Company may not have any direct control, could make a significant difference to the company's expectations operations. As such, actual results may differ materially from such projections, whether expressed or implied, since it would be beyond Company's ability to successfully implement our growth strategy. The Company undertakes no obligation or responsibility to update forward-looking statements and to publicly amend, modify or revise to reflect events or circumstances after the date thereof on the basis of any subsequent development, information or events.

The management of Pioneer Embroideries Ltd. (Pioneer) presents below its analysis on the performance of your Company during the year under review, i.e. accounting year end 31st March, 2010 (for the period October'09 to March'10).

Economic Overview with specific reference to Textile Industry:

The last couple of financial years have undoubtedly been one of the most turbulent in recent decades. Starting from a highly euphoric scenario of early 2007 when every thing that can be sold was destined to fetch hefty premiums and the unimaginable predictions of crude crossing the US\$200 mark came the shattering downfall that started as a innocuous problem with the housing finance market in US that ultimately manifested into its real monstrous form of the great sub-prime crisis triggering the bankruptcy of Lehman Brothers followed by a full-fledged Global financial meltdown which in the last year had impacted a number of countries in Europe, with Greece, a nation as a whole on the brink of bankruptcy and requiring a rescue plan from the European Union and even the mighty China acknowledging the pressures and initiating internal corrections. India though demonstrated a very sturdy and resilient response to the global conditioned, enabled by it traditionally prudent & conservative fiscal policies, yet was not left totally unscarred by the impact of the exceptional circumstances It is evident by the fact that the highly optimistic growth projections that ultimately became a challenge. However, the country has bounced back in the last couple of quarters with a promise of moving back to the growth trajectory with a rapid sprint to the winning goal post.

The global and Indian textile industry was also adversely impacted by the global financial meltdown with exports coming under pressure due to depressed global demand and a number of units either closed down or pruned their production while simultaneously resorting to cost cutting and other measures. However, the stabilization of the US Economy, one of the largest consumers of textile products from India has witnessed a revival that has left the Industry captains with reasons to once again cheer and release the brakes on their growth plans.

Industry Overview and our performance review:

During the year, your Company has fully stabilized its capacities at its Polyester Dope Dyed yarn factory in Kalamb and the unit has in fact beaten its projected estimates of productivity and profitability, thus vindicating the management's well considered decision for setting up the project

For sake of information and record, Your company's operations are summarized below which operates across multiple products and businesses making it an integrated Textile player in the industry today as is evident from the product portfolio of the Company described in the chart below:

| Business | Major Products | Location |
|-----------------------------------|--|---|
| Embroidery | Fabrics, Laces, etc.(made from Schiffl and multi-head machines) | Seven units manufacturing units located at Thane, Sarigam, Naroli, Bangalore, Coimbatore, Haryana and Navi Mumbai |
| Braided Laces | Variety of laces | Four units located at Dadra, Karad (2) and Coimbatore |
| Polyester Dope Dyed Yarn | Dyed Filament Yarns | Kalamb, Himachal Pradesh |
| Spun Yarn | Blended Spun Yarns | Kallakurichi, Tamil Nadu |
| Retailing - Hakoba Lifestyle Ltd. | Embroidered salwar suits, sarees, and other ready to wear products | 24 Stores across the country with a mix of Franchisee and company owned stores |

Embroidery Business:

Your Company is one of the largest players in the embroideries & laces segment in the world. It was incorporated in October 1991 . It has many No.1's to its credit:

- Currently has one of the largest capacities for embroidered fabrics in India.
- It is the largest manufacturer of Braided Laces in the world.
- Only and highly integrated player with capability to manufacture raw materials and retail the same through its retail subsidiary Hakoba Lifestyle Limited
- The Company is a pioneer in bringing branding to an ancillary business like embroidery.
- This only large branded player in the industry has taken a big leap by going the retail way with the rejuvenated brand Hakoba.

The Company has a strong brand presence in the embroidery business through brands such as "Sweetpea" and "Tulip" in the wholesale market, and the famous "Hakoba" in the retail market.

The Indian embroidery market continues to be dominated by a large number of unorganized players in view of lower entry barriers. The unorganized

participants hold over 60% market share in the Indian region and the select organized manufacturers share the balance 40%.

Broad Embroidery products and their usage are given below:

| | |
|---------------------------------|--|
| All over fabric | These are marketed as ladies dress materials, kurtas, sheeting and sarees and find key usage by the Garment manufacturers. |
| Laces/Edgings | Widely used for dresses, gown, children's garments and ladies undergarments. Cotton & chemical laces are popular in the Fashion industry. |
| Motifs, Guipure, Collars | These are also used in ladies dresses, gowns and children's garments. These are mostly preferred in the International markets |
| Quilts | These are decorative made of two layers of cloth filled with cotton, wool, etc. and stiched together in lines or patterns to keep the filling in place. These find high usage in beddings in the home textile segment. |

Your Company's product range includes the above products except Quilts.

During the period ended 31st March, 2010 products like embroidered fabrics continued to remain under severe price pressure. Due to falling demand from USA, one of the largest consumer's of garments in the world, Indian garment exporters faced tremendous competitive pressure on pricing that in turn affected the embroidery market and focus further shifted to lower cost - lower realization products.

Your Company's sales were short by 14% of the projected Sales as envisaged for the period in view of pressure in the domestic market arising out of increased price of yarn and fabric that translated into increase product cost. This is apparent from the fact that while the gap in sales is 14% the production was short of target by nearly 31%. Liquidity and shortage of working capital was also one of the reasons that impacted capacity utilization as well as margins since the Company to resort to outsourced production. However the revival in the international market besides the beginning of the peak domestic season from September will hold the Company in good ground enabling it to recoup the lost opportunities.

Braided Laces:

The Braided laces segment, also being driven by fashion trends as in case of like embroidery and rather more significantly aligned to the fortunes of the Garment exports continued to be re main under pressure due to the slow down in US consumption of garments besides paucity of working capital for servicing the credit intensive domestic industry. Thus the capacity utilization being dismally lower to the plan falling short by over 45% resulting underachievement of sales target by about 39%. However this segment is well expected to turnaround good performance from the next financial year. The Company has already tasted good success in its recent thrust for developing markets in Latin America both in terms of volume generation and improved margins and hopes that this will enable this business to very soon relive its past glorious days of success.

Polyester Dope Dyed Yarn:

Dope Dyed Polyester Yarn (DDPY) which was severely impacted in the early phase of the project in view of the oil crisis has emerged a star performer, running over its target capacity for the basic as well value added product lines like twisting, doubling and air texturing of yarns, leading to substantially improved margins. The business has also now getting a firm foot hold in the lucrative export markets and hopes to capitalize with higher exports in the next financial year. The projected sales have been surpassed by a very encouraging 37% and PBIDT has surpassed projections by an astounding margin.

Spun Yarn Business:

Your Company had purchased the assets of a spinning mill in Tamil Nadu last year with an objective to be an integrated textile player. This existing spinning mill is presently under BIFR (Board for Industrial Financial Reconstruction). The assets of the BIFR Company will be transferred to your Company on completion of the BIFR process. Your Company has utilized the production facilities of the spinning mill but due to severe power shortage in Tamil Nadu the planned capacity utilization has improved from 35% in last financial year to 50% in current financial year. The unit is likely to achieve a capacity utilization of close to 80% in the financial year 2010-11. Similarly, instead of a nominal operating profit last year the unit has reported margins of 4.5% in the current year. Based on the trends evidenced in the 2010-11, the unit is likely to show a very respectable performance with margins shooting to over 15%. The continuing elevated demand for spun yarns is likely to give a boost to the management's efforts to improve profitability, shortfall in full capacity utilization will continue to be a concern due to acute power shortage in the region.

RESTRUCTURING SCHEME

The debt restructuring proposal under Corporate Debt Restructuring (CDR) mechanism has been implemented and the banks and other lenders have classified and restructured accounts as per restructuring scheme excluding allotment of 9% OCCRPS to be carved out of Term Loans.

In the Board meeting held on 27th August, 2010 the Company has allotted 2,75,53,610 Optional Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.10/- each aggregating Rs.275,536,100 to all secured lenders except to ICICI Bank Ltd. for want of RBI approval to its restructured ECB.

The Company has settled the dues of unsecured lenders in terms of CDR package and payments are being made as per settlement arrived with them.

Out of total outstanding FCCBs of USD 28 million, the Company has so far settled and bought back a total FCCBs worth USD 16.25 million (face value) by making payment of USD 4.50 million and further by converting FCCBs worth USD 7.50 lacs into 3,26,305 equity shares of Rs.10/- each to Bondholders. For balance FCCBs of USD 11 million, the Company and bondholders have entered into an agreement for buy back of FCCBs for a sum of USD 2.40 million by 31st December, 2010.

Your Directors are hopeful that upon the implementation of the CDR Package in entirety, the Company shall be able to revive its operational plan and profitability.

Financial Overview:

Revenue of your Company, for the six month period ended 31st March, 2010 was Rs.7,786.06 lacs. This represents about 33% increase over the revenue for the comparable period in the previous year. This increase has been due to exceptional growth in the DDPY business as well as recovery in revenues demonstrated by all other businesses of the Company compared to previous year.

The Company has reported exceptional income of Rs.1,592.09 lacs, mainly on account of Income against sale of Borivli property.

Operating Expenses:

Operating expenses for the period ended 31st March, 2010 stood at Rs.7303.47 lacs of which exceptional items constitute Rs.257.52 lacs provided towards foreign exchange loss.

Raw material costs were also on the higher side due to increase in price of cotton yarn & fabric as also the price of chips used in polyester yarn business.

Profits:

Profit before interest, depreciation, tax and exceptional items for the period stood at Rs.377.91 lacs. Post interest cost, depreciation and exceptional items, profit before tax for the Company stood at Rs.602.06 lacs for the current period as against a loss of Rs.2,254.89 lacs in the previous year. The profit after providing tax, stood at Rs.585.66 lacs as against a loss of Rs.554.42 lacs in the last financial year. Your Company's overall performance and profits have shown improvement due to improved performance in of all business units, particularly the DDPY business.

AUDITORS' REPORT

To,
The Members of Pioneer Embroideries Limited,

We have audited the attached Balance Sheet of **Pioneer Embroideries Limited** as at 31st March, 2010, the Profit & Loss Account and the Cash Flow Statement for the period ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with 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 from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 & 5 of the said Order to the extent applicable.
3. Further to our comments in the annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books;
 - iii. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
 - iv. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956; **subject to non compliance of Accounting Standard - 11 for the effect of change in Foreign Exchange difference, as per Accounting Policy Note No. 11, Accounting Standard - 15 for employees benefit as per Accounting Policy Note No. 9a & 9c, Accounting Standard - 21 for consolidated financial statements as per Note No. 9 of notes to Accounts, the impact of the above is not quantifiable;**
 - v. Based on the representations and declarations made by the directors as on 31st March, 2010 and taken on record by the Board of Directors of the Company and the information and explanation given to us, none of the Directors is, as at 31st March, 2010, prima facie disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes to accounts **and subject to following**

| Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) | Matter |
|---|--|
| NA 5(a) & 5(b) | <i>Advance payment for acquisition of machineries of Rs. 1,534 lacs to Crystal Lace (India) Ltd. out of FCCB funds and conversion of same into loan, which is deemed non-compliance under FCCB utilization rules.</i> |
| NA 5(c) | <i>Non provision of interest income of Rs. 237.03 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.</i> |
| NA 6(a), 6(b) & 6(c) | <i>Treatment of investments in subsidiaries aggregating to Rs. 2122.60 lacs as Long term & non provision of erosion in values, though values have substantially gone down in view of losses in all the subsidiaries and also erosion of net worth of Hakoba Lifestyle Limited fully.</i> |
| NA 9(a) & 9(b) | <i>Investment in Subsidiary S.R Investments Limited, Mauritius, whereof the accounts are unaudited not in accordance with AS-21 and consideration of loan of Rs. 993.08 lacs (USD 2.20 M plus service charges) is considered as good of recovery even though Subsidiary net worth is depleted and no amounts are received either for Service Charges or for Principal.</i> |
| NA 10(a) & 10(b) | <i>Investment in overseas Joint Venture M/s Super Industries DMCC, Dubai and conversion of stake into loans on jointly controlled JV basis and consideration of entire loan of Rs. 2737.68 lacs as good of recovery even though no recovery neither confirmation is available.</i> |
| NA 11(b) | <i>Based on legal opinion, treatment of gain of Rs. 1506.65 lacs (USD 3.75 million) as non-monetary transaction by Credit to Capital reserve on account of waiver of principal amount on settlement of FCCB Liabilities.</i> |



| | |
|--------------------------|---|
| NA 11(d), 11(e), & 11(f) | <i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by Rs. 1256.81 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and Rs. 1129.80 lacs on account of foreign exchange losses on account of repayment of FCCB loan, write back to capital reserve and revaluation as on period end outstanding respectively.</i> |
| NA 12 | <i>Charging of Foreign Currency Convertible Bond (FCCB) issue expenses against Securities Premium Account during the earlier period deeming FCCB at par with issue of securities, which is not in accordance with AS-26.</i> |
| NA 13(a) | <i>Based on legal opinion, treatment of gain of Rs.450 lacs as Non-monetary transaction by credit to Capital Reserve on waiver of principal amount on account of settlement of loan of Barclays Bank .</i> |
| NA 13(b) & 13(d) | <i>Non Confirmation of Bank Balances, Overdraft Balances, unsecured loan balances, secured loan balances.</i> |
| AP 11/NA 14 | <i>Accounting of Exchange difference arising in relation to fixed assets in the carrying cost of assets, which is not in compliance with AS-11.</i> |
| NA 15(a) | <i>Appropriation of FCCB funds by bank towards working capital loan during earlier period, which is not a permissible end use as per ECB guidelines.</i> |
| NA 15(b) | <i>Pending refund on account of cancellation of acquisition of yarn unit at Surat.</i> |
| NA 23 | <i>Non provision of export debtors which in the opinion of management are fully recoverable even with slow recovery.</i> |
| AP 9/NA 25 | <i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i> |
| NA 28 | <i>Non confirmation of Balances, the effect of which is not known.</i> |
| NA 35(b) & 35(c) | <i>Non compilation of quantitative details in respect of Embroidery business as required under Schedule VI Part II Para 3 of the Companies Act, 1956.</i> |

the effect of all the above, except where stated, on accounts is not ascertainable, give the information required by the Companies Act, 1956, in the manner so required present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
- b) in the case of the Profit & Loss Account of the profit for the period ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For MBAH & CO
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date : 27th August, 2010

For R. KABRA & CO.
Chartered Accountants
(Firm Regn No.104502W)

R. L. KABRA
Partner
Membership No. 16216

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE PERIOD ENDED 31st March, 2010 OF PIONEER EMBROIDERIES LIMITED

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that :-

1. a. *The fixed assets register of the Company is under preparation for the current period updation.* It has generally maintained records showing full particulars including quantitative details and situation of fixed assets, **however, the same needs to be fully reconciled pending updation of records.**
- b. As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management in accordance with the phased verification programme, which, in our opinion, is reasonable having regards to the size of the Company and the nature of its fixed assets. To the best of our knowledge, **the material discrepancies, if any, on such verification cannot be ascertained in view of pending reconciliation.**



- c. The Company has not disposed off any substantial part of its fixed assets so as to affect its status of going concern.
2.
 - a. As explained to us the inventories have been physically verified during the period by the management at reasonable intervals and in case of stock lying with outside parties, they have substantially confirmed the same.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and there were no material discrepancies noticed on physical verification except discrepancies which could arise on account of non tally of quantitative details as referred in Note no.35 of Notes to Accounts.
3.
 - a. As per the information and explanation given to us and the records produced to us for our verification, the Company has granted loans secured or unsecured, to company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The number of such parties are 5. The maximum balance outstanding during the period is Rs.5933.93 lacs and the closing balance as on period ending was Rs.5929.88 lacs.
 - b. Except the Interest free loan and advances, granted by the Company secured or unsecured loans, the terms and conditions of the loans granted are not prejudicial to the interest of the Company.
 - c. As explained to us, payment of principal amount and interest, if any, are on demand basis and there is no repayment schedule.
 - d. There is no overdue amount more than Rs.1 lac as loans and advances are on demand basis.
 - e. As per the information and explanation given to us and the records produced to us for our verification, the Company has taken loans and advances, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The number of such parties is one. The maximum balance outstanding during the period is Rs.65.43 lacs and the closing balance as on the period end is Rs.Nil.
 - f. The loans taken are interest free and other terms & conditions are not prejudicial to the interest of the Company.
 - g. This clause is not applicable since the loans taken are repaid during the period.
4. 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, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5.
 - a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. As explained to us, transaction made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regards to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business, but needs further strengthening.
8. The Central Government has prescribed maintenance of the Cost records u/s 209 (1) (d) of the Companies Act, 1956 in respect of Dope Dyed Yarn division. We have broadly reviewed the books of accounts and records maintained by the Company in respect of Dope Dyed Polyester Yarn division and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. In respect of other activities carried out by the Company, as explained to us by the management and as per the information provided, cost records prescribed under the section 209(1) (d) of the Companies Act are not applicable for the other activities.
9.
 - a. According to the information and explanations given to us, the Company is **generally not regular in depositing** with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable **except Income tax of Rs.60.31 lacs for A.Y. 2007-08 and Fringe benefit tax of Rs.5.73 lacs for the A.Y. 2007-08, of Rs.4.66 lacs for the A.Y. 2008-09, of Rs.9.89 lacs for the A.Y. 2009-10**

PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

- c. According to the information and explanations given to us, details of dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited as on 31st March, 2010 on account of any dispute are given below:

| Particulars | Year to which the matter pertains | Forum where matter is pending | Amount (Rs. in lacs) |
|-------------|-----------------------------------|-------------------------------|----------------------|
| Custom Duty | F.Y. 1997 -98 | H'ble Supreme Court | 46.90 |
| Excise Duty | F.Y. 2001 -02 | Commissioner Appeal | 94.73 |
| Income Tax | Block A.Y. 1999 -00 to 2004 -05 | CIT (Appeals) | 47.87 |
| Income Tax | A.Y. 2002 -03 | CIT (Appeals) | 13.33 |

10. The Company does have accumulated losses as at the end of the period, however has not incurred cash loss during the period covered by our audit. There was cash loss in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company had entered in to Corporate Debts Restructuring agreement and also has entered in to agreement with other unsecured lenders including FCCB holders and we have been informed that the repayment has been done as per the terms and conditions agreed upon to these financial institutions and banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and adequate documents and records have been maintained for the same.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and all the investments have been held by the Company in its own name.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by its subsidiary and associate company from banks are not prima facie prejudicial to the interest of the Company, **except that in view of substantial losses in one of the subsidiary Hakoba Lifestyle Ltd., the Company might be asked to honour guarantees.**
16. In our opinion, the term loans have been applied for the purpose for which loans were obtained. No Term Loan is received during the period.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow of the Company, except the funds raised and advances received for sale of assets were used for working capital/repayment of unsecured lenders, no funds were raised on short term basis and therefore question of using the same for long term investments does not arise.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, but has received share application money.
19. The Company has not issued any debentures during the period.
20. The Company has not raised any money by public issue during the period.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **MBAH & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date : 27th August, 2010

For **R. KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R. L. KABRA
Partner
Membership No. 16216



BALANCE SHEET AS AT 31ST MARCH, 2010

| | | | | (Rs. in thousand) | |
|---|----|------------------|------------------|-------------------|------------------|
| | | As at | | As at | |
| SOURCES OF FUNDS | | SCH. | 31.03.2010 | 30.09.2009 | 30.09.2009 |
| Shareholders' Fund | | | | | |
| a) Share Capital | 1 | 122,082 | 122,082 | | |
| b) Share Application Money | | 29,943 | - | | |
| c) Reserves & Surplus | 2 | <u>398,637</u> | 550,662 | <u>202,972</u> | 325,054 |
| Loan Funds | | | | | |
| a) Secured Loans | 3 | 1,978,011 | | 1,947,198 | |
| b) Unsecured Loans | 4 | <u>1,067,677</u> | 3,045,688 | <u>1,388,082</u> | 3,335,280 |
| | | | 3,596,350 | | 3,660,334 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| a) Gross Block | 5 | 1,965,386 | | 2,018,852 | |
| b) Less : Depreciation | | <u>790,062</u> | | <u>734,473</u> | |
| c) Net Block(a-b) | | 1,175,324 | | 1,284,379 | |
| d) Capital work- in- progress | | <u>259,439</u> | 1,434,763 | <u>263,495</u> | 1,547,874 |
| Investments | 6 | | 215,785 | | 215,785 |
| Current Assets, Loans & Advances | | | | | |
| a) Inventories | 7 | 337,871 | | 329,428 | |
| b) Sundry Debtors | 8 | 427,732 | | 420,055 | |
| c) Cash & Bank Balances | 9 | 142,021 | | 127,733 | |
| d) Loans & Advances | 10 | <u>1,016,076</u> | | <u>1,031,459</u> | |
| | | 1,923,700 | | 1,908,675 | |
| Less : Current Liabilities & Provisions | 11 | <u>200,505</u> | | <u>277,183</u> | |
| Net Current Assets | | | 1,723,195 | | 1,631,492 |
| Deferred Tax | 12 | | | | |
| Deferred Tax Asset | | | 177,100 | | 161,110 |
| Profit & Loss Account | | | 45,507 | | 104,073 |
| | | | 3,596,350 | | 3,660,334 |

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 18 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date: 27th August, 2010

For **R. KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R. L. KABRA
Partner
Membership No. 16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

HARSH VARDHAN BASSI
Executive Director



**PROFIT & LOSS ACCOUNT FOR THE PERIOD (6 MONTHS)
ENDED 31ST MARCH, 2010**

(Rs. in thousand)

| | SCH. | Period Ended 31.03.2010 | Year Ended 30.09.2009 |
|---|------|----------------------------|--------------------------|
| INCOME | | | |
| Gross Sales | 13 | 778,725 | 1,230,562 |
| Less: Excise Duty | | <u>119</u> | <u>57</u> |
| Net Sales | | 778,606 | 1,230,505 |
| Other Income | 14 | 160,782 | 829 |
| Increase/(Decrease) in Stock | 15 | (12,041) | (60,962) |
| | | 927,347 | 1,170,372 |
| EXPENDITURE | | | |
| Operating Expenses | 16 | 730,347 | 1,120,476 |
| Interest | 17 | 76,842 | 162,863 |
| Depreciation | 5 | 59,952 | 112,522 |
| | | 867,141 | 1,395,861 |
| Profit/(Loss) Before Tax | | 60,206 | (225,489) |
| Provision for Fringe Benefit Tax | | - | 490 |
| Provision for Deferred Tax Liability / (Asset) | | (15,990) | (170,460) |
| Income Tax for earlier years | | 17,630 | (77) |
| Profit/(Loss) After Tax | | 58,566 | (55,442) |
| Add : Balance b/f from last year | | (104,073) | (48,631) |
| Balance carried over to Balance Sheet | | (45,507) | (104,073) |
| Basic and Diluted Earning per Share (Rs.) | | 4.80 | (4.54) |
| Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 18 annexed. | | | |

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date: 27th August, 2010

For **R. KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R. L. KABRA
Partner
Membership No. 16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

HARSH VARDHAN BASSI
Executive Director



SCHEDULES 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Rs. in thousand)

| | As at 31.03.2010 | As at 30.09.2009 |
|---|---------------------|---------------------|
| SCHEDULE - 1 | | |
| SHARE CAPITAL | | |
| Authorised : | | |
| 25,000,000 (25,000,000) Equity Shares of Rs.10/- each | 250,000 | 250,000 |
| | 250,000 | 250,000 |
| Issued, Subscribed & Paid up : | | |
| 12,208,215 (12,208,215) Equity Shares of Rs.10/- each fully paid up | 122,082 | 122,082 |
| (Of the above (i) 1,333,333 Equity Shares of Rs.10/- each fully paid up allotted as fully paid-up to the shareholders of erstwhile Royal Embroideries Pvt. Ltd. pursuant to the scheme of amalgamation without payment being received in cash and (ii) 3,436,842 Equity Shares of Rs.10/- each fully paid up allotted as fully paid up bonus shares by capitalization of General Reserve) | | |
| | 122,082 | 122,082 |
| SCHEDULE - 2 | | |
| RESERVE & SURPLUS | | |
| Capital Reserve | | |
| Opening Balance | 154,764 | 154,764 |
| Add: Consequent to Settlement of Unsecured Loans / FCCBs | 195,665 | - |
| | 350,429 | 154,764 |
| Share Premium | | |
| Opening Balance | 48,208 | 48,208 |
| | 48,208 | 48,208 |
| | 398,637 | 202,972 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

As at
31.03.2010

As at
30.09.2009

SCHEDULE - 3

SECURED LOANS

Working Capital Loans

| | As at 31.03.2010 | As at 30.09.2009 |
|-----------------------------|---------------------|---------------------|
| i) State Bank of India | 288,915 | 267,757 |
| ii) Union Bank of India | 101,342 | 77,323 |
| iii) ING Vysya Bank Limited | 128,944 | 148,416 |

(All the above loans are secured by first pari passu charge by hypothecation of stocks, book debts and second charge on all fixed assets, both present and future and further secured by corporate guarantee of Subsidiary Hakoba Lifestyle Limited and personal irrevocable guarantee of Chairman of the Company)

Rupee Term Loans

| | | |
|--|---------|---------|
| i) Union Bank of India | 116,799 | 112,893 |
| ii) AXIS Bank Limited | 32,511 | 32,511 |
| iii) ING Vysya Bank Limited | 47,071 | 44,095 |
| iv) Corporation Bank | 72,692 | 72,856 |
| v) EXIM Bank | 199,948 | 199,948 |
| vi) HDFC Bank Limited (CBoP) | 100,000 | 100,000 |
| vii) State Bank of Patiala | 150,000 | 150,000 |
| viii) Small Industries Development Bank of India | 18,200 | 18,200 |
| ix) WCTL State Bank of India | 253,000 | 253,000 |
| x) WCTL Union Bank of India | 92,000 | 92,000 |
| xi) FITL State Bank of India | 40,062 | 26,228 |
| xii) FITL Union Bank of India | 11,263 | 21,248 |
| xiii) FITL EXIM Bank | 31,661 | 20,728 |
| xiv) FITL Corporation Bank | 2,886 | 7,556 |
| xv) FITL HDFC Bank Limited | 21,719 | 14,289 |
| xvi) FITL ICICI Bank Limited | 7,736 | 6,375 |
| xvii) FITL State Bank of Patiala | 23,752 | 15,550 |
| xviii) FITL Axis Bank Limited | 5,148 | 3,370 |
| xix) FITL Small Industries Development Bank of India | 2,882 | 1,887 |

(All the above loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and ING Vysya Bank, which has exclusive first charge over the fixed assets of Bangalore Unit, which is continuing prior to merger of Royal Embroideries Pvt. Ltd. with Pioneer Embroideris Ltd., and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

Foreign Currency Term Loans

| | | |
|--|--------|---------|
| i) Landes Bank Baden Wurttemberg (Euro 1,085,559.15 (Euro 1,112,838.35)) | 65,741 | 78,166 |
| ii) FITL Landes Bank Baden Wurttemberg (Euro 55,365.34 (Euro 45,885.40)) | 3,353 | 3,223 |
| (Secured by exclusive charge over the machineries imported from Barmag of Germany for Dope Dyed Polyester Yarn Unit) | | |
| iii) HDFC Bank Limited (USD 1,500,419.39 (USD 1,500,419.39)) | 67,729 | 72,080 |
| iv) ICICI Bank Limited (Euro 1,530,000 (Euro 1,530,000)) | 92,657 | 107,467 |

(Above both loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and ING Vysya Bank, which has exclusive first charge over the fixed assets of Bangalore Unit, which is continuing prior to merger of Royal Embroideries Pvt. Ltd. with Pioneer Embroideris Ltd., and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

Vehicle Loans

(Against hypothecation of vehicles)

| | |
|-----------|-----------|
| 1,978,011 | 1,947,198 |
|-----------|-----------|

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PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

As at
31.03.2010

As at
30.09.2009

SCHEDULE - 4 UNSECURED LOANS

| | | |
|--|------------------|------------------|
| From Scheduled Banks (Above loans are secured by personal guarantee of Chairman of the Company, post dated cheques and also includes certain loans secured by pledge of shares by him in his individual capacity) | 103,297 | 220,076 |
| Foreign Currency Convertible Bonds (FCCBs) (USD 23.25 mn (USD 28 mn)) | 954,385 | 1,149,990 |
| From Directors | - | 6,543 |
| Inter Corporate Deposit | 9,995 | 11,473 |
| | 1,067,677 | 1,388,082 |

SCHEDULE - 5

FIXED ASSETS & DEPRECIATION

(Rs. in thousand)

| SR. NO. | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|--------------------------|----------------------------------|----------------------------|-----------------------------|------------------------|----------------------------------|-------------------|-----------------------------|------------------------|------------------|------------------|
| | | OPENING BALANCE AS ON 01.10.2009 | ADDITION DURING THE PERIOD | DEDUCTION DURING THE PERIOD | TOTAL AS ON 31.03.2010 | OPENING BALANCE AS ON 01.10.2009 | DURING THE PERIOD | DEDUCTION DURING THE PERIOD | TOTAL AS ON 31.03.2010 | AS ON 31.03.2010 | AS ON 30.09.2009 |
| 1 | LAND - OWNED | 92,895 | 2,460 | 41,023 | 54,332 | - | - | - | - | 54,332 | 92,895 |
| | - LEASEHOLD | 2,982 | - | - | 2,982 | 172 | 144 | - | 316 | 2,666 | 2,810 |
| 2 | BUILDINGS | 363,705 | 269 | 3,364 | 360,610 | 63,561 | 5,902 | 3,365 | 66,098 | 294,512 | 300,144 |
| | - LIFT | 2,012 | - | - | 2,012 | 333 | 48 | - | 381 | 1,631 | 1,679 |
| 3 | PLANT & MACHINERIES | 1,403,138 | 11,255 | 25,319 | 1,389,074 | 611,538 | 49,149 | - | 660,687 | 728,387 | 791,600 |
| 4 | FURNITURE & FIXTURES | 32,307 | 94 | - | 32,401 | 12,896 | 1,026 | - | 13,922 | 18,479 | 19,411 |
| 5 | VEHICLES | 19,439 | 1,857 | 1,608 | 19,688 | 10,045 | 930 | 998 | 9,977 | 9,711 | 9,394 |
| 6 | OFFICE EQUIPMENTS | 10,669 | 150 | - | 10,819 | 3,706 | 258 | - | 3,964 | 6,855 | 6,963 |
| 7 | COMPUTERS | 21,739 | 107 | - | 21,846 | 17,690 | 710 | - | 18,400 | 3,446 | 4,049 |
| 8 | ELECTRICAL INSTALLATIONS | 64,216 | 1,656 | - | 65,872 | 13,917 | 1,513 | - | 15,430 | 50,442 | 50,299 |
| 9 | BOREWELL | 470 | - | - | 470 | 72 | 9 | - | 81 | 389 | 398 |
| | INTANGIBLE ASSETS | | | | | | | | | | |
| 10 | COMPUTERS SOFTWARE | 5,280 | - | - | 5,280 | 543 | 263 | - | 806 | 4,474 | 4,737 |
| | TOTAL | 2,018,852 | 17,848 | 71,314 | 1,965,386 | 734,473 | 59,952 | 4,363 | 790,062 | 1,175,324 | 1,284,379 |
| | PREVIOUS YEAR | 1,830,530 | 189,395 | 1,073 | 2,018,852 | 622,467 | 112,522 | 516 | 734,473 | 1,284,379 | |
| | Capital Work-in-Progress | | | | | | | | | 259,439 | 263,495 |
| | | | | | | | | | | 1,434,763 | 1,547,874 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

| | As at 31.03.2010 | As at 30.09.2009 |
|---|---------------------|---------------------|
| SCHEDULE - 6 | | |
| INVESTMENTS | | |
| Long Term Investments | | |
| Shares in Subsidiaries | | |
| Unquoted | | |
| Hakoba Lifestyle Limited 11,470,000 (11,470,000) Equity shares of Rs.10/- each fully paid up | 114,700 | 114,700 |
| Mas Embroideries Private Limited 2,225,200 (2,225,200) Equity Shares of Rs.10/- each fully paid up | 3,787 | 3,787 |
| Pioneer Realty Limited 50,000 (50,000) Equity Shares of Rs.10/- each fully paid up | 500 | 500 |
| S R Investments Limited 51,000 (51,000) Equity Shares of USD 1 each fully paid up | 93,772 | 93,772 |
| Other than Trade | | |
| Unquoted | | |
| The Greater Bombay Co-op. Bank Limited 40 (40) Equity shares of Rs.25/- each fully paid up | 1 | 1 |
| National Savings Certificates (held in the name of Chairman of the Company) (As deposited with Sales Tax Authorities) | 19 | 19 |
| Other Investments | | |
| Quoted | | |
| RLF Limited 1,000 (1,000) Equity Shares of Rs 10/- each fully paid up (Market value as on 31.03.2010 Rs.5,730/- (Rs.3,030/-)) | 6 | 6 |
| Padmini Technologies Limited 68,939 (68,939) Equity shares of Rs.10/- each fully paid up (Cost Rs.1,756,253/- less provision made Rs.1,756,252/-) | - | - |
| SBI Infrastructure Bond 100,000 (100,000) units of Rs.10/- each (Market value as on 31.03.2010 Rs.1,034,000/- (Rs.1,001,000/-)) | 1,000 | 1,000 |
| SBI One India Fund 200,000 (200,000) units of Rs.10/- each (Market value as on 31.03.2010 Rs.2,134,000/- (Rs.1,950,000/-)) | 2,000 | 2,000 |
| | 215,785 | 215,785 |
| Total Cost of Quoted Investments | 3,006 | 3,006 |
| Total Market Value of Quoted Investments | 3,174 | 2,954 |
| Total Cost of Unquoted Investments | 212,779 | 212,779 |
| SCHEDULE - 7 | | |
| INVENTORIES | | |
| (At lower of cost and net realisable value as inventory taken, valued and certified by the management) | | |
| Raw Materials | 66,595 | 46,733 |
| Work-in-Progress | 21,749 | 22,700 |
| Finished Goods | 245,210 | 256,300 |
| Store & Spares | 4,317 | 3,695 |
| | 337,871 | 329,428 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

| | As at 31.03.2010 | As at 30.09.2009 |
|--|---------------------|---------------------|
| SCHEDULE - 8 | | |
| SUNDRY DEBTORS | | |
| (Unsecured) | | |
| Debts Outstanding for a period exceeding six months | | |
| Considered Good | 238,490,858 | |
| Considered Doubtful | <u>48,109,895</u> | |
| Total | 286,600,753 | |
| Less: Provision for Doubtful Debts | <u>48,109,895</u> | |
| | 238,491 | 240,550 |
| Others | 189,241 | 179,505 |
| | 427,732 | 420,055 |
| SCHEDULE - 9 | | |
| CASH & BANK BALANCES | | |
| Cash in hand | 6,714 | 13,066 |
| Cash at Bank with Scheduled Banks - in Current Accounts (includes foreign currency balance of USD 62,612 (USD 67,731)) | 24,930 | 41,422 |
| - in Fixed Deposits (includes foreign fixed deposits of USD 23,385 (USD 1,017,532) out of FCCB Funds) | 110,377 | 73,245 |
| | 142,021 | 127,733 |
| SCHEDULE - 10 | | |
| LOANS & ADVANCES | | |
| (Unsecured, considered good, unless otherwise stated) | | |
| Recoverable in cash or in kind or for value to be received: | | |
| Advance Income Tax Paid (net of provision for taxation) | 2,612 | 19,753 |
| Advance against Orders/Expenses (includes doubtful advances Rs.575 lacs, duly provided for in earlier period) | 366,055 | 372,102 |
| Advance and Loan to Subsidiary Companies & JV (Refer note no 6&7 of Schedule 18) | 582,989 | 591,419 |
| Amount Receivable against Sale of Property | 25,000 | - |
| Sundry Deposits | 28,657 | 31,375 |
| Staff Loan & Advances (includes doubtful advances Rs.25 lacs, duly provided for in earlier period) | 10,164 | 15,701 |
| Pre-paid Expenses | 599 | 1,109 |
| | 1,016,076 | 1,031,459 |
| SCHEDULE - 11 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| Sundry Creditors | | |
| for Goods | 78,061 | 98,004 |
| for Expenses/Job Charges | 80,082 | 90,071 |
| for Capital Expenditure | 2,495 | 6,022 |
| for Others | 6,406 | 9,098 |
| Interest accrued but not due | - | 637 |
| Book Overdraft with Scheduled Bank (Temporary) | 3,229 | 15,079 |
| Advance received against Borivali Property | - | 20,000 |
| Advance received against Orders | 28,673 | 36,513 |
| Unpaid Dividend Accounts | 1,559 | 1,759 |
| | 200,505 | 277,183 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

| | As at 31.03.2010 | As at 30.09.2009 |
|---|---------------------|---------------------|
| SCHEDULE - 12 | | |
| DEFERRED TAX ASSET / (LIABILITY) | | |
| Opening Balance | 161,110 | (9,350) |
| For the period | 15,990 | 170,460 |
| | 177,100 | 161,110 |
| SCHEDULE - 13 | | |
| SALES | | |
| - Domestic | 753,768 | 1,174,114 |
| - Exports | 22,997 | 53,136 |
| - Export Incentives | 1,960 | 3,312 |
| | 778,725 | 1,230,562 |
| SCHEDULE - 14 | | |
| OTHER INCOME | | |
| Miscellaneous Income | 1,573 | 829 |
| Excess Interest provided w/back | 22,182 | - |
| Profit on Sale of Assets (Net) | 137,027 | - |
| | 160,782 | 829 |
| SCHEDULE - 15 | | |
| INCREASE IN STOCK | | |
| Opening Stock | | |
| Work in Progress | 22,700 | 14,499 |
| Finished Goods | 256,300 | 325,463 |
| | 279,000 | 339,962 |
| | [Total - A] | [Total - A] |
| Less : Closing Stock | | |
| Work in Progress | 21,749 | 22,700 |
| Finished Goods | 245,210 | 256,300 |
| | 266,959 | 279,000 |
| | [Total - B] | [Total - B] |
| Increase/(Decrease) in Stock [B-A] | (12,041) | (60,962) |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

(Rs. in thousand)

| | As at 31.03.2010 | As at 30.09.2009 |
|---|---------------------|---------------------|
| SCHEDULE - 16 | | |
| OPERATING EXPENSES | | |
| Raw Material Consumed | 426,959 | 613,178 |
| Purchase - Finished Goods | 15,194 | 32,156 |
| Manufacturing Expenses | 45,146 | 71,378 |
| Job Charges | 3,140 | 38,629 |
| Payment to Employees | 91,185 | 140,579 |
| Store & Spares | 6,700 | 9,881 |
| Repair & Maintenance | 1,029 | 1,642 |
| Power and Fuel | 41,675 | 74,107 |
| Communication Expenses | 2,962 | 6,076 |
| Traveling & Conveyance | 3,416 | 8,150 |
| Printing & Stationery | 1,207 | 1,734 |
| Rent, Rates & Taxes | 7,252 | 8,476 |
| Bank Charges | 4,955 | 7,179 |
| Director's Remuneration | 4,037 | 8,126 |
| Vehicle Expenses | 1,302 | 3,028 |
| Other Administrative Expenses | 463 | 2,944 |
| Legal & Professional Charges | 5,432 | 23,685 |
| Auditor's Remuneration | 441 | 882 |
| General Expenses | 1,945 | 2,945 |
| Insurance | 782 | 1,632 |
| Selling Expenses | 39,373 | 55,569 |
| Loss on Sale of Assets (Net) | - | 45 |
| Deficit in Foreign Exchange Rate Difference (Net) | 25,752 | 6,706 |
| Insurance Claim written off | - | 1,749 |
| | 730,347 | 1,120,476 |
| SCHEDULE - 17 | | |
| INTEREST | | |
| On Term Loans | 59,695 | 118,175 |
| On Working Capital Loans (Net of interest received on Bank Fixed Deposits & Others advances of Rs.169.88 lacs (Rs.356.06 lacs))(Tax Deducted at Source Rs.328,954/- (Rs.46,709/-)) | 16,308 | 43,776 |
| On Others | 839 | 912 |
| | 76,842 | 162,863 |

SCHEDULE 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS**SCHEDULE - 18****NOTES FORMING PART OF THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation of financial statements**

The Financial statements are prepared and presented under the historical cost convention, on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, except where otherwise stated the accounting principles have been consistently applied.

2. Revenue recognition

- (a) Sales Revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer. Turnover is excluding Inter Division Sales and Sales Tax but inclusive of Excise Duty and Export Incentive.
- (b) All revenues, costs, assets and liabilities are accounted for on accrual basis, except where there is no reasonable certainty.
- (c) Insurance claim is accounted on reasonable certainty of the admission of the claim and shortfall / excess, if any, is accounted in the year of final settlement.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimated are recognized in the period in which the results are known / materialized.

4. Fixed assets and capital work-in-progress

- (a) Fixed Assets are stated at cost of acquisition or construction after reducing accumulated depreciation. Cost is inclusive of freight, duties, levies, interest, installation charges and other incidental expenses incurred for bringing the assets to their working conditions for intended use or till the commencement of commercial production as the case may be. Incidental expenses include establishment expenses, administration expenses, labour charges and salaries.
- (b) In the case of new projects and in case of substantial modernization / expansion at existing units of the Company, all pre-operating expenditures specifically for the project, incurred upto the date of production, is capitalized and added pro-rata to the cost of fixed assets.
- (c) Capital work-in-progress includes incidental expenses pending allocation / apportionment in respect of the uninstalled / incomplete fixed assets and advances to suppliers of Plant & Machinery, Equipment and Advance against Capital Expenditure.

CENVAT credit availed, if any, on capital goods are deducted from the cost of the fixed assets.

5. Impairment of assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

6. Depreciation and Amortization

- (a) Depreciation is provided on fixed assets as per Straight Line Method at rates and manner provided in Schedule XIV of the Companies Act, 1956 on pro-rata basis from the date assets have been put to use.
- (b) The leasehold land is amortized over a period of lease agreement as per Accounting Standard - 6.

7. Investments

The Investments are carried at cost and necessary provision for erosion is made if called for. The provision for diminution in the value of long term investment is made only if such a decline is other than temporary in nature. The investments in subsidiaries are treated as long term with no diminution in values.

8. Inventories

The method of inventory valuation is as under :-

| | |
|------------------|---|
| Raw Material | At Cost |
| Work-in-Progress | At Estimated Cost |
| Finished Goods | At cost or net realizable value whichever is lower. |

The cost is arrived as follows:

Raw materials and bought out items cost is at landing cost inclusive of all attributable expenses and is computed on First In First Out basis. CENVAT credit availed, if any, is reduced from the cost of raw material and the unutilized CENVAT credit is carried forward though Excise is currently not applicable to Embroidery and Yarn.

Work-in-progress cost includes material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Finished goods cost include material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and excise duty, wherever applicable.

Excise duty payable on manufactured goods lying in the bonded warehouse is neither included in expenditure nor valued in such stocks, but is accounted on removal of goods, which is not in accordance with Accounting standard.

9. Retirement Benefits

- The Company has created a Trust and has taken a Group Gratuity Life Assurance Policy with Life Insurance Corporation of India for future payments of gratuity to employees and yearly contribution based on group Gratuity Policy is charged to Profit & Loss Account. During the period, the Company has not contributed to the Policy and has provided on the adhoc basis. This is not in accordance with the Accounting Standard -15, issued by the Institute of Chartered Accountants of India, which requires provisions based on actuarial valuation.
- The Company accounts for Provident Fund Contributions as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- Leave Salary provision is not done as per actuarial valuation, which is not in accordance with Accounting Standard-15.

10. Borrowing Cost

Interest and other cost in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and other borrowing cost are charged to Profit & Loss Account.

11. Foreign Currency Transactions

Transactions of export sales as also transactions of imports are accounted at rates of exchange prevalent on the date of transaction.

Gains and losses arising out of subsequent fluctuation are accounted on the basis of actual realizations and payments. Exchange difference arising there from is transferred to Profit & Loss Account, except in relation to Fixed Assets where the difference is adjusted in the carrying cost of the assets, which is not in accordance with the Accounting Standard -11. Those Fixed Assets, which are purchased from the Funds of Foreign Currency Convertible Bonds (FCCBs), foreign currency fluctuations on them are not effected in the carrying cost of the assets since FCCBs is considered as non-monetary item.

Current Assets and Liabilities balances denominated in foreign currency at the year-end are translated at the year-end exchange rates, except in cases where borrowings are covered by forward exchange contracts, and the resulting exchange difference is recognized in the Profit & Loss Account, except in cases where it relates to the acquisition of fixed assets in which case it is adjusted to the carrying cost of such assets.

12. Taxation

Income-tax expense comprises Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset arising mainly on account of unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realization.



13. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

14. Joint Venture

The interest in Joint Venture/ jointly controlled operations are disclosed as per Accounting Standard-27, with no effect of the profits or losses and assets and liabilities thereof in the financial statements.

15. Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year, for the purpose of calculating diluted earning per shares, the net profit or loss for the year attributable to equity per shareholders and the average weighted number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

16. Cash flow statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard- 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

17. Construction Contracts

The Company had hitherto enter into Joint Development agreement of property at Borivali, Mumbai and the rights thereof have been sold during the period under the audit. Accounting Standard - 7 (Revised) therefore is not applicable to the Company. The Company has recognized the revenue on sale of development rights during the period as Income.

B. OTHER NOTES ON ACCOUNTS

| | As at 31-03-2010 | (Rs. in lacs) As at 30-09-2009 |
|--|---------------------|--------------------------------------|
| 1. Contingent Liabilities not provided for in respect of : | | |
| a) Bank Guarantees Outstanding | 98.91 | 62.81 |
| b) Corporate Guarantees on behalf of Subsidiary | 3050.00 | 3050.00 |
| c) Corporate Guarantee on behalf of other Company | NIL | 109.00 |
| d) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances). | 27.02 | 8.26 |
| e) Assessment Order of Customs Duty for Import of second hand computerised embroidery machines for which appeal has been filed with Honorable Supreme Court | 46.90 | 46.90 |
| f) Demand raised by Excise Department in respect of which appeal has been filed | 94.73 | 94.73 |
| g) Demand raised by Income-tax Department in Block Assessment order U/s 158A for the period from FY 1998 - 99 to FY 2003-04 in respect of which appeal has been filed with CIT (Appeal). | 47.87 | NIL |
| h) Other Income Tax matters pending in appeal | 13.33 | 13.33 |
| i) Premium/Interest on Foreign Currency Convertible Bond | 1256.81 | 2750.93 |
| j) There are some Labour Cases in Labour Court and Industrial Court regarding overtime, backwages and reinstatement to which the Company is contesting. Quantum is not ascertainable. | N A | N A |

In the opinion of the management, there is no contingent liability other than stated above and adequate provision have been made for all known liabilities, except interests and penalties as may arise.

2. a) The Company has entered into an MOU dated 20th September, 2007 with Arcot Mills Limited (BIFR Company) for purchase of movable and immovable assets situated at Kallakurichi, Tamilnadu for a total consideration of Rs.1105 lacs (Rs.1105 lacs) on lump sum sale basis out of FCCBs funds. The transfer of assets in favour of the Company is pending for deregistration from BIFR.

Further, till the assets are transferred in favor of the Company, the Company has entered into a lease agreement dated 18.02.09 for usage of assets for a specific consideration and has also incurred a sum of Rs.69.16 lacs (Rs.69.16 lacs) for renovation of machines pending capitalization.



- b) The Company is though Ipso Facto owner of movable and immovable assets of aforesaid factory however, pending deregistration and approval from BIFR, it has not capitalized the assets though full working of the unit is merged in the Company's results.
3. Capital work in progress also includes various advances aggregating to Rs.890.58 lacs (Rs.890.58 lacs) given against various properties for which necessary settlements are being made with parties as the expected land or properties in all cases may not be conveyed in favour of the Company, however in the opinion of the management said amounts are considered good and fully recoverable.
4. Loans and advances includes an interest free loan of Rs.1350 lacs (Rs.1350 lacs) given to Pioneer E Com Fashions Limited, which was initially given as an advance to buy stake in its share in the project of Joint Development of property at Borivali, but now is converted as interest free loan being the said development rights are sold. According to the management of the Company it is considered good of recovery.
5. a) Loans and advances includes a sum of Rs.1534 lacs (Rs.1534 lacs) advanced to Crystal Lace (India) Ltd in earlier period against machinery, the title of which could not be transferred due to technical reasons and in the previous year the said advance and obligation to buy machine has been converted to loan bearing interest @15 % p.a. and has been further secured by charge on the factory Plot No. 27, at TTC Indl Area, MIDC, Mahape, Navi Mumbai, Dist Thane (Area 10687.32 sq mtrs) in favor of the Company inclusive of 25 % of constructed area which the said Crystal Lace (India) Limited will be entitled for the development of front portion with a third party out of this total area. The Company has registered the charge with ROC.
- b) The aforesaid conversion of advance into loan though strictly not in compliance with FCCBs utilization rules of RBI, however the Company shall redeposit the same on repayment by the said Crystal Lace (India) Limited into FCCB account to comply the same.
- c) The Company has not provided the accumulated interest of Rs.237.03 lacs (Rs.122.30 lacs) on the aforesaid loan and income is understated to this extent of current period.
6. a) The Company has a investment of Rs.1147 lacs (Rs.1147.00 lacs) and has given loans and advances of Rs.1397.35 lacs (Rs.1401.73 lacs) to Hakoba Lifestyle Limited, a subsidiary of the Company. The accumulated losses as at 31st March, 2010 amounting to Rs.5296.64 lacs (Rs.4528.16 lacs) has exceeded the net worth of the said Company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.
- b) The Company has a investment of Rs.37.88 lacs (Rs.37.88 lacs) and has given loans and advances of Rs.427.86 lacs (Rs.408.49 lacs) to Mas Embroideries Private Limited, a wholly subsidiary of the Company. The accumulated losses as at 31st March, 2010 amounting to Rs.381.45 lacs (Rs.341.27 lacs) has exceeded the net worth of the said Company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.
- c) The Company has a investment of Rs.937.72 lacs (Rs.937.72 lacs) and has given loan of Rs.993.08 lacs (Rs.1056.88 lacs) to S.R Investments Limited, Mauritius, a subsidiary of the Company. The accumulated losses as at 30th June, 2010 amounting to Rs.686.17 lacs (Rs.592.50 lacs) has exceeded the net worth of the said Company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.

7. Loans & Advances includes amount due from Subsidiaries/JV: (Rs. in lacs)

| | Particulars | Current Year 31-03-2010 | | Previous Year 30-09-2009 | |
|----|----------------------------------|---|-------------|---|-------------|
| | | Closing Balance | Maximum due | Closing Balance | Maximum due |
| a) | Hakoba Lifestyle Limited | 1397.35 | 1401.73 | 1401.73 | 1408.44 |
| b) | Mas Embroideries Private Limited | 427.86 | 427.86 | 408.49 | 445.16 |
| c) | S.R Investments Limited | 993.08 (Loan) 223.21 (Service charges) | 1247.01 | 1056.88(Loan) 190.13 (Service charges) | 1247.01 |
| d) | Pioneer Realty Limited | 50.70 | 50.70 | 50.33 | 50.33 |
| e) | Super Industries DMCC, (JV) | 2338.94 (Loan) Rs.498.74 (Service charges) | 2806.63 | 2382.78 (Loan) Rs.423.85 (Service charges) | 2806.63 |

8. The Company has received the share application money of Rs.299.43 lacs the details of which is as follows:

| Sr. No. | Name | Amount (Rs. in lacs) |
|---------|---------------------------|----------------------|
| 1. | Mr. Raj Kumar Sekhani | 96.93 |
| 2. | Pioneer E Com Fashion Ltd | 202.50 |

The above share application money is received since one of the condition of Corporate Debt Restructuring Scheme (CDR) vide their letter no CDR/(ABP)/No1072/2008-09 dated 17th February, 2009 is that the Promoters of the Company has to bring a sum of Rs.3.50 crores as contribution towards additional capital. In view of above the Board of Directors at its meeting held on 17th May, 2010 has decided to issue Equity shares to the Promoters of the Company, which was further approved in Extra Ordinary Meeting held on 22nd June, 2010 in accordance with Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulation, 2009 (ICDR Regulation) for preferential issue of share to Promoters of the Company, at a price of Rs.21.10 per share as per guide lines.

After induction of additional amount since close of the year to make total contribution of Rs.3.50 crores, the number of shares to be subscribed by Mr. Raj Kumar Sekhani and Pioneer E-com Fashion Limited will be 2,44,168 and 14,14,600 respectively.



9. a) The Company had invested Rs.937.72 lacs (USD 2.38 mn.) (Rs.937.72 lacs (USD 2.38 mn.)) in earlier period in then overseas Joint Venture S.R Investments Limited to acquire 51% Equity thereof and further advanced a loan of Rs.993.08 lacs (USD 2.20 mn.)Rs.1056.88 lacs (USD 2.20 mn.)) (Optionally convertible) out of FCCBs funds, with a service charge @ 9% p.a. until conversion or repayment and thus the outstanding loan including interest as on the period end is Rs.1216.29 lacs (Rs.1247.01 lacs). The accounting year of the said Joint Venture Company is closed on 30th June every year and pending finalization of audit of the said Subsidiary including opening balances and until as on 31st March, 2010, the accounts have been consolidated based on unaudited accounts of the said Subsidiary, which is not in compliance with Accounting Standard 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India.
- b) The option for conversion into Equity as aforesaid in S R Investment Ltd, Mauritius has expired within 18 months of Investments as per agreement and Company has chosen not to convert the same into Equity. The Company though accounted for the annual service charges @9% p.a. on the loan advanced, however, the said amount along with principal though not repaid timely considered good and no devaluation is accounted even though underlying assets held through Equity investment by the said overseas Company in the Indian Company Crystal Lace (India) Limited has been devalued.
10. a) The Company had invested Rs.509.92 lacs (USD 1.26 mn.) (Rs.509.92 lacs USD 1.26 mn.) in earlier period in overseas Joint Venture M/s Super Industries DMCC to acquire 10% stake thereof and further advanced a loan of Rs.1670.18 lacs (USD 3.70 mn.) (Rs.1777.48 lacs (USD 3.70 mn.)) (Optionally convertible) out of FCCBs funds, with a service charge @ 9% p.a. until conversion or repayment. Since in the earlier period the said 10% stake was treated as loan and the outstanding loan including interest as on period end is Rs.2737.68 lacs (Rs.2806.63 lacs). Since, the Company doesn't hold any shareholding in the said Joint Venture and therefore, no consolidation is made except disclosure of loan and service charges in the Joint Venture in compliance with Accounting Standard - 27 'Financial Reporting of Interest in Joint Venture' issued by the Institute of Chartered Accountants of India.
- b) The loan as aforesaid of Rs.2737.68 lacs (USD 4.96 mn. plus service charges) advanced to M/s Super Industries, DMCC is considered good and in the opinion of the management the said loan is fully recoverable and good in recovery though neither principal nor service charges are paid timely.
11. Foreign Currency Convertible Bonds (FCCBs) :
- a) Out of the total FCCBs of value of USD 30 Million issued during the period ended 30th September, 2008, total conversions until previous year amounts to USD 2 million at the conversion price of Rs.223.96 per equity share with face value of Rs.10 and a premium of Rs.213.96.
- b) During the current period, the Company has entered in to agreement of settlement of USD 28 million with FCCB holders as follows:
- i) The Company has extinguished the FCCBs of USD 4.75 million by payment of USD 1 million out of funds lying overseas before 31st March, 2010 and balance USD 3.75 million which is waived off is treated as non-monetary transaction and has been credited to Capital Reserve as per the expert opinion taken by the management. Had it been treated as monetary transaction than the profit would have increased by Rs.1506.65 (USD 3.75 million) on account of reversal of principal amount.
- ii) Post- period end the Company has made further payment of USD 3.5 million against FCCBs worth USD 11.50 million and USD 8 million has been waived off as per the settlement and has also converted USD 0.75 million FCCBs at the conversion price of Rs.101.50 per equity share with face value of Rs.10 and a premium of Rs.91.50 by issuing 326,305 equity shares.
- iii) The balance FCCBs of value of USD 11 million is settled at USD 2.40 million as per the terms and conditions being agreed upon.
- The treatment of post period end settlement of FCCBs will be done as and when these are extinguished and paid.
- c) In view of the above settlement, the Company is no longer liable for interest payable on FCCBs worth USD 17 million.
- d) For the balance FCCBs value of USD 11 million, though the Company has entered in to settlement terms, but would continue to treat as Non-Monetary liability, until the final settlement is done. The Company has considered such balance FCCBs as Non-Monetary liability as the Company reasonably expects that if the settlement is not done on timely basis than these bonds would be converted into equity shares (without transfer of controlling interest) instead of redeeming them for cash at the end of the period of the bond. In view of this no provision has been made for premium/interest aggregating to Rs.1256.81 lacs (Rs.1071.39 lacs) on the outstanding FCCBs upto 31st March, 2010 calculated in terms of offer circular dated 27-04-2007 and the same has been considered as contingent liability. Had it not been treated so, current period loss would have been higher by Rs.185.42 lacs (Rs.476.31 lacs.)
- e) There is a foreign exchange loss of Rs.37.60 lacs and Rs.141 lacs on account of repayment of FCCBs loan during the period and on account of write back to Capital Reserve respectively, which has not been accounted since FCCBs has been considered as Non- Monetary liability by the management.
- f) There is a foreign exchange loss of Rs.951.20 lacs (Rs.1951.30 lacs) on outstanding FCCBs as on 31st March, 2010 arising out of revaluation, which has not been accounted for since FCCBs has been considered as Non-Monetary liability by the management.
- g) In accordance with Accounting Standard - 11 'The Effect of Changes in Foreign Exchange Rates' prescribed in the Company (Accounting Standard) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standard, the Company should have provided foreign exchange loss on FCCBs and had the said liability been considered as a monetary liability, the accumulated losses would be higher by Rs.951.20 lacs (Rs.1951.30 lacs) on account of exchange difference.



12. During the earlier period, the share premium account is applied in writing off the FCCB issue expenses as per Section 78 of the Companies Act, 1956, which was not in accordance with the Accounting Standard- 26. Due to which the accumulated losses would have been higher by Rs.518.08 lacs.
13. The Company is in process of having negotiations / have done negotiations with unsecured lenders as below :
- a) **Barclays Bank:** The total outstanding opening balance of Barclays Bank as on 1st October, 2009 was Rs.1186.06 lacs. Out of this the bank has agreed to reverse the interest liability of Rs.181.06 lacs and the principal amount of Rs.450 lacs. As per the legal expert opinion the Company has treated the interest reversal as monetary item and has credited to profit and loss account and has treated the principal amount reversal as non- monetary item and has credited to Capital Reserve. The outstanding balance after the above effects and repayment has become NIL as per the confirmation dated 8th July, 2010 received from the bank.
- b) **DCB Bank:** The total outstanding opening balance of DCB Bank as on 1st October, 2009 was Rs.536.72 lacs. The bank has agreed to waive the interest on amount of Rs.268.36 lacs for the period from 1st October 2008 to 30th June 2012 subject to the compliance of the terms and conditions as per the agreement and therefore the interest has not been provided in the books. For the balance amount of Rs.268.36 lacs the bank has agreed for promoter directly paying the installments as per the agreed terms and conditions, if the repayment is done by the Company on timely manner and therefore the interest is not provided on the balance amount.
- Out of above outstanding, the Company has repaid Rs.70.74 lacs during the period as per agreed installments. The bank is holding 705,582 equity shares of the Company pledged by the promoter as security and other terms and conditions as per the agreement .The confirmation as on period-end from the bank is awaited .
- c) **DBS Bank:** As per the settlement terms and conditions dated 14 May, 2010 with the bank the total outstanding balance of the bank was Rs.494.01 lacs including bill discounting. The bank has agreed for the final settlement amount of Rs.175 lacs subject to the full-fulfillment of the terms and conditions as agreed. Thus accordingly the Company has reversed the interest amount of Rs.100.56 lacs as on period end and accounted in the profit and loss account. The principal amount will be reversed after the compliance of the terms and conditions.
- d) All the secured loans, overdraft balances and few of the bank accounts are subject to confirmations, which is majority due to entries are not effected by the banks though Master Restructuring Agreement of CDR Scheme have been signed.
14. The Company has charged exchange difference arising in relation to Fixed Assets, which are purchased out of the Foreign Currency Term Loans, in the carrying cost of the assets which is not in accordance with the Accounting Standard - 11. Had the Company followed Accounting Standard - 11, profit would have been higher by Rs.253.18 lacs (loss of Rs.64.08 lacs).
15. a) In accordance with the FEMA guidelines and applicable rules and regulations and as supported by the Lawyer's Certificate in the earlier years for end use of FCCBs proceeds, these have been used towards expansion of business, overseas acquisition and towards other permitted use as per the ECB guidelines except Rs.563.36 lacs (Rs.563.36 lacs), which has been appropriated by Union Bank of India towards irregularity in cash credit account, which is not a permissible end use as per the ECB guidelines, to which the Company has made an objection and represented for reversal of transactions in last year and the matter is still pending. The balance unutilized amount has been retained overseas with Axis Bank, Hong Kong.
- b) The utilisation of the FCCBs proceeds includes a sum of Rs.900.00 lacs towards acquisition of Yarn Unit of Kiran Industries Limited at Surat on slump sale basis. However, due to non-fulfillment of certain terms and covenants, the said acquisition was cancelled mutually and ultimate use of the same is intended to be within guidelines of ECB rules. The said amount is shown as advance recoverable and considered good and post period end has received a sum of Rs.90 lacs. The Company expects the recovery contingent upon its payment of dues to the said party for supply / advances.
16. The previous year figures are for twelve months ended 30th September, 2009, while those of current period are for six months ended 31st March 2010, hence same are not comparable. The previous year figures have been regrouped, wherever necessary, to confirm to the current period's presentation.
17. The figures in the bracket () are relating to the previous year ended 30th September, 2009.

| | | |
|---|-------------------|-------------------|
| 18. Managing Director / Whole time Director Remuneration: | | (Rs. in lacs) |
| Particulars | 31-03-2010 | 30-09-2009 |
| Salary | 38.52 | 77.04 |
| Perquisites | 1.73 | 4.07 |
| Total | 40.25 | 81.11 |

| | | |
|-----------------------------|-------------------|-------------------|
| 19. Auditors Remunerations: | | (Rs. in lacs) |
| Particulars | 31-03-2010 | 30-09-2009 |
| Audit Fees | 4.41 | 8.82 |
| For Certification Work | - | 10.05 |
| For Taxation Matters | 0.31 | 4.64 |
| For Expenses | 0.35 | 0.33 |

20. In the opinion of the management, there is no impairment of assets as on Balance Sheet date.
21. The Company has during the period sold its development rights along with the "Conveyance" of the property at Borivali through a Letter of Intent for a consideration of Rs.1850 lacs. This consideration is over and above the non-refundable consideration of Rs.650 lacs received as per the development agreement and treated as other income in the previous year.
22. The total outstanding to ING Vysya bank Limited as on 1st October, 2009 was Rs.1484.16 lacs as working capital loan and Rs.440.95 lacs as term loan. The Company has as per the consent terms dated 11.03.2010 filed before DRT has agreed to pay Rs.1200 lacs as full and final payment. The Company has during the period confirmed to sell the property at Bangalore in consensus with ING Vysya Bank Limited. The agreement is for a consideration of Rs.16 crores out of which the buyer has directly paid ING Vysya Bank Limited an amount of Rs.4.25 crores.
- 23 Sundry Debtors includes export bills outstanding for more than 180 days for Rs.706.65 lacs (Rs.678.76 lacs), out of which Rs.638.92 lacs (Rs.652.42 lacs) are recoverable from Calyx International Ltd, Thailand. The recoveries are slow due to adverse economic conditions prevailing in overseas market. However, the same are considered good for recovery.

24 FINANCIAL RESTRUCTURING SCHEME

The Company has entered during the previous year in to Financial Restructuring Scheme under Corporate Debt Restructuring (CDR) mechanism, sanctioned by the CDR Empowered Group has been implemented interalia:

- a) ING Vysya Bank Ltd & Landes Bank Baden Wurttemberg (LBBW), which do not form part of CDR scheme, the former has agreed to the consent terms with the Company, which has been produced before DRT and the latter has agreed to enter in to the consent terms as per the CDR scheme.
- b) i) After the necessary approvals in extra ordinary meeting held on 26th June, 2010 and from other authorities and in the board meeting held on 27th August, 2010, the Company has allotted 2,75,53,610, 9% Optionally Convertible Redeemable Preference Shares (OCCRPS) of Rs 10/- each aggregating to Rs.27.55 crores to all the secured lenders, except to ICICI Bank Ltd for want of RBI approval to its restructured ECB. This amount is carved during the post-period end out of present Term Loan and WCTL and is redeemable from 7th to 10th year equally.
- ii) The Company created Funded Interest Term Loan (FITL) of Rs.1409.97 (Rs.1131.27 lacs) towards interest accruing on Term Loans and WCTL from 1st October, 2008 till 31st March, 2010 as per the scheme (excluding ING Vysya Bank Ltd.). This loan is to be repaid, with 8% simple interest payable along with installments, over 16 quarters starting from the expiry of 2 years from Cut-off-date (COD), The balances of all the lending banks are subject to reconciliation & confirmations.
- c) Promoters have brought Rs.3.50 crores as their contribution towards the Restructuring Scheme as per note No 8.
- d) In the event of any default/ breach/ violation of any of the terms & conditions of the Financial Restructuring Package, the lenders with approval of CDR-EG shall have a right to revoke the CDR package and to reverse the waivers/ sacrifices.
- e) In the event of default in compliance with the restructured package, the lenders shall have the right to convert entire/ part of defaulted interest and entire/ part of defaulted principal into equity as per SEBI pricing formula.
- f) In case of debt outstanding beyond Seven years from the date of CDR LOA, the CDR lenders shall have a right to convert into equity upto 20% of such outstanding (as on the date of conversion) as per SEBI guidelines / loan covenants, whichever is applicable.
- g) CDR Lenders shall have the right to recompense the relief/ sacrifices/ waivers extended by respective CDR lenders (as per CDR guidelines).
25. During the period, the Company has provided a sum of Rs.5 lacs (Rs.10 lacs) towards gratuity in the Profit & Loss Account on adhoc basis for the Group Gratuity Scheme of Life Insurance Corporation of India, but no provision is done for leave salary in absence of any specific policy of the Company. Both the above provisions are not as per actuarial valuation, which is not in accordance with Accounting Standard - 15.
26. During the period, the Company has paid a sum of Rs.2.88 lacs (Rs.4.32 lacs) as premium towards the Key man Insurance policy taken for Mr. Raj Kumar Sekhani, Chairman & Managing Director of the Company.
27. In the opinion of management, value of realization of current assets, deposits, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.
28. The sundry debit and credit balances including debtors, creditors and advances to suppliers, advances from customers either debit or credit and deposits are subject to confirmation and reconciliations, the effect of which not known.
29. Dues to Small Scale Industries undertakings and dues to Micro Enterprises and Small Enterprises:

The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. Since, the relevant information is not readily available; no disclosures have been made in the Accounts. However, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.

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30. The current accounting period of the Company is for six months i.e from 1st October, 2009 to 31st March, 2010, where as for the tax purpose the accounts will be prepared for a period of twelve months i.e from 1st April, 2009 to 31st March, 2010. The necessary tax provision in the six months period of accounting, if any, will be for that relevant period.

31. The Company operates in a single segment of Textiles and Garment Accessories.

Secondary Segment Information:

| Revenue | 31-03-2010 | 30-09-2009 |
|----------|------------|------------|
| Domestic | 7537.68 | 11741.14 |
| Export | 229.97 | 531.36 |
| Total | 7767.65 | 12272.50 |

32. Earnings per share:

| | 31-03-2010 | 30-09-2009 |
|--|------------|------------|
| Net Profit/(Loss) for the period attributable to Equity Shareholders (Rs. in lacs) | 558.66 | (554.42) |
| Weighted average number of Basic & Diluted Equity Shares outstanding | 12208215 | 12208215 |
| Basic and Diluted Earnings per share (Face value of Rs.10/- each) | 4.80 | (4.54) |

33. Related party transactions:

A] Name of related party and nature of relationship.

| | |
|--|---|
| Subsidiaries | Hakoba Lifestyle Ltd. Mas Embroideries Pvt. Ltd. Pioneer Realty Ltd. S.R Investments Ltd |
| Associate Concerns | Pioneer E-Com Fashions Ltd. Reach Industries Pvt. Ltd. |
| Joint Venture | M/s Super Industries, DMCC, Dubai |
| Key Management Personnel | Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi |
| Relative of Key Management Personnel & their Enterprises | M/s J J Sons Thakurdas & Co. Pvt. Ltd. Aarav Sekhani |

(Rs. in lacs)

B] Nature of Transactions :

| | 31-3-2010 | 30-9-2009 |
|---|------------|------------|
| i). Sales and Services | | |
| Subsidiaries | 31.43 | 378.03 |
| Relative of Key Management Personnel & their enterprises | 26.06 | 20.37 |
| ii). Purchase & Job charges of Goods and Services | | |
| Subsidiaries | 54.60 | 166.23 |
| Relative of Key Management Personnel & their enterprises | 3.92 | 5.93 |
| iii). Income from Service Charges on loans | | |
| Subsidiaries | 45.33 | 96.66 |
| Joint Venture | 102.20 | 217.93 |
| iv). Payment for other services | | |
| Associate Concerns | 1.50 | 2.25 |
| Key Management Personnel (Remuneration to Whole Time Directors) | 38.52 | 77.04 |
| v). Share Application Money Received | | |
| Key Management Personnel | 96.93 | - |
| Associate Concerns | 202.50 | - |
| vi). Balance outstanding as at the period end | | |
| Subsidiaries | 4504.68 Dr | 4559.51 Dr |
| Associate Concerns | 1335.58 Dr | 1336.92 Dr |
| Joint Venture | 2737.68 Dr | 2806.63 Dr |
| Key Management Personnel | 19.81 Cr | 102.50 Cr |
| Relative of Key Management Personnel & their enterprises | 37.80 Dr | 34.66 Dr |

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- 34 The Deferred Tax Assets of Rs.159.90 lacs (Rs.1704.60 lacs) for the period have been recognized in the Profit & Loss Account. Break up of outstanding Deferred Tax Liability/(Assets) is as under :

| Particulars | As on | As on |
|---|------------|------------|
| | 31-03-2010 | 30-09-2009 |
| Deferred Tax Liability / (Assets): | | |
| Opening Balance | (1611.10) | 93.50 |
| Add: Provision during the period | (159.90) | (1704.60) |
| Closing Balance | (1771.00) | (1611.10) |

35. Additional information pursuant to paragraph 3,4C & 4D of part II at the Schedule VI of the Companies Act, 1956 (As certified by the Management):

| a) Licensed and Installed Capacity and Actual Production: | | 31-03-2010 (6 Months) | 30-09-2009 (12 Months) |
|---|--------------------------|--------------------------|---------------------------|
| Licensed Capacity | Embroidery/Bobbin Lace | N.A. | N.A. |
| | Process House | 3000 Thousand Meters | 6000 Thousand Meters |
| | Dope Dyed Polyester Yarn | 3948 MT | 7896 MT |
| Installed Capacity | Embroidery | 2177 Million Stitches | 4354 Million Stitches |
| | Bobbin Lace | 19452 Thousand Meters | 38903 Thousand Meters |
| | Process House | 3000 Thousand Meters | 6000 Thousand Meters |
| | Dope Dyed Polyester Yarn | 3300 MT | 5400 MT |
| Actual Production | Embroidery | 716 Million Stitches | 1263 Million Stitches |
| | Bobbin Lace | 6455 Thousand Meters | 13374 Thousand Meters |
| | Process House | 1092 Thousand Meters | 3142 Thousand Meters |
| | Dope Dyed Polyester Yarn | 3851 MT | 5526 MT |

| b) Opening, Closing Stock and Sales: | | | 31-03-2010 | 30-09-2009 |
|--------------------------------------|------------|---------|---------------|------------|
| | | | (Rs. in lacs) | |
| Finished Goods and WIP | | | | |
| Opening Stock | Qty | Value | | |
| Embroidery | NA | 2109.03 | | |
| DDPY Yarn | 610.65 MT | 644.36 | 2790.00 | 3399.62 |
| Spun Yarn | 38.70 MT | 36.61 | | |
| Closing Stock | | | | |
| Embroidery | NA | 2008.74 | | |
| DDPY Yarn | 546.99 MT | 626.14 | 2669.59 | 2790.00 |
| Spun Yarn | 32.77 MT | 34.71 | | |
| Sales | | | | |
| Embroidery | NA | 2453.64 | | |
| DDPY Yarn | 4146.25 MT | 4963.27 | | |
| Spun Yarn | 265.43 MT | 370.34 | 7787.25 | 12305.62 |

| c) Consumption of Raw Materials / Purchases : | | | 31-03-2010 | 30-09-2009 |
|---|------------|-----|------------|------------|
| Yarn & Fabrics | | N.A | 1205.93 | 1803.57 |
| Chips | 3707.30 MT | | 2534.71 | 3158.65 |
| Others | | N.A | 680.89 | 1491.12 |



Quantity:

Management has explained that it is not possible for the Company to get quantitative details prepared and tallied with stock records in respect of embroidery business as its principal items such as laces, fabric and motifs etc. are sold in different units such as in pieces, meters, packets of different sizes etc., whereas purchase of raw materials required viz. yarn, fabric etc. for manufacturing of these items are procured in different units such as meters, kilograms, cones etc.

The above non disclosure of quantity details is not in accordance with Schedule VI, Part II, Para 3 of the Companies Act, 1956.

d) Value of imported and indigenous Raw Materials and Spare Parts consumed:

| Raw Material/ Purchases: | 31-03-2010 | | 30-09-2009 | |
|--------------------------|------------|-------------|------------|-------------|
| | % | Rs. in lacs | % | Rs. in lacs |
| Imported | 1.01 | 44.73 | 3.00 | 193.74 |
| Indigenous | 98.99 | 4376.80 | 97.00 | 6259.60 |
| Stores & Spares | | | | |
| Imported | 2.93 | 1.96 | 0.30 | 0.30 |
| Indigenous | 97.07 | 65.04 | 99.70 | 98.51 |

e) Value of Imports on CIF Basis:

| | | |
|-----------------|-------|--------|
| Raw Materials | 35.64 | 199.35 |
| Capital Goods | 30.23 | 543.38 |
| Stores & Spares | 1.57 | 1.13 |

f) Expenditure in Foreign Currency (On Payment basis) :

| | | |
|-----------------------------------|-------|-------|
| Travelling | 8.08 | 12.72 |
| Professional & Technical Services | 4.70 | 3.25 |
| Interest Paid | 32.54 | 33.02 |
| Bank Charges | 0.57 | 0.07 |
| Repair & Maintenance | 1.15 | - |
| Selling Expenses | 11.59 | 15.19 |

g) Earnings in Foreign Currency :

| | | |
|--------------------------|--------|--------|
| Export Turnover (Net) | 229.97 | 531.36 |
| Interest/Service Charges | 150.19 | 334.69 |

PIONEER EMBROIDERIES LIMITED

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36. Additional information pursuant to Part IV to the Companies Act, 1956:

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

| | | |
|---------------------|---|------------|
| Registration Number | : | 63752 |
| State Code | : | 11 |
| Balance Sheet Date | : | 31-03-2010 |

II. CAPITAL RAISED DURING THE PERIOD (Amount in Rs. Thousands)

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUND (Amount in Rs. Thousands)

| | | |
|-------------------|---|---------|
| Total Liabilities | : | 3596350 |
| Total Assets | : | 3596350 |

Source of Funds:

| | | |
|-------------------------|---|---------|
| Paid up Capital | : | 122082 |
| Share Application Money | : | 29943 |
| Reserves & Surplus | : | 398637 |
| Secured Loans | : | 1978011 |
| Unsecured Loans | : | 1067677 |

Application of Funds:

| | | |
|---------------------|---|---------|
| Net Fixed Assets | : | 1434763 |
| Investments | : | 215785 |
| Net Current Assets | : | 1723195 |
| Misc. Expenditure | : | - |
| Deferred Tax Assets | : | 177100 |
| Accumulated Losses | : | 45507 |

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

| | | |
|----------------------------|---|--------|
| Turnover | : | 927347 |
| Total Expenditure | : | 867141 |
| Profit / (Loss) before Tax | : | 60206 |
| Profit / (Loss) after Tax | : | 58566 |
| Earning per Share (Rs.) | : | 4.80 |
| Dividend rate % | : | - |

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)

| Product Description | | ITEM CODE NO. |
|---|---|---------------|
| Embroideries in piece, in strips or in motifs | : | 5810 |
| Bobbin Laces | : | 5804 |
| Dope Dyed Polyester Filament Yarn | : | 5402 |

Signatures to schedule 1 to 18

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No.34499

Place : Mumbai
Date : 27th August, 2010

For **R. KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R. L. KABRA
Partner
Membership No.16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

HARSH VARDHAN BASSI
Executive Director



CASH FLOW STATEMENT FOR THE PERIOD (6 MONTHS) ENDED 31ST MARCH, 2010

(Rs. in thousand)

| | PERIOD ENDED 31ST MARCH, 2010 | | YEAR ENDED 30TH SEPTEMBER, 2009 | |
|---|----------------------------------|------------------|------------------------------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net profit/(Loss) before tax and extraordinary items | | 60,206 | | (225,489) |
| Add : Adjustment for : | | | | |
| Depreciation | 59,952 | | 112,522 | |
| Interest Charged (net) | 76,842 | | 162,863 | |
| Insurance Claim written off | - | | 1,749 | |
| Excess Interest provided w/back | (22,182) | | - | |
| Loss/(Profit) on Sale of Assets (net) | (137,027) | (22,415) | 45 | 277,179 |
| Operating Profit / (Loss) before working capital changes | | 37,791 | | 51,690 |
| Add : Adjustment for : | | | | |
| Trade and Other Receivables | 5,598 | | 88,426 | |
| Inventories | (8,443) | | 60,984 | |
| Trade Payables | (52,313) | (55,158) | (93,722) | 55,688 |
| Cash generated from operation | | (17,367) | | 107,378 |
| Income tax paid | (489) | (489) | (2,089) | (2,089) |
| Net Cash from Operating Activities | | (17,856) | | 105,289 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | | | |
| Purchase of Fixed Assets and Capital Advances | | (13,791) | | (82,520) |
| Sale of Fixed Assets | | 153,659 | | 512 |
| Advance against Borivali Property | | (20,000) | | 20,000 |
| Loans & Advances | | 24,720 | | (8,071) |
| Net cash used in Investing Activities | | 144,588 | | (70,079) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Proceeds from Share Application Money | | 29,943 | | - |
| Increase in Sundry Creditors of Capital Goods | | (3,528) | | (15,486) |
| Buyback of FCCBs | | (44,940) | | - |
| Proceeds from Long Term Borrowing (Net) | | (19,170) | | 475,905 |
| Proceeds from Short Term Borrowing (Net) | | 24,227 | | (333,488) |
| Loan from Directors | | (6,543) | | 6,543 |
| Interest Paid | | (92,233) | | (194,913) |
| Unpaid Dividend Account | | (200) | | (215) |
| Net cash used in Financing Activities | | (112,444) | | (61,654) |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | | 14,288 | | (26,444) |
| Cash and cash equivalent (Opening balances) as on 1-10-2009 | | 127,733 | | 154,177 |
| Cash and cash equivalent (Closing balances) as on 31-03-2010 | | 142,021 | | 127,733 |

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

For **R KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

For & on behalf of the Board

MAHESH BHAGERIA
Partner
Membership No. 34499

R.L. KABRA
Partner
Membership No. 16216

RAJ KUMAR SEKHANI
Chairman & Managing Director

Place: Mumbai
Date: 27th August, 2010

HARSH VARDHAN BASSI
Executive Director



Auditors' Report to the Board of Directors of Pioneer Embroideries Limited on the Consolidated Financial Statements of Pioneer Embroideries Limited and its Subsidiaries.

To,
The Board of Directors,
Pioneer Embroideries Limited,
Mumbai.

1. We have examined the attached Consolidated Balance Sheet of **Pioneer Embroideries Limited** ("the Company") and its subsidiaries as at 31st March, 2010 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date annexed thereto.
2. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statement are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3.
 - a) We have relied on un-audited financial statements of **foreign subsidiary i.e S.R Investments Limited as at 31st March, 2010, including opening balances**, whose financial statements reflect the total assets of Rs.(616.69) lacs for their respective period end and the total revenues of Rs.0.01 lacs respectively for the period then ended. These un-audited financial statements have been furnished to us by the management and we are unable to comment on the same since it remains un-audited.
 - b) The financial statements and other financial information of subsidiaries **Hakoba Lifestyle Limited, Pioneer Realty Limited and Mas Embroideries Private Limited**, whose total assets are Rs.(3214.11) lacs and total revenues are Rs.736.22 lacs and net cash flows amounting to Rs.0.42 lacs for the year ended 31st March, 2010 have been audited by M B A H & Co for first two subsidiaries as above and Verma associates for the third subsidiary, whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
 - c) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard - 21 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries (**except for subsidiary namely S.R Investments Limited**) as referred in above paragraphs, for which the financial statements are compiled by Management and considered un-audited for consolidation included in the Consolidated Financial Statements and on the basis of assumption as narrated in the notes to consolidation accounts.
4. On the basis of the information & explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and subsidiaries **except for subsidiary namely S.R Investments Limited as referred in above paragraphs for which the financial statements are compiled by the management and considered un-audited for consolidation, and subject to the assumptions and on the basis of consolidation as disclosed in notes to accounts and subject to qualifications mentioned as below :**

For Pioneer Embroideries Limited (Holding Company)

| <i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i> | <i>Matter</i> |
|--|---|
| <i>NA 5(a) & 5(b)</i> | <i>Advance payment for acquisition of machineries of Rs.1,534 lacs to Crystal Lace (India) Ltd. out of FCCB funds and conversion of same into loan, which is deemed non-compliance under FCCB utilization rules.</i> |
| <i>NA 5(c)</i> | <i>Non provision of interest income of Rs.237.03 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.</i> |
| <i>NA 9(a) & 9(b)</i> | <i>Investment in Subsidiary S.R Investments Limited, Mauritius, whereof the accounts are unaudited not in accordance with AS-21 and consideration of loan of Rs.993.08 lacs (USD 2.20 M plus service charges) is considered as good of recovery even though Subsidiary net worth is depleted and no amounts are received either for Service Charges or for Principal.</i> |
| <i>NA 10(a) & 10(b)</i> | <i>Investment in overseas Joint Venture M/s Super Industries DMCC, Dubai and conversion of stake into loans on jointly controlled JV basis and consideration of entire loan of Rs.2737.68 lacs as good of recovery even though no recovery neither confirmation is available.</i> |
| <i>NA 11(b)</i> | <i>Based on legal opinion, treatment of gain of Rs 1506.65 lacs (USD 3.75 million) as non-monetary transaction by Credit to Capital reserve on account of waiver of principal amount on settlement of FCCB Liabilities.</i> |



| | |
|---------------------------|---|
| NA 11(d) , 11(e), & 11(f) | <i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by Rs. 1256.81 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and Rs. 1129.80 lacs on account of foreign exchange losses on account of repayment of FCCB loan, write back to capital reserve and revaluation as on year end outstanding respectively.</i> |
| NA 12 | <i>Charging of Foreign Currency Convertible Bond (FCCB) issue expenses against Securities Premium Account during the earlier period deeming FCCB at par with issue of securities, which is not in accordance with AS-26.</i> |
| NA 13(a) | <i>Based on legal opinion, treatment of gain of Rs 450 lacs as Non monetary transaction by credit to Capital Reserve on waiver of principal amount on account of settlement of loan of Barclays Bank .</i> |
| NA 13(b) & 13(d) | <i>Non Confirmation of Bank Balances, Overdraft Balances, unsecured loan balances, secured loan balances.</i> |
| AP 11/NA14 | <i>Accounting of Exchange difference arising in relation to fixed assets in the carrying cost of assets, which is not in compliance with AS-11.</i> |
| NA 15(a) | <i>Appropriation of FCCB funds by bank towards working capital loan during earlier period , which is not a permissible end use as per ECB guidelines.</i> |
| NA 15(b) | <i>Pending refund on account of cancellation of acquisition of yarn unit at Surat.</i> |
| NA 23 | <i>Non provision of export debtors which in the opinion of management are fully recoverable even with slow recovery.</i> |
| AP 9/NA25 | <i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i> |
| NA 28 | <i>Non confirmation of Balances, the effect of which is not known.</i> |
| NA 35(b)&35(c) | <i>Non compilation of quantitative details in respect of Embroidery business as required under Schedule VI Part II Para 3 of the Companies Act, 1956.</i> |

For Hakoba Lifestyle Limited (Subsidiary)

| <i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i> | <i>Matter</i> |
|--|---|
| AP 9 / NA9 | <i>Non compilation of quantitative details as required under schedule VI Part II Para 3 of the Companies Act, 1956.</i> |
| NA 11 | <i>Non provision of gratuity as per actuarial valuation as per AS-15.</i> |
| NA 17 | <i>Non confirmation of Balances, the effect of which is not known.</i> |

For Mas Embroideries Pvt Ltd (Subsidiary)

| <i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i> | <i>Matter</i> |
|--|--|
| NA j | <i>The management has explained that it is not possible for the Company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets etc. In view of this we were unable to verify compliance of Accounting Standard-2 Valuation of Inventories (Revised) AS-2.</i> |
| Auditors Report | <i>Accumulated losses Rs. 38,145,006 has wiped out the net worth of the Company Rs. 25,369,687.</i> |
| AP 6 | <i>No provision for staff retirement benefits has been made in the accounts and the expenditure is accounted for pay-as-you-go basis, which is contrary to the Accounting Standard-15 "Accounting for Retirement benefits in the Financial Statements of Employers (AS-15).</i> |

PIONEER EMBROIDERIES LIMITED

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The aggregate impact of all above qualifications, except wherever stated is not ascertainable and is subject to the foreign subsidiary viz S.R Investments Limited which is unaudited, which is not in accordance with the Accounting Standard-21 and subject to above, we are of the opinion that the said consolidated financial statements read together with Notes on Accounts give a true and fair view in conformity with the accounting principals except those mentioned in the individual balance sheets of the holding company and subsidiary and generally accepted in India:

- a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2010;
- b) In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the period then ended; and
- c) In case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the period then ended.

For MBAH & CO
Chartered Accountants
(Firm Regn No.121426W)

For R. KABRA & CO.
Chartered Accountants
(Firm Regn No.104502W)

MAHESH BHAGERIA
Partner
Membership No. 34499

R. L. KABRA
Partner
Membership No. 16216

Place: Mumbai
Date : 27th August, 2010



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| | | | | (Rs. in thousand) | |
|---|-------------|------------------|------------------|-------------------|------------------|
| | | | | As at | As at |
| | | | | 31.03.2010 | 30.09.2009 |
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | SCH. | | | | |
| a) Share Capital | 1 | 122,082 | | 122,082 | |
| b) Share Application Money | | 29,943 | | - | |
| c) Reserves & Surplus | 2 | <u>472,015</u> | 624,040 | <u>276,350</u> | 398,432 |
| Loan Funds | | | | | |
| a) Secured Loans | 3 | 2,310,447 | | 2,259,357 | |
| b) Unsecured Loans | 4 | <u>1,075,998</u> | 3,386,445 | <u>1,396,555</u> | 3,655,912 |
| | | | 4,010,485 | | 4,054,344 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | 5 | | | 2,462,518 | |
| a) Gross Block | | 2,062,829 | | 2,116,159 | |
| b) Less : Depreciation | | <u>834,714</u> | | <u>775,539</u> | |
| c) Net Block (a-b) | | 1,228,115 | | 1,340,620 | |
| d) Capital work- in- progress | | <u>259,439</u> | 1,487,554 | <u>263,496</u> | 1,604,116 |
| Intangible Assets | | | | | |
| Brand | 6 | 10,238 | | 11,091 | |
| Goodwill | | <u>109,600</u> | 119,838 | <u>109,600</u> | 120,691 |
| Investments | | | | | |
| | 7 | | 69,878 | | 69,878 |
| Current Assets, Loans & Advances | | | | | |
| a) Inventories | 8 | 416,355 | | 435,220 | |
| b) Sundry Debtors | 9 | 435,704 | | 453,548 | |
| c) Cash & Bank Balances | 10 | 155,407 | | 140,997 | |
| d) Loans & Advances | 11 | <u>827,283</u> | | <u>843,435</u> | |
| | | 1,834,749 | | 1,873,200 | |
| Less : Current Liabilities & Provisions | 12 | <u>280,794</u> | | <u>362,385</u> | |
| Net Current Assets | | | 1,553,955 | | 1,510,815 |
| Deferred Tax | | | | | |
| Deferred Tax Asset | 13 | | 177,100 | | 161,110 |
| Miscellaneous Expenditure | | | | | |
| (To the extent not written off or adjusted) | 14 | | 3,267 | | 9,413 |
| Minority Interest | | | | | |
| | | | 76,576 | | 62,712 |
| Foreign Currency Translation Reserve | | | | | |
| | | | (1,938) | | 5,693 |
| Profit & Loss Account | | | | | |
| | | | 524,255 | | 509,916 |
| | | | 4,010,485 | | 4,054,344 |

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 20 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

For **R KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R.L. KABRA
Partner
Membership No. 16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

Place: Mumbai
Date: 27th August, 2010

HARSH VARDHAN BASSI
Executive Director

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD (6 MONTHS) ENDED 31ST MARCH, 2010

| | SCH. | Period Ended 31-03-2010 | (Rs. in thousand) Year Ended 30.09.2009 |
|---|------|----------------------------|---|
| INCOME | | | |
| Gross Sales | 15 | 834,963 | 1,376,113 |
| Less: Excise Duty | | 119 | 58 |
| Net Sales | | 834,844 | 1,376,055 |
| Other Income | 16 | 162,134 | 1,583 |
| Increase/(Decrease) in Stock | 17 | (30,481) | (49,903) |
| | | 966,497 | 1,327,735 |
| EXPENDITURE | | | |
| Operating Expenses | 18 | 827,198 | 1,297,267 |
| Interest | 19 | 102,323 | 211,757 |
| Depreciation | 5 | 63,538 | 119,827 |
| | | 993,059 | 1,628,851 |
| Profit/(Loss) Before Tax | | (26,562) | (301,116) |
| Provision for Fringe Benefit Tax | | - | 643 |
| Provision for Deferred Tax Liability / (Asset) | | (15,990) | (170,460) |
| Income Tax/ Fringe Benefit Tax for earlier years | | 17,630 | (77) |
| Net Profit/(Loss) before Minority Interest | | (28,202) | (131,222) |
| Minority Interest | | (13,863) | (14,632) |
| Net Profit/(Loss) | | (14,339) | (116,590) |
| Add : Balance b/f from last year | | (509,916) | (393,326) |
| Balance carried over to Balance sheet | | (524,255) | (509,916) |
| Basic and Diluted Earning per Share (Rs.) | | (1.17) | (9.55) |

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 20 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

For **R KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

For & on behalf of the Board

MAHESH BHAGERIA
Partner
Membership No. 34499

R.L. KABRA
Partner
Membership No. 16216

RAJ KUMAR SEKHANI
Chairman & Managing Director

Place: Mumbai
Date: 27th August, 2010

HARSH VARDHAN BASSI
Executive Director



SCHEDULES 1 TO 20 ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | As at 31.03.2010 | (Rs. in thousand) As at 30.09.2009 |
|---|---------------------|--|
| SCHEDULE - 1 | | |
| SHARE CAPITAL | | |
| Authorised : | | |
| 25,000,000 (25,000,000) Equity Shares of Rs.10/- each | 250,000 | 250,000 |
| | 250,000 | 250,000 |
| Issued, Subscribed & Paid up : | | |
| 12,208,215 (12,208,215) Equity Shares of Rs.10/- each fully paid up | 122,082 | 122,082 |
| (Of the above (i) 1,333,333 Equity Shares of Rs.10/- each fully paid up allotted as fully paid-up to the shareholders of erstwhile Royal Embroideries Pvt. Ltd. pursuant to the scheme of amalgamation without payment being received in cash and (ii) 3,436,842 Equity Shares of Rs.10/- each fully paid up allotted as fully paid up bonus shares by capitalization of General Reserve) | 122,082 | 122,082 |
| SCHEDULE - 2 | | |
| RESERVE & SURPLUS | | |
| Capital Reserve | | |
| Opening Balance | 228,142 | 228,142 |
| Add: Consequent to Settlement of Unsecured Loans / FCCBs | 195,665 | - |
| | 423,807 | 228,142 |
| Share Premium | | |
| Opening Balance | 48,208 | 48,208 |
| | 48,208 | 48,208 |
| | 472,015 | 276,350 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | As at 31.03.2010 | As at 30.09.2009 |
|--|---------------------|---------------------|
| (Rs. in thousand) | | |
| SCHEDULE - 3 | | |
| SECURED LOANS | | |
| Working Capital Loans | | |
| i) State Bank of India | 428,913 | 401,905 |
| ii) Union Bank of India | 101,342 | 77,323 |
| iii) ING Vysya Bank Limited | 128,944 | 148,416 |
| (All the above loans are secured by first pari passu charge by hypothecation of stocks, book debts and second charge on all fixed assets, both present and future and further secured by corporate gurantee of Subsidiary Hakoba Lifestyle Limited and personal irrevocable gurantee of Chairman of the Company) | | |
| iv) HDFC Bank Limited | 94,210 | 86,848 |
| v) Standard Chartered Bank | 96,703 | 89,587 |
| (Both secured by hypothecation of stocks & book debts both present and future and further secured by personal gurantee of Chairman of the Company) | | |
| Rupee Term Loans | | |
| i) Union Bank of India | 116,799 | 112,892 |
| ii) AXIS Bank Limited | 32,511 | 32,511 |
| iii) ING Vysya Bank Limited | 47,071 | 44,095 |
| iv) Corporation Bank | 72,692 | 72,856 |
| v) EXIM Bank | 199,948 | 199,948 |
| vi) HDFC Bank Limited (CBoP) | 100,000 | 100,000 |
| vii) State Bank of Patiala | 150,000 | 150,000 |
| viii) Small Industries Development Bank of India | 18,200 | 18,200 |
| ix) WCTL State Bank of India | 253,000 | 253,000 |
| x) WCTL Union Bank of India | 92,000 | 92,000 |
| xi) FITL State Bank of India | 40,062 | 26,228 |
| xii) FITL Union Bank of India | 11,263 | 21,248 |
| xiii) FITL EXIM Bank | 31,661 | 20,728 |
| xiv) FITL Corporation Bank | 2,886 | 7,556 |
| xv) FITL HDFC Bank Limited | 21,719 | 14,289 |
| xvi) FITL ICICI Bank Limited | 7,736 | 6,375 |
| xvii) FITL State Bank of Patiala | 23,752 | 15,550 |
| xviii) FITL AXIS Bank Limited | 5,148 | 3,370 |
| xix) FITL Small Industries Development Bank of India | 2,882 | 1,887 |
| (All the above loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and ING Vysya Bank, which has exclusive first charge over the fixed assets of Bangalore Unit, which is continuing prior to merger of Royal Embroideries Pvt. Ltd. with Pioneer Embroideris Ltd., and further secured by second charge over current assets of the Company & by personal irrevocable gurantee of Chairman of the Company) | | |
| xx) State Bank of India | 767 | 723 |
| (Secured by hypothecation of moveable assets and further secured by personal gurantee of one director and corporate gurantee of Pioneer Embroideries Ltd) | | |
| Foreign Currency Term Loans | | |
| i) Landes Bank Baden Wurttemberg (Euro 1,085,559.15 (Euro 1,112,838.35)) | 65,741 | 78,166 |
| ii) FITL Landes Bank Baden Wurttemberg (Euro 55,365.34 (Euro 45,885.40)) | 3,353 | 3,223 |
| (Secured by exclusive charge over the machineries imported from Barmag of Germany for Dope Dyed Polyester Yarn Unit) | | |
| iii) HDFC Bank Limited (USD 1,500,419.39 (USD 1,500,419.39)) | 67,729 | 72,080 |
| iv) ICICI Bank Limited (Euro 1,530,000 (Euro 1,530,000)) | 92,657 | 107,467 |
| Vehicle Loans | 758 | 886 |
| (Against hypothecation of vehicles) | | |
| | 2,310,447 | 2,259,357 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

SCHEDULE - 4 UNSECURED LOANS

| | As at 31.03.2010 | As at 30.09.2009 |
|--|---------------------|---------------------|
| From Scheduled Banks (Above loans are secured by personal guarantee of Chairman of the Company, post dated cheques and also includes certain loans secured by pledge of shares by him in his individual capacity) | 103,297 | 220,076 |
| Foreign Currency Convertible Bonds (FCCBs) (USD 23.25 mn (USD 28 mn)) | 954,385 | 1,149,990 |
| From Others | 12,362 | 13,992 |
| From Directors | 5,954 | 12,497 |
| | 1,075,998 | 1,396,555 |

SCHEDULE - 5

CONSOLIDATED FIXED ASSETS & DEPRECIATION

(Rs. in thousand)

| SR. NO. | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|--------------------------|---------------------------------|----------------------------|-----------------------------|------------------------|---------------------------------|-------------------|-----------------------------|------------------------|------------------|------------------|
| | | OPENING BALANCE AS ON 1.10.2009 | ADDITION DURING THE PERIOD | DEDUCTION DURING THE PERIOD | TOTAL AS ON 31.03.2010 | OPENING BALANCE AS ON 1.10.2009 | DURING THE PERIOD | DEDUCTION DURING THE PERIOD | TOTAL AS ON 31.03.2010 | AS ON 31.03.2010 | AS ON 30.9.2009 |
| | | 1 | LAND - OWNED | 100,480 | 2,460 | 41,023 | 61,917 | - | - | - | - |
| | - LEASEHOLD | 2,982 | - | - | 2,982 | 172 | 144 | - | 316 | 2,666 | 2,810 |
| 2 | BUILDINGS | 374,124 | 269 | 3,365 | 371,028 | 65,696 | 6,076 | 3,365 | 68,407 | 302,621 | 308,428 |
| | - LIFT | 2,012 | - | - | 2,012 | 333 | 48 | - | 381 | 1,631 | 1,679 |
| 3 | PLANT & MACHINERIES | 1,440,688 | 11,255 | 25,318 | 1,426,625 | 637,581 | 51,026 | - | 688,607 | 738,018 | 803,107 |
| 4 | FURNITURE & FIXTURES | 61,640 | 94 | - | 61,734 | 20,833 | 1,945 | - | 22,778 | 38,956 | 40,807 |
| 5 | VEHICLES | 22,485 | 1,857 | 1,607 | 22,735 | 10,998 | 1,074 | 998 | 11,074 | 11,661 | 11,487 |
| 6 | OFFICE EQUIPMENTS | 12,692 | 150 | - | 12,842 | 4,177 | 303 | - | 4,480 | 8,362 | 8,515 |
| 7 | COMPUTERS | 26,824 | 171 | - | 26,995 | 20,771 | 1,051 | - | 21,822 | 5,173 | 6,053 |
| 8 | ELECTRICAL INSTALLATIONS | 65,471 | 1,727 | - | 67,198 | 14,262 | 1,548 | - | 15,810 | 51,388 | 51,209 |
| 9 | BOREWELL | 471 | - | - | 471 | 72 | 9 | - | 81 | 390 | 399 |
| | INTANGIBLE ASSETS | | | | | | | | | | |
| 10 | COMPUTERS SOFTWARE | 6,290 | - | - | 6,290 | 644 | 314 | - | 958 | 5,332 | 5,646 |
| | TOTAL | 2,116,159 | 17,983 | 71,313 | 2,062,829 | 775,539 | 63,538 | 4,363 | 834,714 | 1,228,115 | 1,340,620 |
| | PREVIOUS YEAR | 1,927,251 | 191,772 | 2,864 | 2,116,159 | 656,448 | 119,827 | 736 | 775,539 | 1,340,620 | |
| | Capital work-in-progress | | | | | | | | | 259,439 | 263,496 |
| | | | | | | | | | | 1,487,554 | 1,604,116 |

SCHEDULE - 6 INTANGIBLE ASSETS BRAND

| | As at 31.03.2010 | As at 30.09.2009 |
|-----------------------------------|---------------------|---------------------|
| Opening Balance | 11,091 | 12,797 |
| Less: Amortised during the period | 853 | 1,706 |
| | 10,238 | 11,091 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | As at 31.03.2010 | (Rs. in thousand) As at 30.09.2009 |
|---|---------------------|--|
| SCHEDULE - 7 | | |
| INVESTMENTS | | |
| Long Term Investments | | |
| Other than Trade | | |
| Unquoted | | |
| The Greater Bombay Co-op. Bank Limited 40 (40) Equity shares of Rs.25/- each fully paid up | 1 | 1 |
| Crystal Lace India Ltd 5,039,400 (5,039,400) Equity shares of Rs.10/- each fully paid up | 66,852 | 66,852 |
| National Savings Certificates (held in the name of Chairman of the Company) (As deposited with Sales Tax Authorities) | 19 | 19 |
| Other Investments | | |
| Qouted | | |
| RLF Limited 1,000 (1,000) Equity Shares of Rs 10/- each fully paid up (Market value as on 31.03.2010 Rs.5,730/- (Rs.3,030/-)) | 6 | 6 |
| Padmini Technologies Limited 68,939 (68,939) Equity shares of Rs.10/- each fully paid up (Cost Rs 1,756,253/- less provision made Rs 1,756,252/-) | - | - |
| SBI Infrastructure Bond 100,000 (100,000) units of Rs.10/- each (Market value as on 31.03.2010 Rs.1,034,000/- (Rs.1,001,000/-)) | 1,000 | 1,000 |
| SBI One India Fund 200,000 (200,000) units of Rs.10/- each (Market value as on 31.03.2010 Rs.2,134,000/- (Rs.1,950,000/-)) | 2,000 | 2,000 |
| | 69,878 | 69,878 |
| Total Cost of Qouted Investments | 3,006 | 3,006 |
| Total Market Value of Qouted Investments | 3,174 | 2,954 |
| Total Cost of Unquoted Investments | 66,872 | 66,872 |
| SCHEDULE - 8 | | |
| INVENTORIES | | |
| (At lower of cost and net realisable value as inventory taken, valued and certified by the management) | | |
| Raw Materials | 100,534 | 89,540 |
| Work-in-Progress | 22,006 | 22,801 |
| Finished Goods | 289,498 | 319,184 |
| Store & Spares | 4,317 | 3,695 |
| | 416,355 | 435,220 |
| SCHEDULE - 9 | | |
| SUNDRY DEBTORS | | |
| (Unsecured) | | |
| Debts Outstanding for a period exceeding six months | | |
| Considered Good | 214,630,517 | |
| Considered Doubtful | <u>61,997,797</u> | |
| Total | 276,628,314 | |
| Less: Provision for Doubtful Debts | <u>61,997,797</u> | |
| | 214,630 | 244,748 |
| Others | 221,074 | 208,800 |
| | 435,704 | 453,548 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | As at 31.03.2010 | (Rs. in thousand) As at 30.09.2009 |
|--|---------------------|--|
| SCHEDULE - 10 | | |
| CASH & BANK BALANCES | | |
| Cash in hand | 15,573 | 21,899 |
| Cash at Bank with Scheduled Banks - in Current Accounts (includes foreign currency balance of USD 62,612 (USD 67,731)) | 28,332 | 44,495 |
| - in Fixed Deposits (includes foreign fixed deposits of USD 23,385 (USD 1,017,532) out of FCCB Funds) | 111,502 | 74,603 |
| | 155,407 | 140,997 |
| SCHEDULE - 11 | | |
| LOANS & ADVANCES | | |
| (Unsecured, considered good, unless otherwise stated) | | |
| Recoverable in cash or in kind or for value to be received: | | |
| Advance Income Tax Paid (net of provision for taxation) | 2,940 | 19,665 |
| Advance against Orders/Expenses (includes doubtful advances Rs. 575 lacs, duly provided for in earlier period) | 471,987 | 478,575 |
| Advance and Loan to Joint Venture | 273,768 | 280,663 |
| Amount Receivable against Sale of Property | 25,000 | - |
| Sundry Deposits | 41,713 | 46,239 |
| Staff Loan & Advances (includes doubtful advances Rs. 25 lacs, duly provided for in earlier period) | 11,231 | 17,042 |
| Pre-paid Expenses | 644 | 1,251 |
| | 827,283 | 843,435 |
| SCHEDULE - 12 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| Sundry Creditors | | |
| for Goods | 111,598 | 137,137 |
| for Expenses/ Job Charges | 101,871 | 104,715 |
| for Capital Expenditure | 2,551 | 6,034 |
| for Others | 19,696 | 21,895 |
| Interest accrued but not due | - | 637 |
| Book Overdraft with Scheduled Bank (Temporary) | 4,065 | 15,329 |
| Advance received against Borivali Property | - | 20,000 |
| Advance received against Orders | 32,978 | 40,787 |
| Franchisee & Distributors Deposits | 6,476 | 14,092 |
| Unpaid Dividend Accounts | 1,559 | 1,759 |
| | 280,794 | 362,385 |
| SCHEDULE - 13 | | |
| DEFERRED TAX ASSET/ (LIABILITY) | | |
| Opening Balance | 161,110 | (9,350) |
| For the Period | 15,990 | 170,460 |
| | 177,100 | 161,110 |
| SCHEDULE - 14 | | |
| MISCELLANEOUS EXPENDITURES | | |
| [To the extent not written off or adjusted] | | |
| A] Preliminary Expenses : | | |
| Opening balance | 675 | 1,134 |
| Less : Written off during the period | 212 | 459 |
| [Total - A] | 463 | 675 |
| B] Deferred Revenue Expenditures : | | |
| Opening balance | 8,738 | 20,605 |
| Less : Written off during the period | 5,934 | 11,867 |
| [Total - B] | 2,804 | 8,738 |
| [Total - A+B] | 3,267 | 9,413 |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | Period ended 31.03.2010 | (Rs. in thousand) Period ended 30.09.2009 |
|--------------------------------------|----------------------------|---|
| SCHEDULE - 15 | | |
| SALES | | |
| - Domestic | 810,006 | 1,319,665 |
| - Exports | 22,997 | 53,136 |
| - Export Incentives | 1,960 | 3,312 |
| | 834,963 | 1,376,113 |
| SCHEDULE - 16 | | |
| OTHER INCOME | | |
| Miscellaneous Income | 2,925 | 1,583 |
| Excess Interest provided w/back | 22,182 | - |
| Profit on Sale of Assets (Net) | 137,027 | - |
| | 162,134 | 1,583 |
| SCHEDULE - 17 | | |
| INCREASE IN STOCK | | |
| Opening Stock | | |
| Work in Progress | 81,591 | 15,028 |
| Finished Goods | 260,394 | 376,860 |
| [Total - A] | 341,985 | 391,888 |
| Less : Closing Stock | | |
| Work in Progress | 22,006 | 22,801 |
| Finished Goods | 289,498 | 319,184 |
| [Total - B] | 311,504 | 341,985 |
| Increase/(Decrease) in Stock [B-A] | (30,481) | (49,903) |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | Period ended 31.03.2010 | (Rs. in thousand) Period ended 30.09.2009 |
|--|----------------------------|---|
| SCHEDULE - 18 | | |
| OPERATING EXPENSES | | |
| Raw Material Consumed | 465,026 | 686,415 |
| Purchase - Finished Goods | 11,824 | 32,156 |
| Manufacturing Expenses | 47,314 | 77,265 |
| Job Charges | 3,792 | 41,057 |
| Payment to Employees | 98,351 | 161,875 |
| Store & Spares | 6,766 | 10,040 |
| Repair & Maintenance | 21,299 | 5,167 |
| Power and Fuel | 43,592 | 77,900 |
| Communication Expenses | 3,442 | 8,159 |
| Traveling & Conveyance | 4,529 | 11,484 |
| Printing & Stationery | 1,381 | 2,270 |
| Rent, Rates & Taxes | 18,228 | 33,009 |
| Bank Charges | 5,622 | 8,173 |
| Director's Remuneration | 4,037 | 8,126 |
| Vehicle Expenses | 1,429 | 3,363 |
| Other Administrative Expenses | 484 | 2,985 |
| Legal & Professional Charges | 6,527 | 26,268 |
| Auditor's Remuneration | 573 | 1,085 |
| General Expenses | 2,579 | 4,016 |
| Insurance | 919 | 1,849 |
| Selling Expenses | 42,521 | 62,277 |
| Loss on Sale of Assets (Net) | - | 1,334 |
| Miscellaneous Expenses written off | 6,146 | 12,326 |
| Deficit in Foreign Exchange Rate Difference (Net) | 25,752 | 6,706 |
| Intangible Assets Amortised | 853 | 1,706 |
| Insurance Claim written off | - | 1,749 |
| Provision for Doubtful Debts | 4,212 | 8,507 |
| | 827,198 | 1,297,267 |
| SCHEDULE - 19 | | |
| INTEREST | | |
| On Term Loans | 59,739 | 118,249 |
| On Working Capital Loans (Net of interest received on Bank Fixed Deposits & Others advances of Rs.169.88 lacs (Rs.356.06 lacs))(Tax Deducted at Source Rs.328,954/- (Rs.46,709/-)) | 41,316 | 91,045 |
| On Others | 1,268 | 2,463 |
| | 102,323 | 211,757 |

SCHEDULE 1 TO 20 ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

**SCHEDULE - 20
CONSOLIDATED FINANCIAL STATEMENTS**

NOTES FORMING PART OF THE ACCOUNTS

1. Basis of preparation of financial statements

- a) The financial statement of the subsidiaries used in the consolidation is drawn on the same reporting date as that of parent company, i.e. period ended 31st March, 2010. The financial statements of S.R Investments Limited, which is a foreign subsidiary, are un-audited including its opening balances, which is not in accordance with the Accounting Standard 21 - Consolidated Financial Statements.
- b) The financial statements are set out and prepared under significant accounting policies of Pioneer Embroideries Limited and its subsidiaries. Mostly the accounting policies of the holding company and subsidiaries (except where mentioned) are in similar lines, but where ever there is a difference than it is specifically mentioned in the below notes. We cannot comment on the accounting policies adopted for the subsidiary, whose figures are un-audited as on 31st March, 2010, but relied upon the management, since as per them the un-audited accounts are prepared on the same guideline of the holding company.

2. Principles of Consolidation

- a) The Financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances, intragroup transactions in accordance with Accounting Standard (AS)-21 Consolidated Financial Statements.
- b) The Financial statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other event in similar circumstances.
- c) The excess of the share of equity of the Parent Company in its subsidiaries over its cost of investment, if any, on the date of acquisition date is recognized as Capital Reserve.
- d) The shortfall of the share of equity of the Parent Company in its subsidiaries over its cost of Investments, if any, is recognized in the financial statements as Goodwill.
- e) The subsidiaries considered in consolidated financial statements are as under:

| Name of Company | Extent of Company's Interest | Country of Incorporation |
|----------------------------------|------------------------------|--------------------------|
| Hakoba Lifestyle Limited | 85% | India |
| Mas Embroideries Private Limited | 100% | India |
| Pioneer Realty Limited | 100% | India |
| S.R Investments Limited | 51% | Mauritius |

3. Consolidation of Foreign Subsidiary

Foreign Subsidiary accounts viz S.R Investments Limited has not been audited including its opening balances. For the purpose of the consolidation, the accounts have been prepared by the management as on 31st March, 2010, on the basis of unaudited accounts. Financial Statements figures are converted into rupees on the basis of average rate of foreign currency as on 31st March, 2010.

A) SIGNIFICANT ACCOUNTING POLICIES

Most of the accounting policies of the holding company and that of the subsidiaries are similar.

B) OTHER NOTES ON ACCOUNTS

- 1. Consolidated Contingent Liability is same as contingent liability of stand alone balance sheet of Pioneer Embroideries Limited.
- 2. Loans & Advances includes amount due from JV:

(Rs. in lacs)

| Particulars | Current Period 31-03-2010 | | Previous Year 30-09-2009 | |
|-----------------------------|---------------------------|-------------|--------------------------|-------------|
| | Closing Balance | Maximum due | Closing Balance | Maximum due |
| Super Industries DMCC, (JV) | 2238.94 (Loan) | 2806.63 | 2382.78 (Loan) | 2806.63 |
| | 498.74 (Service charges) | | 423.85 (Service charges) | |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

3. Auditors Remunerations:

| Particulars | (Rs. in lacs) | |
|----------------------------------|---------------|------------|
| | 31-03-2010 | 30-09-2009 |
| Audit Fees - holding company | 4.41 | 8.82 |
| Audit Fees- subsidiary companies | 0.75 | 1.37 |
| For Certification Work | -- | 10.05 |
| For Taxation Matters | 0.31 | 4.64 |
| For Expenses | 0.35 | 0.33 |

4. The Company operates in a single segments of Textiles and Garments Accessories.

| Secondary Segment Information | | (Rs. in lacs) | |
|-------------------------------|------------|---------------|--|
| Revenue | 31-03-2010 | 30-09-2009 | |
| Domestic | 8100.06 | 13196.65 | |
| Export | 229.97 | 531.36 | |
| Total | 8330.03 | 13728.01 | |

5. Earnings Per Share:

| | 31-03-2010 | 30-09-2009 |
|--|------------|------------|
| Net Profit/(Loss) for the period attributable to Equity Shareholders (Rs. in lacs) | (143.39) | (1165.90) |
| Weighted average number of Basic & Diluted Equity Shares outstanding | 12208215 | 12208215 |
| Basic and Diluted Earnings per share (Face value of Rs.10/- each) | (1.17) | (9.55) |

6. Related Party Transactions:

A] Name of related party and nature of relationship.

| | |
|--|---|
| Associate Concerns | Pioneer E-Com Fashions Ltd. Reach Industries Pvt. Ltd. |
| Key Management Personnel | Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi |
| Joint Venture | M/s Super Industries, DMCC, Dubai |
| Relative of Key Management Personnel & their Enterprises | Shri Aarav Sekhani Smt Bimla Devi Sekhani M/s J J Sons Thakurdas & Co. Pvt. Ltd. About U Fashions Pvt. Ltd. |

B]. Nature Of Transaction

| | (Rs. in lacs) | |
|---|---------------|--------------|
| | 31- 03- 2010 | 30- 09- 2009 |
| i). Sales and Services | | |
| Relative of Key Management Personnel & their enterprises | 52.75 | 76.97 |
| ii). Purchase & Job charges of Goods and Services | | |
| Relative of Key Management Personnel & their enterprises | 3.92 | 5.93 |
| iii). Income from Service Charges on loans | | |
| Joint Venture | 102.20 | 217.93 |
| iv). Payment for other Services | | |
| Associate Concerns | 4.00 | 11.75 |
| Key Management Personnel (Remuneration to Whole Time Directors) | 38.52 | 77.04 |
| Relative of Key Management Personnel | 9.69 | 11.07 |
| v). Share Application Money Received | | |
| Key Management Personnel | 96.93 | -- |
| Associate Concerns | 202.50 | -- |

PIONEER EMBROIDERIES LIMITED

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PIONEER GROUP

| | | (Rs. in lacs) |
|--|-------------------|-------------------|
| | 31- 03- 2010 | 30- 09- 2009 |
| vi). Loan and advances etc received during the period | | |
| Key Management Personnel | -- | 101.00 |
| vii). Balance outstanding as at the period end | | |
| Associate Concerns | 1321.41 Dr | 1328.99 Dr |
| Joint Venture | 2737.68 Dr | 2806.63 Dr |
| Key Management Personnel | 79.35 Cr | 162.04 Cr |
| Relative of Key Management Personnel & their enterprises | 244.44 Dr | 235.76 Dr |
| 7. The Deferred Tax Assets of Rs.159.90 lacs (Rs.1704.60 lacs) for the period have been recognized in the Profit & Loss Account. Break up of outstanding Deferred Tax Liability / (Assets) is as under : | | (Rs. in lacs) |
| Particulars | As on | As on |
| | 31-03-2010 | 30-09-2009 |
| Deferred Tax Liability / (Assets): | | |
| Opening Balance | (1611.10) | 93.50 |
| Add: Provision during the period | (159.90) | (1704.60) |
| Closing Balance | (1771.00) | (1611.10) |
| 8. Other notes to accounts of the Consolidated Balance Sheet remains same as the standalone Balance Sheet of Pioneer Embroideries Limited, Hakoba Lifestyle Limited, Pioneer Realty Limited, Mas Embroideries Private Limited and are not reproduced again. For the detailed notes regarding qualifications mentioned in the consolidated auditors report, kindly refer to notes of the Standalone Balance Sheet of Holding Company and Subsidiaries respectively. | | |

Signature to schedule 1 to 20

As per our Reports of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date: 27th August, 2010

For **R KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R.L. KABRA
Partner
Membership No. 16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

HARSH VARDHAN BASSI
Executive Director



CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD (6 MONTHS) ENDED 31ST MARCH, 2010

(Rs in thousand)

| A. CASH FLOW FROM OPERATING ACTIVITIES : | PERIOD ENDED 31ST MARCH, 2010 | YEAR ENDED 30TH SEPTEMBER, 2009 |
|---|----------------------------------|------------------------------------|
| Net profit/(Loss) before tax and extraordinary items | (26,562) | (301,116) |
| Add : Adjustment for : | | |
| Depreciation | 63,538 | 119,827 |
| Interest Charged (net) | 102,323 | 211,757 |
| Miscellaneous Expenditure written off | 6,146 | 12,326 |
| Intangible Asset Amortised | 853 | 1,706 |
| Excess Interest provided w/back | (22,182) | - |
| Provision for Doubtful Debts and Advances | 4,212 | 8,507 |
| Insurance Claim written off | - | 1,749 |
| Loss / (Profit) on Sale of Assets (net) | (137,027) | 1,334 |
| Operating Profit / (Loss) before working capital changes | <u>17,863</u> | <u>357,205</u> |
| Add : Adjustment for : | <u>(8,699)</u> | <u>56,089</u> |
| Trade and other Receivables | 31,162 | 118,996 |
| Inventories | 18,865 | 39,721 |
| Trade Payables | <u>(57,270)</u> | <u>(91,493)</u> |
| Cash generated from operation | <u>(15,942)</u> | <u>123,313</u> |
| Income tax paid | <u>(905)</u> | <u>(2,203)</u> |
| Net Cash from Operating Activities | <u>(16,847)</u> | <u>121,110</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets and capital advances | (13,926) | (84,743) |
| Sale of Fixed Assets | 153,659 | 793 |
| Advance against Borivali Property | (20,000) | 20,000 |
| Loan and Advances | 17,116 | (5,588) |
| Foreign Currency Translation Reserve of Overseas JV | 7,631 | (2,664) |
| Net cash used in Investing Activities | <u>144,480</u> | <u>(72,202)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Proceeds from Share Application Money | 29,943 | - |
| Increase in Sundry Creditors of Capital Goods | (3,483) | (15,584) |
| Buyback of FCCBs | (44,940) | - |
| Proceeds from Long Term Borrowing (Net) | (19,222) | 475,835 |
| Proceeds from Short Term Borrowing (Net) | 44,403 | (314,268) |
| Loan from Directors | (6,543) | 11,347 |
| Interest Paid | (113,181) | (234,141) |
| Unpaid Dividend Account | (200) | (215) |
| Net cash used in Financing Activities | <u>(113,223)</u> | <u>(77,026)</u> |
| Net increase / decrease in cash and cash equivalents (A+B+C) | <u>14,410</u> | <u>(28,118)</u> |
| Cash and cash equivalent (Opening balances) as on 01-10-2009 | <u>140,997</u> | <u>169,115</u> |
| Cash and cash equivalent (Closing balances) as on 31-03-2010 | <u>155,407</u> | <u>140,997</u> |

As per our Report of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

For **R KABRA & CO.**
Chartered Accountants
(Firm Regn No.104502W)

R.L. KABRA
Partner
Membership No. 16216

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman & Managing Director

Place: Mumbai
Date: 27th August, 2010

HARSH VARDHAN BASSI
Executive Director

DIRECTOR'S REPORT TO THE MEMBERS

To,
The Members of HAKOBALIFESTYLE LIMITED,

Your Directors present their Seventeenth Report on the business and operations of your Company for the period ended 31st March, 2010.

OPERATIONS

During the period under review, the total turnover stood at Rs.551.82 lacs (Rs.1830.24 lacs). Loss before interest, depreciation, amortisation and exceptional items stood at Rs.472.47 lacs (Profit Rs.19.39 lacs). However, with high interest cost, amortization and exceptional items loss after tax stood at Rs.768.37 lacs (Rs.646.74 lacs).

Your Company is in retail business with the well known Brand name "Hakoba". During the Period under review, Hakoba's business was further seriously affected due to shortage of need based working capital, closure of unviable stores and margin pressure as prevalent in apparel sector.

The Company is in the process of continuous revamping the retail business by closing non-profitable stores and opening fewer profitable outlets. Presently, Hakoba is operating 23(40) stores with a mix of franchisee and company run stores.

RESTRUCTURING PACKAGE

The Company's application for One Time Settlement (OTS) with its lenders is pending and Company is scouting for some strategic investor in the company to ensure maximum utilization of brand potential.

The Company is in the continuous process of exhaustive operational restructuring to revive its operations and profitability. The key problem areas are being addressed and to retain its focus to bring its business back to sound financial health.

DIVIDEND

In view of losses, your Directors do not recommend any Dividend for the period under review.

FIXED DEPOSITS

During the period under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES

There are no employees of the Company who receives remuneration in excess of the limits as prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

Mr. Harsh Bassi retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

AUDIT COMMITTEE

Composition of Audit Committee:

| | | |
|--------------------------|---|----------|
| Shri Raj Kumar Sekhani | - | Chairman |
| Shri Harsh Vardhan Bassi | - | Member |
| Shri Anand Kumar Jain | - | Member |

AUDITORS

The auditors, M/s M B A H & CO (formerly known as M/s Bhageria Naredi & Associates), Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. You are requested to re-appoint them and fix their remuneration.

AUDITOR'S REPORT

The Auditor's Report to the shareholders is self-explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- In the preparation of the Annual Accounts for the period ended 31st March, 2010, the applicable Accounting Standards have been followed except otherwise stated in Notes to Accounts and Accounting Policy.
- The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the period ended and of the loss of the Company for the period ended 31st March, 2010.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

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

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable to the Company.

ACKNOWLEDGEMENTS

The Management of your Company is grateful to the Shareholders, Valued Customers, and Company's Bankers for their continued support and co-operation.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 27th August 2010

RAJ KUMAR SEKHANI
Chairman

AUDITOR'S REPORT

To,
The Members of HAKOBALIFESTYLE LIMITED,

We have audited the attached Balance Sheet of **Hakoba Lifestyle Limited** as at 31st March, 2010, the Profit & Loss Account and the Cash Flow Statement for the period ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with 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 from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 & 5 of the said Order to the extent applicable.
3. Further to our comments in annexure referred to above, we report that:
 - I. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - II. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books;
 - III. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
 - IV. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956; **subject to non compliance of Accounting Standard -15 for employees benefit as per Accounting Policy Note No. 9. The impact of the above is not quantifiable;**
 - V. Based on the representations and declarations made by the directors as on 31st March, 2010 and taken on record by the Board of Directors of the Company and the information and explanation given to us, none of the Directors are, as at 31st March, 2010, prima facie disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

- VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes to accounts **and subject to following:**

| Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) | Matter |
|---|---|
| AP 9 / NA 9 | Non provision of gratuity as per actuarial valuation as per AS-15. |
| NA 11 | Non confirmation of Balances, the effect of which is not known. |
| NA 17 | Non compilation of quantitative details as required under schedule VI Part II Para 3 of the Companies Act, 1956. |

the effect of all the above, except where stated, on accounts is not ascertainable, give the information required by the Companies Act, 1956, in the manner so required present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
- b) in the case of the Profit & Loss Account of the loss for the period ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For M B A H & CO
Chartered Accountants
(Firm Regn. No.121426W)

MAHESH BHAGERIA
Partner
Membership No.34499

Place: Mumbai
Date : 27th August 2010

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2010 OF HAKOBA LIFESTYLE LIMITED

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that:-

1. a. **The fixed assets register of the Company is under preparation for the updation.** It has generally maintained records showing full particulars including quantitative details and situation of fixed assets, **however, the same needs to be fully reconciled pending updation of records.**
 - b. As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management in accordance with the phased verification programmed, which, in our opinion, is reasonable having regards to the size of the Company and the nature of its fixed assets. To the best of our knowledge, **the material discrepancies, if any, on such verification cannot be ascertained in view of pending reconciliation.**
 - c. The Company has not disposed off any substantial part of its fixed assets so as to affect its status of going concern.
2. a. As explained to us the inventories have been physically verified during the period by the management at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory, **which needs strengthening.** As informed, the discrepancies noticed on verification between physical stocks and the book records were not material.
3. a. As per the information and explanation given to us and the records produced to us for our verification, the company has not granted any interest free secured / unsecured loan to the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b. As per the information and explanation given to us and the records produced to us for our verification, the company has taken interest free loans and advances, secured or unsecured, from its holding company and one other party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum balance outstanding during the period was Rs.1,461.27 lacs and the closing balance as on the period ended was Rs.1,456.89 Lacs.
 - c. The terms and conditions of the loans and advances granted and/or taken are not prejudicial to the interest of the company.
 - d. As explained to us, payments of principal amount are on demand basis and there is no repayment schedule.
4. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures, **which needs strengthening** to commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made are in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at that time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
 7. In our opinion, the Company has an internal audit system, **which needs strengthening** to commensurate with the size and the nature of its business.
 8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the activities carried out by the Company.
 9. a. According to the information and explanations given to us, the Company is not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Maharashtra Labour Welfare Fund, Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable, **except TDS of Rs.38.77 lacs, Profession Tax of Rs.2.54 lacs, P.F. Rs.0.74 lacs, VAT/CST of Rs.6.55, F.B.T. of Rs.6.38 lacs and MLWF Rs.0.08 lacs.**
 10. The Company has accumulated losses, **and has incurred cash loss during the period covered by our audit, which is more than its share capital and reserves.**
 11. In our opinion and according to the information and explanations given to us, **the Company has defaulted in repayment of dues to banks and financial institutes.**
 12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities so the question of maintaining adequate documents and records does not arise.
 13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
 14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
 15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken are not prima facie prejudicial to the interest of the Company, **except that in view of losses in holding company, the Company might be asked to honor guarantees.**
 16. In our opinion, the term loans have been applied for the purpose for which loans were obtained.
 17. According to the information and explanation given to us and on an overall examination of the Balance Sheet and Cash Flow of the company, the funds raised on short term basis have been used for short term purposes.
 18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
 19. The Company has not issued any debentures during the period.
 20. The Company has not raised any money by public issue during the period.
 21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M B A H & CO
Chartered Accountants
(Firm Regn. No.121426W)

MAHESH BHAGERIA
Partner
Membership No.34499

Place: Mumbai
Date : 27th August 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| | SCH. | As at | | (Rs. in thousand) |
|---|------|----------------|-----------------|-------------------|
| | | 31.03.2010 | 30.09.2010 | As at |
| I. SOURCES OF FUNDS | | | | |
| 1. Shareholders' Fund | | | | |
| a) Share Capital | 1 | 134,941 | 134,941 | |
| b) Reserves & Surplus | 2 | <u>85,659</u> | <u>85,659</u> | 220,600 |
| 2. Loan Funds | | | | |
| a) Secured Loans | 3 | 332,435 | 312,159 | |
| b) Unsecured Loans | 4 | <u>5,954</u> | <u>5,954</u> | 318,113 |
| | | 558,989 | 558,989 | 538,713 |
| II. APPLICATION OF FUNDS | | | | |
| 1. ' HAKOBA' Brand | 5 | | 10,238 | 11,091 |
| 2. Fixed Assets | 6 | | | |
| a) Gross Block | | 43,654 | 43,519 | |
| b) Less: Depreciation | | <u>14,702</u> | <u>13,135</u> | |
| c) Net Block (a) - (b) | | | <u>28,952</u> | 30,384 |
| 3. Current Assets, Loans & Advances | | | | |
| a) Inventories | 7 | 72,978 | 100,828 | |
| b) Sundry Debtors | 8 | 144,176 | 173,172 | |
| c) Cash & Bank Balances | 9 | 12,079 | 12,081 | |
| d) Loans & Advances | 10 | <u>114,651</u> | <u>116,530</u> | |
| | | <u>343,884</u> | <u>402,611</u> | |
| Less: Current Liabilities & Provisions | 11 | <u>356,542</u> | <u>367,138</u> | |
| Net Current Assets | | | (12,658) | 35,473 |
| 4. Miscellanies expenditure (To the extend not written off or adjusted) | 12 | | 2,804 | 8,949 |
| 5. Profit & Loss Account | | | 529,653 | 452,816 |
| | | 558,989 | 558,989 | 538,713 |

Notes on Accounts, Additional Information and major Accounting Policies- As per Schedule 18 annexed.

As per our Report of even date attached herewith
For M B A H & CO
 Chartered Accountants
 (Firm Regn No.121426W)

MAHESH BHAGERIA
 Partner
 Membership No.34499

Place: Mumbai
 Date: 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI
 Chairman

HARSH VARDHAN BASSI
 Director

PROFIT & LOSS ACCOUNT FOR THE PERIOD (6 MONTHS) ENDED 31ST MARCH, 2010

| | SCH. | Period Ended 31.03.2010 | (Rs. in thousand) Year Ended 30.09.2009 |
|--|------|----------------------------|---|
| INCOME | | | |
| Sales | 13 | 55,182 | 183,024 |
| Other Income | 14 | 1,228 | 750 |
| Increase/ (Decrease) in Stock | 15 | (18,754) | 11,430 |
| | | 37,656 | 195,204 |
| EXPENDITURE | | | |
| Operating Expenses | 16 | 91,901 | 217,093 |
| Interest | 17 | 21,025 | 39,382 |
| Depreciation | | 1,567 | 3,267 |
| | | 114,493 | 259,742 |
| Profit/ (Loss) Before Taxation | | (76,837) | (64,538) |
| Provision for Fringe Benefit Tax | | - | 136 |
| Profit/ (Loss) After Taxation | | (76,837) | (64,674) |
| Add: Balance b/f from last year | | (452,816) | (388,142) |
| Balance Carried Over to Balance Sheet | | (529,653) | (452,816) |
| Basic & Diluted Earning per Share | | (5.69) | (4.79) |

Notes on Accounts, Additional Information and major Accounting Policies- As per Schedule 18 annexed.

As per our Report of even date attached herewith
For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No.34499

Place: Mumbai
Date: 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI
Chairman

HARSH VARDHAN BASSI
Director

SCHEDULES 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | (Rs. in thousand) | | (Rs. in thousand) | |
|---|---------------------|---------------------|---------------------|---------------------|
| | As At 31.03.2010 | As at 30.09.2009 | As At 33.03.2010 | As at 30.09.2009 |
| SCHEDULE - 1 | | | | |
| SHARE CAPITAL | | | | |
| Authorised : | | | | |
| 15,000,000 (15,000,000) Equity share of Rs.10/- each | 150,000 | 150,000 | | |
| | 150,000 | 150,000 | | |
| Issued, Subscribed & Paid Up: | | | | |
| 13,494,117 (13,494,117) Equity shares of Rs.10/- each fully paid Up | 134,941 | 134,941 | | |
| (1,470,000 (1,470,000) Equity Shares of Rs.10/- each fully paid-up issued pursuant to a contract for consideration other than Cash) | | | | |
| (Of the above 11,470,000 Equity Shares fully paid up held by the holding company, Pioneer Embroideries Ltd. | 134,941 | 134,941 | | |
| SCHEDULE - 2 | | | | |
| RESERVE & SURPLUS | | | | |
| Share Premium Account | 85,659 | 85,659 | | |
| | 85,659 | 85,659 | | |
| SCHEDULE - 3 | | | | |
| SECURED LOANS | | | | |
| Working Capital Loan | | | | |
| HDFC Bank Limited | | | 94,210 | 86,848 |
| State Bank of India | | | 139,998 | 134,148 |
| Standard Chartered Bank | | | 96,703 | 89,587 |
| (Secured by hypothecation of Stocks & Book debts both present and future and further secured by personal guarantee of one director and corporate guarantee of Pioneer Embroideries Ltd) | | | | |
| Term Loan from State Bank of India | | | 767 | 723 |
| (Secured by hypothecation of moveable assets and further secured by personal guarantee of one director and corporate guarantee of Pioneer Embroideries Ltd) | | | | |
| Vehicle Loans | | | 757 | 853 |
| (Against hypothecation of vehicles) | | | | |
| | | | 332,435 | 312,159 |
| SCHEDULE - 4 | | | | |
| UNSECURED LOANS | | | | |
| From Directors | | | 5,954 | 5,954 |
| | | | 5,954 | 5,954 |
| SCHEDULE - 5 | | | | |
| INTANGIBLE ASSETS | | | | |
| BRAND | | | | |
| Opening Balance | | | 11,091 | 12,797 |
| Less: Amortized During the period | | | 853 | 1,706 |
| | | | 10,238 | 11,091 |

SCHEDULE - 6
FIXED ASSETS & DEPRECIATION
(Rs. in thousands)

| Particular | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-----------------------|---------------------|----------------------------------|-----------------------------------|---------------------|---------------------|----------------------------------|-----------------------------------|---------------------|---------------------|---------------------|
| | AS AT 01.10.2009 | ADDITION DURING THE PERIOD | DEDUCTION DURING THE PERIOD | AS AT 31.03.2010 | AS AT 01.10.2009 | ADDITION DURING THE PERIOD | DEDUCTION DURING THE PERIOD | AS AT 31.03.2010 | AS AT 31.03.2010 | AS AT 30.09.2009 |
| Air Conditioner | 2,058 | - | - | 2,058 | 438 | 49 | - | 487 | 1,571 | 1,620 |
| Motor Vehicles | 3,046 | - | - | 3,046 | 952 | 144 | - | 1,096 | 1,950 | 2,094 |
| Plant & Machinery | 266 | - | - | 266 | 62 | 6 | - | 68 | 198 | 204 |
| Office Equipments | 1,889 | - | - | 1,889 | 423 | 43 | - | 466 | 1,423 | 1,466 |
| Computers | 4,907 | 64 | - | 4,971 | 2,958 | 327 | - | 3,285 | 1,686 | 1,949 |
| Electrical Equipments | 1,065 | 71 | - | 1,136 | 289 | 31 | - | 320 | 816 | 776 |
| Furniture & Fixtures | 29,278 | - | - | 29,278 | 7,912 | 917 | - | 8,829 | 20,449 | 21,366 |
| Software (Intangible) | 1,010 | - | - | 1,010 | 101 | 50 | - | 151 | 859 | 909 |
| Total | 43,519 | 135 | - | 43,654 | 13,135 | 1,567 | - | 14,702 | 28,952 | 30,384 |
| Previous Year | 42,932 | 2,377 | 1,790 | 43,519 | 10,088 | 3,267 | 220 | 13,135 | 30,384 | 32,844 |



| | (Rs. in thousand) | |
|---|---------------------|---------------------|
| | As at 31.03.2010 | As at 30.09.2009 |
| SCHEDULE - 7 | | |
| INVENTORIES | | |
| (At lower of cost and net realisable value as inventory taken, valued and certified by the management) | | |
| Raw Materials | 32,942 | 42,038 |
| Finished Goods | 40,036 | 58,790 |
| | 72,978 | 100,828 |
| SCHEDULE - 8 | | |
| SUNDRY DEBTORS | | |
| (Unsecured) | | |
| Debts Outstanding for a period exceeding Six months | | |
| Considered Good | 112,283 | 136,750 |
| Considered Doubtful | 13,888 | 13,888 |
| Total | 126,171 | 150,638 |
| Less: Provision for Doubtful Debts | 13,888 | 13,888 |
| | 112,283 | 136,750 |
| Others | 31,893 | 36,422 |
| | 144,176 | 173,172 |
| SCHEDULE - 9 | | |
| CASH & BANK BALANCES | | |
| Cash in hand | 8,352 | 8,580 |
| Balance with Scheduled Banks | | |
| - In current Account | 2,602 | 2,143 |
| - In Fixed Deposits | 1,125 | 1,358 |
| | 12,079 | 12,081 |
| SCHEDULE - 10 | | |
| LOANS & ADVANCES | | |
| (Advance recoverable in cash or in kind or for value to be received) | | |
| Advance Against Orders / Expenses | 100,926 | 101,263 |
| Sundry Deposits | 12,840 | 13,998 |
| Staff Loan & Advances | 558 | 846 |
| Tax Deducted At Source & Advance Tax | 322 | 322 |
| Pre-paid Expenses | 5 | 101 |
| | 114,651 | 116,530 |
| SCHEDULE - 11 | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| Sundry Creditors | | |
| for Goods | 29,159 | 35,786 |
| for Expenses | 20,842 | 13,609 |
| for Capital Expenditure | 56 | 12 |
| for Others | 8,327 | 9,638 |
| Bank Book Overdraft (Temporary) | 836 | 250 |
| Advance received against Order | 4,305 | 4,274 |
| Franchisee & Distributors Deposits | 6,476 | 14,092 |
| Duties & Taxes | 4,903 | 3,471 |
| FBT Payable | 638 | 638 |
| Pioneer Embroideries Limited (Holding Company) | 281,000 | 285,368 |
| | 356,542 | 367,138 |
| SCHEDULE - 12 | | |
| MISCELLANEOUS EXPENDITURE | | |
| [To the extent not written off or adjusted] | | |
| A) Preliminary Expenses : | | |
| Opening balance | 211 | 670 |
| Less : Written off during the period | 211 | 459 |
| (A) | - | 211 |
| B) Deferred Revenue Expenditures : | | |
| Opening balance | 8,738 | 20,605 |
| Less : Written off during the period | 5,934 | 11,867 |
| (B) | 2,804 | 8,738 |
| TOTAL (A) + (B) | 2,804 | 8,949 |

| | (Rs. in thousand) | |
|--|--------------------------|----------------------------|
| | Year Ended 31.03.2010 | Period Ended 30.09.2009 |
| SCHEDULE - 13 | | |
| SALES | | |
| Domestic | 55,182 | 183,024 |
| | 55,182 | 183,024 |
| SCHEDULE - 14 | | |
| OTHER INCOME | | |
| Interest Received | 234 | 90 |
| Misc. Income/Written backs | 994 | 660 |
| | 1,228 | 750 |
| SCHEDULE - 15 | | |
| INCREASE IN STOCK | | |
| Opening Stock | | |
| Finished Goods | 58,790 | 47,360 |
| [Total - A] | 58,790 | 47,360 |
| Less : Closing Stock | | |
| Finished Goods | 40,036 | 58,790 |
| [Total - B] | 40,036 | 58,790 |
| Increase/(Decrease) in Stock [B-A] | (18,754) | 11,430 |
| SCHEDULE - 16 | | |
| OPERATING EXPENSES | | |
| Purchase (inclusive of Finished Goods) | 38,003 | 119,788 |
| Cutting & Packing Expenses | 937 | 4,099 |
| Job Charges | 312 | 3,298 |
| Payment to Employees | 6,473 | 19,630 |
| Repair & Maintenance | 2,684 | 3,455 |
| Electricity Charges | 1,046 | 2,177 |
| Communication Expenses | 412 | 1,924 |
| Travelling & Conveyance | 1,050 | 3,234 |
| Postage, Printing & Stationery | 156 | 526 |
| Rent, Rates & Taxes | 10,963 | 24,372 |
| Bank Charges | 660 | 981 |
| Vehicles Expenses | 127 | 335 |
| Legal & Professional Charges | 817 | 2,045 |
| Auditors Remuneration | 55 | 118 |
| General Expenses | 518 | 872 |
| Insurance Expenses | 93 | 168 |
| Selling & Promotional Expenses | 132 | 629 |
| Advertisement & Sales Promotion Exp. Amortised | 5,934 | 11,867 |
| Intangible Asset Amortised | 853 | 1,706 |
| Miscellaneous Expenditure Written off | 211 | 459 |
| Commission & Brokerage | 82 | 1,635 |
| Freight & Forwarding Charges | 1,189 | 3,211 |
| Advertisement & Publicity | 1,645 | 768 |
| Prior Period Expenses | 17,549 | - |
| Loss on Sales of Fixed Assets | - | 1,289 |
| Provision for Doubtful Debts | - | 8,507 |
| | 91,901 | 217,093 |
| SCHEDULE - 17 | | |
| INTEREST | | |
| On Working Capital | 20,552 | 37,757 |
| On Term Loan | 44 | 74 |
| On Others | 429 | 1,551 |
| | 21,025 | 39,382 |

SCHEDULE - 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2010

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The Financial statements are prepared and presented under the historical cost convention, on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 except where otherwise stated the accounting principles have been consistently applied.

2. Revenue Recognition

(a) Sales Revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer. Turnover is excluding Inter Division Sales and Sales Tax.

(b) All revenues, costs, assets and liabilities are accounted for on accrual basis except where there is no reasonable certainty.

3. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimated are recognized in the period in which the results are known / materialized.

4. Fixed assets, Intangible Assets and Capital work-in-Progress

Fixed Assets are stated at cost of acquisition or construction after reducing accumulated depreciation. Cost is inclusive of freight, duties, levies, interest, installation charges and other incidental expenses incurred for bringing the assets to their working conditions for intended use or till the commencement of commercial operation as the case may be. Incidental expenses include establishment expenses, administration expenses, labour charges and salaries. In case of Intangible Assets, the same are amortised over a period of 10 years as per AS-26.

5. Impairment of Assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

6. Depreciation and Amortization

Depreciation is provided on fixed assets as per Straight Line Method at rates and manner provided in Schedule XIV of the Companies Act, 1956 on pro-rata basis from the date assets have been put to use.

7. Advertisement Expenditure

Advertisement expenditure up to financial year 2006-07 charged to deferred revenue expenditure, are being written off to profit & loss account over a period of 5 years.

8. Inventories

The method of inventory valuation is as under:-

| | |
|------------------|---|
| Raw Material | At Cost |
| Work-in-Progress | At Estimated Cost |
| Finished Goods | At Cost or net realisable value, whichever is lower |

The cost is arrived as follows:

Raw materials and bought out items cost is at landing cost inclusive of all attributable expenses and is computed on First In First Out basis.

Work-in-progress cost includes material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Finished goods cost include material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and excise duty, wherever applicable.

9. Retirement Benefits

The Company is not making any provisions of Gratuity in accordance with the Accounting Standard 15, issued by the Institute of Chartered Accountants of India, which requires provisions based on actuarial valuation. The Company accounts for Provident Fund Contributions as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Leave Encashment is provided on cash basis.

10. Taxation

Income-tax expense comprises Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset arising on account of accumulated losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. In view of the uncertainty to have taxable income in immediate future as a prudent, no deferred tax assets are recognized for the year.

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

B) NOTES FORMING PART OF THE FINANCIAL STATEMENT

1. Contingent Liabilities not provided for in respect of:

| | (Rs. in lacs) |
|---|--------------------------|
| | 31-03-2010 30-09-2009 |
| Corporate Guarantees to its Holding Company | 9,406.00 9,406.00 |

In the opinion of the management, there is no contingent liability other than stated above and adequate provision have been made for all known liabilities, except interests and penalties as may arise.

2. Amount due to Parent Company, Pioneer Embroideries Limited:

(Rs. in lacs)

| | Particulars | Current Period 31-03-2010 | | Previous Year 30-09-2009 | |
|----|---------------------|---------------------------|-------------|--------------------------|-------------|
| | | Closing Balance | Maximum Due | Closing Balance | Maximum Due |
| a. | Advances | 1,397.35 | 1,401.73 | 1,401.73 | 1,408.44 |
| b. | Creditors for goods | 1,412.65 | -- | 1,451.95 | -- |

3. Accounting Year:

The previous period's figures are for twelve months ended 30th September, 2009, while those of current period are of six months ended 31st March, 2010, hence the same are not comparable. The previous year's figures have been regrouped, rearranged wherever necessary, to confirm to the current period presentation.

4. Vehicles loan shown in Schedule 3 hereto includes outstanding of HDFC Bank Limited Rs.6.67 lacs (Rs.7.63 lacs) and ICICI Bank Limited Rs.0.90 lacs (Rs.0.90 lacs). The loan is against hypothecation of Vehicles.

5. Current period's Operating Expenses includes Prior Period Expenses of Rs.175.49 lacs mainly on account of discount on sales, consulting charges, pilferage & damage.

6. In the opinion of the management, there is no impairment of assets as on the balance sheet date.

7. The Company has made provisions for doubtful debts of Rs. NIL (Rs. 85.07 lacs) in the current period.

8. The Company's application for One Time Settlement (OTS) with its lenders is pending; company is scouting for some strategic investor in the Company to ensure maximum utilization of brand potential.

9. During the period, the Company has not provided any sum towards gratuity, as required in accordance with Accounting Standard -15.

10. In the opinion of management, value of realization of all current assets, deposits, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.

11. The sundry debit and credit balances including debtors, creditors, advances and deposits are subject to confirmation and reconciliation, the effect of which is not known, may impact profitability adversely.

12. Dues to Small Scale Industries undertakings and dues to Micro Enterprises and Small Enterprises.

The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. Since, the relevant information is not readily available; no disclosures have been made in the Accounts. However, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

13. In view of losses no provision for Income Tax has been made for the financial Period ended 31st March, 2010.

14. The Company operates in a single segment of Textiles and Garment Accessories.

15. Earnings per Share:

| | 31-03-2010 | 30-09-2009 |
|--|------------|------------|
| Net Profit / (Loss) for the period/year attributable to Equity Shareholders (Rs. in lacs). | (768.37) | (646.74) |
| Weighted average number of Basic & Diluted Equity Shares outstanding (in numbers) | 13,494,117 | 13,494,117 |
| Basic and Diluted Earnings per share (Face value of Rs.10/- each) | (5.69) | (4.79) |

16. Related party transactions:

a) Name of related party and nature of relationship:

| | |
|--|---|
| Holding Company | Pioneer Embroideries Ltd. |
| Associate Concerns | Pioneer E-Com Fashions Ltd. |
| Key Management Personnel | Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi |
| Relative of Key Management Personnel & their Enterprises | Shri Aarav Sekhani Mrs Bimla Devi Sekhani Thakurdas & Co. Pvt. Ltd. About U Fashions Pvt. Ltd. |

b) Nature of Transactions: (Rs. in lacs)

| | 31-03-2010 | 30-09-2009 |
|---|------------|-------------|
| i) Sales and Services | | |
| Holding Company | 9.58 | 34.29 |
| Relative of Key Management Personnel & their enterprises | 26.69 | 56.60 |
| ii) Purchase & Job charges of goods and services | | |
| Holding Company | 29.94 | 375.76 |
| iii) Payment for other services | | |
| Associate Concerns | 2.50 | 9.50 |
| Relative of Key Management Personnel & their enterprises | 9.69 | 11.07 |
| iv) Loans, Advances and Equity Investments etc. received during the period / year | | |
| Key Management Personnel | - | 101.00 |
| v) Balance outstanding as at the period / year end | | |
| Holding Company | 2,810.00Cr | 2,853.68 Cr |
| Associate Concerns | 14.17 Cr | 7.93 Cr |
| Key Management Personnel | 59.54 Cr | 59.54 Cr |
| Relative of Key Management Personnel & their enterprises | 206.64 Dr | 201.10 Dr |

17. Additional information pursuant to paragraph 3,4C & 4D of part II at the Schedule VI of the Companies Act, 1956 to the extent applicable (As certified by the Management):

| | | |
|-----------------------------------|---------------|------------|
| Opening, Closing Stock and Sales: | | |
| | (Rs. in lacs) | |
| | 31-03-2010 | 30-09-2009 |
| <u>Finished Goods:</u> | | |
| Opening Stock | 587.90 | 473.60 |
| Closing Stock | 400.36 | 587.90 |
| Sales | 551.82 | 1830.23 |

Quantity: The management has explained that it is not possible for the Company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets, etc.

The above non disclosure of quantitative details is not in accordance with the schedule VI, Part II, Para 3 of the Companies Act, 1956.

18. Additional information pursuant to Part IV to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

| | | |
|---------------------|---|------------|
| Registration Number | : | 72786 |
| State Code | : | 11 |
| Balance Sheet Date | : | 31-03-2010 |

II. CAPITAL RAISED DURING THE PERIOD (Amount in Rs. Thousands)

| | | |
|-------------------|---|-----|
| Public Issue | : | Nil |
| Right Issue | : | Nil |
| Bonus Issue | : | Nil |
| Private Placement | : | Nil |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

| | | |
|-----------------------------|---|----------|
| Total Liabilities | : | 558,989 |
| Total Assets | : | 558,989 |
| Source of Funds | | |
| Paid up Capital | : | 134,941 |
| Reserves & Surplus | : | 85,659 |
| Secured Loans | : | 332,435 |
| Unsecured Loans | : | 5,954 |
| Deferred Tax Liability | : | - |
| Application of Funds | | |
| Net Fixed Assets | : | 28,952 |
| Intangible Assets | : | 10,238 |
| Investments | : | -- |
| Net Current Assets | : | (12,658) |
| Misc. Expenditure | : | 2,804 |
| Accumulated Losses | : | 529,653 |

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

| | | |
|----------------------------|---|----------|
| Turnover | : | 37,656 |
| Total Expenditure | : | 114,493 |
| Profit / (Loss) Before Tax | : | (76,837) |
| Profit / (Loss) After Tax | : | (76,837) |
| Earning per Share (Rs.) | : | (5.69) |
| Dividend Rate % | : | -- |

V. GENERIC NAME OF THE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)

| | | |
|--|---|---------------|
| Product Description | : | Item Code No. |
| Embroideries in pieces, in strips or in motifs | : | 5810 |
| Bobbin Laces | : | 5804 |

Signature to schedule 1 to 18

As per our Reports of even date attached herewith

For **M B A H & CO**
Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place : Mumbai
Date : 27th August 2010

For & on Behalf of the Board

RAJ KUMAR SEKHANI
Chairman

HARSH VARDHAN BASSI
Director

CASH FLOW STATEMENT FOR THE PERIOD (6 MONTHS) ENDED 31ST MARCH, 2010

| | PERIOD ENDED 31ST MARCH, 2010 | (Rs. in thousand) YEAR ENDED 30TH SEPTEMBER, 2009 |
|---|----------------------------------|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before tax and extraordinary items | (76,837) | (64,538) |
| Add : Adjustment for : | | |
| Depreciation | 1,567 | 3,267 |
| Interest charged | 21,025 | 39,382 |
| Intangible Assets Amortised | 853 | 1,706 |
| Miscellaneous Expenditure Written Off | 211 | 459 |
| Loss on Sale of Fixed Assets | - | 1,289 |
| Provision for Bad & Doubtful Debts | - | 8,507 |
| Advertisement & Sales Promotion Exp. amortised | 5,934 | 11,867 |
| | 29,590 | 66,477 |
| Operating Profit / (Loss) before working capital changes | (47,247) | 1,939 |
| Add : Adjustment for : | | |
| Trade and Other Receivables | 30,874 | 13,831 |
| Inventories | 27,850 | (21,332) |
| Trade Payables | (10,639) | 14,953 |
| | 48,085 | 22,454 |
| Cash generated from operation | 838 | 16,892 |
| Income tax paid | - | - |
| Net Cash from Operating Activities | 838 | 16,892 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets and Capital Advances | (135) | (2,377) |
| Sales of Fixed Assets | - | 281 |
| Net cash used in Investing Activities | (135) | (2,096) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Increase in Sundry Creditors of Capital Goods | 44 | (98) |
| Proceeds from long term borrowing (Net) | (52) | (10,127) |
| Proceeds from short term borrowing (Net) | 20,328 | 34,024 |
| Interest paid | (21,025) | (39,382) |
| Net cash used in Financing Activities | (705) | (15,583) |
| Net increase / (Decrease) in cash and cash equivalent (A+B+C) | (2) | (787) |
| Cash and cash equivalent (Opening balances) as on 01-10-2009 | 12,081 | 12,868 |
| Cash and cash equivalent (Closing balances) as on 31-03-2010 | 12,079 | 12,081 |

As per our Report of even date attached herewith

For M B A H & CO

Chartered Accountants
(Firm Regn No.121426W)

MAHESH BHAGERIA

Partner

Membership No.34499

Place: Mumbai

Date: 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI

Chairman

HARSH VARDHAN BASSI

Director

DIRECTOR'S REPORT

To The Members of **MAS EMBROIDERIES PRIVATE LIMITED**,

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the year ended 31st March, 2010.

1. WORKING RESULTS

During the year under review, profit before interest and provision for bad debts stood at Rs.7.64 lacs as compared to Rs.18.59 lacs during the previous year. However, after depreciation and provisions loss before tax stood at Rs.55.34 lacs as compared to a loss of Rs.5.48 lacs during the previous year. The Directors are hopeful of improving the position in the forthcoming years.

2. DIVIDEND

In view of losses suffered by the Company, the Directors do not recommend any Dividend for the year.

3. DIRECTORS

There is no change in Board of Directors since last Annual General Meeting.

4. AUDITORS

M/s Verma Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for appointment. Your Directors recommend for their re-appointment.

5. AUDITOR'S REPORT

The Auditor's Report to the Members is self-explanatory.

6. DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm that:

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) The Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010 and of the loss of the Company for the year ended 31st March, 2010;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The Directors have prepared the annual account on a going concern basis.

7. CONSERVATION OF ENERGY

The Company operation involves low energy consumption. Wherever possible efforts to converse and optimize the use of energy through improved operational method and other way will continue.

8. TECHNOLOGY ABSORPTION

No comment is made on technology absorption considering the nature of activities undertaken by the Company during the year under review.

9. PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits laid down on Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

10. ACKNOWLEDGMENT

The Management of your Company is grateful to the Government of India, the Government of Haryana, the Government of Delhi, Shareholders, Valued Customers, Company's Bankers for their continued support and co-operation.

For & on behalf of the Board

RAJKUMAR SEKHANI
Director

HARSH VARDHAN BASSI
Director

Place: Mumbai
Date: 25th August, 2010

AUDITOR'S REPORT

To
The Members of MAS EMBROIDERIES PRIVATE LIMITED,

We have audited the attached Balance Sheet of Mas Embroideries Private Limited as at 31st March, 2010, the Profit & Loss Account and the 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 opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose as Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

We report that:

- I. The management has explained that it is not possible for the Company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets etc. In view of this we were unable to verify compliance of Accounting Standard-2 Valuation of Inventories (Revised).*
 - ii. Accumulated losses Rs. 38,145,006 has wiped out the net worth of the Company Rs 25,369,687.*
 - iii. No provision for staff retirement benefits has been made in the accounts and the expenditure is accounted for pay-as-you-go basis, which is contrary to the Accounting Standard-15 "Accounting for Retirement benefits in the Financial Statements of Employers (AS-15).*
- (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 accounts as required by law have been kept by the Company so far as appears from our examination of such books;
- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts;
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement of the Company complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) Based on representations made by all the directors of the Company and the information and explanations made available, Directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & Profit & Loss Account read together with 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit & Loss Account, of the Loss for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

FOR VERMA ASSOCIATES
 Chartered Accountants

Place: New Delhi
 Date: 25th August, 2010

MADAN VERMA
 Partner
 Membership No. 81631

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010 OF MAS EMBROIDERIES PRIVATE LIMITED

- (i) (a) On the information available, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the assets have been physically verified by the management during the year in a phased periodical manner, which, in our opinion, is reasonable, having regard to size of the Company and nature of the assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year so as to affect its status of going concern.
- (ii) (a) We have been informed that the Company has physically verified the inventory of finished goods and raw materials at reasonable intervals.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The management has explained that it is not possible for the company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters packets etc. in view of this, we are unable to verify compliance of Accounting Standard -2 Valuation of Inventories (Revised).
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
- a. Rs.427.86 lacs (Previous Year Rs.429.21 lacs) are due to Pioneer Embroideries Ltd on Current Accounts, which are stated to be interest free. As per the information and explanations given to us the above loans are repayable on demand and terms & conditions are not prima facie prejudicial to the interest of the Company.
- (iv) The Company is having adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase & sale of inventory and fixed assets.
- (v) In respect of the Contracts or arrangements referred to in Section 301 of the Companies Act, 1956;
- a. The Company has made purchases & Job Charges for Rs.3.74 lacs (Previous Year Rs.4.53 lacs) & made sales of Rs.101.45 lacs (Previous Year Rs.133.38 lacs) to Pioneer Embroideries Ltd. In our opinion and according to the information and explanations given to us the transactions made in pursuance of contracts or arrangements that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanations given to us these contracts or arrangements have been made at prices which are prima facie reasonable having regard to the prevailing market price at the relevant time except for certain transactions for purchase of goods and services and sale of services of specific nature for which alternative quotations are not available and hence we are unable to comment upon.
- (vi) The Company has not accepted deposit from public; therefore this clause is not applicable to the Company.
- (vii) The Company does not have internal audit system, which need to be improved in its scope and reporting.
- (viii) As represented by the management, the Company is not under an obligation to maintain cost record.
- (ix) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (x) The Company has accumulated losses more than its Shares Capital and Reserves and the Company has incurred losses during the year and also immediately preceding financial year.
- (xi) The Company has not defaulted in respect of repayment of dues towards the loans.
- (xii) The Company has not granted advances on the basis of any securities by way of pledge of shares, debenture and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund are not applicable to the Company, therefore sub clauses (a), (b), (c) & (d) are not applicable to the Company.
- (xiv) The Company does not deal in trading in shares. Therefore, this clause is not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others.
- (xvi) The Company has not taken any term loan from any bank / financial institution.
- (xvii) No funds raised on short-term basis have been invested for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301.
- (xix) The Company has not issued any debentures; therefore this clause is not applicable to this Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR VERMA ASSOCIATES
Chartered Accountants

MADAN VERMA
Partner
Membership No. 81631

Place: New Delhi
Date: 25th August, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in thousand)
As at 31.03.2009

| SOURCES OF FUNDS | SCH. | As at 31.03.2010 | | (Rs. in thousand) As at 31.03.2009 | |
|---|------|------------------|---------------|---------------------------------------|---------------|
| SOURCES OF FUNDS | | | | | |
| Shareholders' Fund | | | | | |
| a) Share Capital | 1 | 22,252 | 22,252 | | |
| b) Reserves & Surplus | 2 | 3,118 | 3,118 | | |
| | | <u>25,370</u> | <u>25,370</u> | | |
| | | | | <u>25,370</u> | <u>25,370</u> |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | 3 | | | | |
| a) Gross Block | | 53,788 | 53,788 | | |
| b) Less : Depreciation | | 31,215 | 29,129 | | |
| c) Net Block (a-b) | | | 22,573 | | 24,659 |
| Current Assets, Loans & Advances | | | | | |
| a) Inventories | 4 | 5,505 | 5,256 | | |
| b) Sundry Debtors | 5 | 5,061 | 9,263 | | |
| c) Cash & Bank Balances | 6 | 500 | 450 | | |
| d) Loans & Advances | 7 | 1,408 | 1,755 | | |
| | | <u>12,474</u> | <u>16,724</u> | | |
| Less : Current Liabilities & Provisions | 8 | 47,822 | 48,624 | | |
| Net Current Assets | | | (35,348) | | (31,900) |
| Profit & Loss Account | | | 38,145 | | 32,611 |
| | | | <u>25,370</u> | | <u>25,370</u> |

Notes on Accounts, Additional information, and major Accounting Policies: As per Schedule 13 annexed.

As per our report of even date attached herewith

For VERMA ASSOCIATS
Chartered Accountants

MADAN VERMA
Partner
Membership No. 81631
Place : Mumbai
Date: 25th August, 2010

For & on behalf of the Board

RAJKUMAR SEKHANI
Director

HARSH YARDHAN BASSI
Director

PROFIT & LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2010

| | | (Rs. in thousand) | |
|---|----|-----------------------|-------------------------|
| | | Year Ended 31.03.2010 | Period Ended 31.03.2009 |
| INCOME | | | |
| Sales | 9 | 17,089 | 17,089 |
| Other Income | 10 | 123 | - |
| Increase/(Decrease) in Stock | 11 | (47) | 104 |
| | | <u>17,165</u> | <u>17,193</u> |
| EXPENDITURE | | | |
| Operating Expenses | 12 | 16,401 | 15,334 |
| Provision for Bad & Doubtful Debts | | 4,212 | - |
| Depreciation | | 2,086 | 2,390 |
| | | <u>22,699</u> | <u>17,724</u> |
| Profit Before Taxation | | (5,534) | (531) |
| Provision for Taxation (Including Fringe Benefit Tax) | | - | 17 |
| Profit After Taxation | | (5,534) | (548) |
| Add : Balance b/f from last year | | (32,611) | (32,063) |
| Balance carried over to Balance sheet | | <u>(38,145)</u> | <u>(32,611)</u> |
| Basic/Diluted EPS | | (2.48) | (0.25) |

Notes on Accounts, Additional information, and major Accounting Policies: As per Schedule 13 annexed.

As per our report of even date attached herewith

For VERMA ASSOCIATS
Chartered Accountants

MADAN VERMA
Partner
Membership No. 81631
Place : Mumbai
Date: 25th August, 2010

For & on behalf of the Board

RAJKUMAR SEKHANI
Director

HARSH YARDHAN BASSI
Director

**SCHEDULES 1 TO 13 ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH 2010**

| | (Rs. in thousand) | |
|---|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 1 SHARE CAPITAL | | |
| Authorised : | | |
| 2,250,000 (2,250,000) Equity share of Rs.10/- each | 22,500 | 22,500 |
| | 22,500 | 22,500 |
| Issued, Subscribed & Paid up : | | |
| 2,225,200 (2,225,200) Equity shares of Rs.10/- each fully paid up | 22,252 | 22,252 |
| | 22,252 | 22,252 |

| | (Rs. in thousand) | |
|---|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 2 RESERVE & SURPLUS | | |
| Capital Reserve | 3,118 | 3,118 |
| | 3,118 | 3,118 |

**SCHEDULE - 3
FIXED ASSETS AND DEPRECIATION**

| Name of Assets | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------------------|---------------|--------------------|-------------|---------------|---------------|--------------|------------|---------------|---------------|---------------|
| | As on | Additions | Sold During | As on | As on | For the | Deductions | As on | As on | As on |
| | 01.04.2009 | During the Year | the Year | 31.03.2010 | 01.04.2009 | Year | for Sale | 31.03.2010 | 31.03.2010 | 31.03.2009 |
| Plant & Machinery | 33,057 | - | - | 33,057 | 24,583 | 1,179 | - | 25,762 | 7,295 | 8,474 |
| Misc. Fixed Assets | 1,454 | - | - | 1,454 | 1,104 | 49 | - | 1,153 | 301 | 350 |
| Electric Equipments | 190 | - | - | 190 | 133 | 8 | - | 141 | 49 | 57 |
| Office Equipments | 133 | - | - | 133 | 78 | 8 | - | 86 | 47 | 55 |
| U.P.S | 716 | - | - | 716 | 219 | 69 | - | 288 | 428 | 497 |
| Computers | 178 | - | - | 178 | 151 | 11 | - | 162 | 16 | 27 |
| Furniture & Fixture | 56 | - | - | 56 | 37 | 3 | - | 40 | 16 | 19 |
| Building | 10,419 | - | - | 10,419 | 2,824 | 759 | - | 3,583 | 6,836 | 7,595 |
| Land & Development | 7,585 | - | - | 7,585 | - | - | - | - | 7,585 | 7,585 |
| TOTAL | 53,788 | - | - | 53,788 | 29,129 | 2,086 | - | 31,215 | 22,573 | 24,659 |
| Previous Year | 53,345 | 443 | - | 53,788 | 26,739 | 2,390 | - | 29,129 | 24,659 | 26,606 |

| | (Rs. in thousand) | |
|---|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 4 INVENTORIES | | |
| (At lower of cost and net realisable value as inventory taken, valued and certified by the management) | | |
| Raw Materials | 996 | 700 |
| Work in Progress | 258 | 231 |
| Finished Goods | 4,251 | 4,325 |
| | 5,505 | 5,256 |

| | (Rs. in thousand) | |
|---|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 5 SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| Outstanding for a period exceeding Six months | 7,517 | 4,788 |
| Others | 1,756 | 4,475 |
| | 9,273 | 9,263 |
| Less: Provision for Bad & Doubtful debts | 4,212 | - |
| | 5,061 | 9,263 |

| | (Rs. in thousand) | |
|--|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 6 CASH & BANK BALANCES | | |
| Cash in hand | 475 | 462 |
| Cash at Bank with Scheduled Banks - in Current Accounts | 25 | (12) |
| | 500 | 450 |

| | (Rs. in thousand) | |
|--|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 7 LOANS & ADVANCES | | |
| (Unsecured, considered good) Recoverable in cash or in kind or for value to be received. | | |
| Advance Income Tax Paid (net of provision of taxation) | 643 | 462 |
| Sundry Deposits | 516 | 1,038 |
| Staff Loan & Advances | 208 | 214 |
| Pre-paid Expenses | 41 | 41 |
| | 1,408 | 1,755 |

| | (Rs. in thousand) | |
|--|-------------------|------------|
| | As at | As at |
| | 31.03.2010 | 31.03.2009 |
| SCHEDULE - 8 CURRENT LIABILITIES & PROVISIONS | | |
| Sundry Creditors | | |
| for Goods | 47,164 | 48,136 |
| for Expenses/Job Charges | 599 | 473 |
| for Others | 59 | 15 |
| | 47,822 | 48,624 |

MAS EMBROIDERIES PRIVATE LIMITED



PIONEER GROUP

| | (Rs. in thousand) | |
|--------------------------------------|---------------------|---------------------|
| | As at 31.03.2010 | As at 31.03.2009 |
| SCHEDULE - 9 | | |
| SALES | | |
| - Domestic | 17,089 | 17,089 |
| | 17,089 | 17,089 |
| SCHEDULE - 10 | | |
| OTHER INCOME | | |
| Sale of Scrap | 15 | - |
| Rental Income | 108 | - |
| | 123 | - |
| SCHEDULE - 11 | | |
| INCREASE IN STOCK | | |
| Opening Stock | | |
| Work in Progress | 231 | 415 |
| Finished Goods | 4,325 | 4,037 |
| [Total - A] | 4,556 | 4,452 |
| Less : Closing Stock | | |
| Work in Progress | 258 | 231 |
| Finished Goods | 4,251 | 4,325 |
| [Total - B] | 4,509 | 4,556 |
| Increase/(Decrease) in Stock [B-A] | (47) | 104 |

| | (Rs. in thousand) | |
|-------------------------------|---------------------|---------------------|
| | As at 31.03.2010 | As at 31.03.2009 |
| SCHEDULE - 12 | | |
| OPERATING EXPENSES | | |
| Raw Materials Consumed | 7,322 | 5,470 |
| Manufacturing Expenses | 2,126 | 2,059 |
| Job Charges | 2,512 | 2,367 |
| Payment to Employees | 1,486 | 1,658 |
| Stores & Spares | 124 | 333 |
| Repair & Maintenance | 47 | 66 |
| Power and Fuel | 1,714 | 1,464 |
| Communication Expenses | 153 | 181 |
| Traveling & Conveyance | 122 | 172 |
| Printing & Stationery | 18 | 11 |
| Rent, Rates & Taxes | 4 | 165 |
| Bank Charges | 9 | 10 |
| Other Administrative Expenses | 30 | 47 |
| Legal & Professional Charges | 41 | 35 |
| Auditor's Remuneration | 20 | 20 |
| General Expenses | 198 | 223 |
| Insurance | 47 | 49 |
| Selling Expenses | 428 | 1,004 |
| | 16,401 | 15,334 |

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

A) ACCOUNTING POLICIES

1. **Basis of Preparation of Financial Statements**
The Financial Statement have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provision of the companies Act, 1956.
2. **Recognition of Income & Expenditure**
Revenue/Income and cost/expenditure are generally accounted on accrual basis as they are earned or incurred. Revenue in respect of sale of goods is recognized at the point of dispatch / passage of title of goods to the Customers.
3. **Fixed Assets**
All Fixed Assets are stated at cost less accumulated depreciation. Leasehold land is amortised equally over the period of lease.

The carrying amount of cash generating units /assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognized, wherever carrying amount exceeds recovering amount.
4. **Depreciation**
Depreciation on Fixed Assets is provided on W.D.V. Method in the manner prescribed under Companies Act, 1956.
5. **Inventories**
Stock of Raw material Shown at cost. Work in Progress at estimated cost and finished goods at cost or market price, which ever is less
6. **Retirement Benefits**
Contribution to the provident Fund are made at pre-determined rate and charged to the Profit and Loss Account. Provision for Retirement Benefits & Leave Encashment is not made in the accounts & the expenditure is accounted for Pay-as-you-go basis.

B) NOTES ON ACCOUNTS

- a. No provision for staff retirement benefit is made in the accounts and the expenditure is accounted for pay as you go basis.
- b. Amount paid to Auditors Rs. 19,500 (Previous Year Rs. 19,500).
- c. Contingent Liabilities: Rs. Nil (Previous Year Rs. Nil).
- d. Since there is no timing difference between account profit & tax profit, therefore, there is no deferred tax.
- e. The Previous Year figures have been regrouped, rearranged and reclassified, wherever necessary.
- f. Total outstanding dues to Small Scale industrial Undertakings: Nil (Previous Year Nil)
- g. The company operates in a single segment of Textile and garment accessories.
- h. **Basic EPS & Diluted EPS**
 - The amount used as the numerator in calculating basic and diluted earning per share is Rs. 55.34 lacs being loss for the year.
 - The weighted average number of equity shares outstanding used as the denominator in calculating basis and diluted earning per share is 22,25,200
 - Nominal value of Shares - Rs. 2,22,52000
+ / (-) Basic / Diluted EPS - Rs. (2.48)
- i. **Related Party Transactions**
Disclosures under AS-18 issued by the Institute of Chartered Accountants of India regarding related party disclosures.

| | | |
|----|--|--|
| A) | Name of Related Party Pioneer Embroideries Limited Raj Kumar Sekhani Harsh Vardhan Bassi | Relation Holding Company Director Director |
|----|--|--|

| | | |
|----|--|----------------------|
| B) | Nature of Transactions: | (Rs. in lacs) |
| | | 2009-10 2008-09 |
| | i) Sales and Services to Holding Company | 101.45 133.38 |
| | ii) Purchase & Job Charges from Holding Company | 3.75 4.53 |
| | iii) Balance due to Holding Company as at year end | 427.86 429.21 |

- j. Additional information pursuant to paragraph 3,4C & 4D of part II at the Schedule VI of the Companies Act, 1956 (As certified by the Management):

Opening, Closing Stock and Sales:

| | | |
|--------------------------------|--------|----------------------|
| | | (Rs. in lacs) |
| | | 2009-10 2008-09 |
| Finished Goods and WIP: | | |
| Opening Stock | 45.56 | 44.52 |
| Closing Stock | 45.09 | 45.56 |
| Sales | 170.89 | 170.89 |

Quantity: The management has explained that it is not possible for the company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets, etc.

k. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956:

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

| | | |
|---------------------|---|------------|
| Registration Number | : | 104065 |
| State Code | : | 55 |
| Balance Sheet Date | : | 31.03.2010 |

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUND (Amount in Rs. Thousand)

| | | |
|-----------------------------|---|---------|
| Total Liabilities | : | 25370 |
| Total Assets | : | 25370 |
| Source of Funds: | | |
| Paid up Capital | : | 22252 |
| Reserves & Surplus | : | 3118 |
| Secured Loans | : | -- |
| Unsecured Loans | : | -- |
| Application of Funds | : | |
| Net Fixed Assets | : | 22573 |
| Investments | : | -- |
| Net Current Assets | : | (35348) |
| Misc. Expenditure | : | -- |
| Accumulated Losses | : | 38145 |
| Deferred Tax Asset | : | |

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousand)

| | | |
|----------------------------|---|--------|
| Turnover | : | 17165 |
| Total Expenditure | : | 22699 |
| Profit / (Loss) before Tax | : | (5534) |
| Profit / (Loss) after Tax | : | (5534) |
| Earning per Share (Rs.) | : | (2.48) |
| Dividend rate % | : | -- |

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)

| | | |
|---|---|--------------|
| PRODUCT DESCRIPTION | : | ITEM CODE NO |
| Embroideries in piece, in strips or in motifs | : | 5810 |

Signatures to Schedule 1 to 13

As per our Separate report of even date

For VERMA ASSOCIATS
Chartered Accountants

MADAN VERMA
Partner
M. No. 81631

Place: Mumbai
Date : 25th August, 2010

For and behalf of the board

RAJ KUMAR SEKHANI
Director

HARSH VARDHAN BASSI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | YEAR ENDED 31ST MARCH, 2010 | | (Rs. in thousand) YEAR ENDED 31ST MARCH, 2009 | |
|--|--------------------------------|-----------|---|---------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net profit before tax and extraordinary items | | (5,534) | | (531) |
| <u>Add</u> : Adjustment for : | | | | |
| Depreciation | 2,086 | 2,086 | 2,390 | 2,390 |
| Operating Profit / (Loss) before working capital changes | | (3,448) | | 1,859 |
| <u>Add</u> : Adjustment for : | | | | |
| Trade and Other Receivable | 4,730 | | (600) | |
| Inventories | (249) | | (188) | |
| Trade Payables | (802) | 3,679 | (2,735) | (3,503) |
| Cash generated from Operation | | 231 | | (1,644) |
| Income tax paid | (181) | (181) | (80) | (80) |
| Net Cash from Operating Activities | | 50 | | (1744) |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | | | |
| Purchase of Fixed Assets | | - | | (443) |
| Net cash used in Investing Activities | | - | | (443) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Net cash used in Financing Activities | | - | | - |
| Net increase / decrease in cash and cash equivalents (A+B+C) | | 50 | | (2,187) |
| Cash and cash equivalent (Opening balances) as on 01-04-2009 | | 450 | | 2,637 |
| Cash and cash equivalent (Closing balances) as on 31-03-2010 | | 500 | | 450 |

As per our Report of even date attached herewith

For **VERMA ASSOCIATES**
Chartered Accountants

MADAN VERMA
Partner
Membership No. 81631

Place: Mumbai
Date: 25th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI
Director

HARSH VARDHAN BASSI
Director

DIRECTOR'S REPORT

To,
The Members of PIONEER REALTY LIMITED,

Your Directors are pleased to present the Third Annual Report together with the Audited Accounts for the year ended 31st March, 2010.

1. WORKING RESULTS

The Company has suffered a loss of Rs.0.26 lacs (Rs.0.32 lacs) on account of administrative expenses. The Company has not yet commenced the business operation.

2. DIVIDEND

In view of losses suffered by the Company, the Directors do not recommend any Dividend for the year.

3. ACCEPTANCE OF DEPOSIT

The Company has not accepted any deposit from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

4. DIRECTORS

Mr. Raj Kumar Sekhani retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

5. AUDITORS

M/s M B A H & CO. (formally known as M/s Bhageria Naredi & Associates), Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for appointment. Your Directors recommend for their reappointment.

6. DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm that:

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;

- (ii) The Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010 and of the loss of the Company for the year ended 31st March, 2010;

- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The Directors have prepared the annual account on a going concern basis.

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

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable to the Company.

8. PARTICULARS OF EMPLOYEES

There was no employee in the Company during the year.

9. ACKNOWLEDGMENT

The Management of your Company is grateful to the Shareholders, and Company's Bankers for their continued support and co-operation.

For & on behalf of the Board

RAJ KUMAR SEKHANI
Director

Place: Mumbai
Date : 27th August, 2010

HARSH VARDHAN BASSI
Director

AUDITOR'S REPORT

To,
The Members of **PIONEER REALTY LIMITED**,

We have audited the attached Balance Sheet of **PIONEER REALTY LIMITED** as at 31st March, 2010 and also the annexed Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with 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 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
3. Further to our comments in the annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books of the Company;
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- (v) Based on the representations made by the directors of the Company and information given to us, none of the directors are disqualified as at 31st March, 2010, from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,
 - (b) in the case of the Profit & Loss Account, of the Loss for the year ended on that date; and
 - (c) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **M B A H & CO**
Chartered Accountants
(Firm Regn. No. 121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date : 27th August, 2010

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010 OF PIONEER REALTY LIMITED.

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that: -

1. The Company does not possess any Fixed Assets.
2. The Company is yet to start its regular business operations; hence there is no stock in hand.
3.
 - a. As per the information and explanations given to us, the Company has not granted loans secured or unsecured, to any company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b. As per the information and explanations given to us, the Company has taken interest free unsecured loans from its Holding company, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was Rs. 50.70 lacs and the year end balance was Rs. 50.70 lacs.
 - c. In our opinion and according to the information and explanation given to us, others terms and conditions are not prima facie prejudicial to the interest of the Company. The said loan is repayable on demand and there is no repayment schedule.
4. According to the information and explanations given to us, the Company has not purchased any inventory, fixed assets and has no sale of goods during the year.
5. According to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the activities carried out by the Company.
9. According to the information and explanations given to us, since the Company is yet to start its regular business operations, the payment of statutory dues is not applicable to it.
10. The Company has accumulated loss and has also incurred cash loss during the year covered by our audit.
11. The Company does not have any loans from Financial Institutions and Banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the Company is not dealing in or trading in shares, securities and other investments.
15. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
16. The Company has not taken any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M B A H & CO
Chartered Accountants
(Firm Regn. No. 121426W)

MAHESH BHAGERIA
Partner
Membership No. 34499

Place: Mumbai
Date : 27th August, 2010



BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in thousand)
As at 31.03.2009

| SCH. | As at 31.03.2010 | | As at 31.03.2009 |
|---|------------------|-------|------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | 1 | 500 | 500 |
| Loan Funds | | | |
| Unsecured Loans | 2 | 5,070 | 5,033 |
| | | 5,570 | 5,533 |
| APPLICATION OF FUNDS | | | |
| Current Assets, Loans & Advances | | | |
| Cash & Bank Balances | 3 | 42 | 48 |
| Loans & Advances | 4 | 5,000 | 5,000 |
| | | 5,042 | 5,048 |
| Less : Current Liabilities & Provisions | 5 | 18 | 35 |
| Net Current Assets | | 5,024 | 5,013 |
| Miscellaneous Expenditure | 6 | 463 | 463 |
| (To the extent not written off or adjusted) | | | |
| Profit & Loss Account | 7 | 83 | 57 |
| | | 5,570 | 5,533 |
| Notes on Accounts, Additional information and major Accounting Policies | 9 | | |

As per our Report of even date attached

For **M B A H & CO**

Chartered Accountants
(Firm Regn. No. 121426W)

Mahesh Bhageria

Partner

Membership No. 34499

Place : Mumbai

Date : 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI

Director

HARSH VARDHAN BASSI

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| | | Year Ended 31.03.2010 | Year Ended 31.03.2009 |
|--|---|-----------------------|-----------------------|
| (Rs. in thousand) | | | |
| INCOME | | | |
| Sales | | - | - |
| | | - | - |
| EXPENDITURE | | | |
| Administrative and Other Expenses | 8 | 26 | 32 |
| | | 26 | 32 |
| Profit / (Loss) Before Taxation | | (26) | (32) |
| Profit / (Loss) After Taxation | | (26) | (32) |
| Add : Balance b/f from previous Year | | (57) | (25) |
| Balance carried over to Balance Sheet | | (83) | (57) |
| Basic & Diluted Earning per Share (Rs.) | | (0.51) | (0.63) |
| Notes on Accounts, Additional Information, and major Accounting Policies | 9 | | |

As per our Report of even date attached

For **M B A H & CO**

Chartered Accountants
(Firm Regn. No. 121426W)

Mahesh Bhageria

Partner

Membership No. 34499

Place : Mumbai

Date : 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI

Director

Harsh Vardhan Bassi

Director

SCHEDULES 1 TO 9 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | (Rs. in thousand) | | | (Rs. in thousand) | |
|--|---------------------|---------------------|---|---------------------|---------------------|
| | As at 31.03.2010 | As at 31.03.2009 | | As at 31.03.2010 | As at 31.03.2009 |
| SCHEDULE - 1 | | | SCHEDULE - 5 | | |
| SHARE CAPITAL | | | CURRENT LIABILITIES & PROVISIONS | | |
| Authorised : | | | Sundry Creditors for Expenses | 1 | 18 |
| 5,000,000 (5,000,000) Equity share of Rs.10/- each | 50,000 | 50,000 | Outstanding Liabilities | 17 | 17 |
| | 50,000 | 50,000 | | 18 | 35 |
| Issued, Subscribed & Paid up : | | | SCHEDULE - 6 | | |
| 50,000 (50,000) Equity shares of Rs.10/- each | 500 | 500 | MISCELLANEOUS EXP. | | |
| fully paid up for cash | 500 | 500 | (To the extent not written off or adjusted) | | |
| | | | Preliminary Expenses | | |
| SCHEDULE - 2 | | | Opening Balance | 463 | 463 |
| UNSECURED LOANS | | | | 463 | 463 |
| From Pioneer Embroideries Ltd | 5,070 | 5,033 | SCHEDULE - 7 | | |
| (Holding Company) | 5,070 | 5,033 | Profit & Loss Account | | |
| | | | Opening Balance | 57 | 25 |
| SCHEDULE - 3 | | | Addition During the year | 26 | 32 |
| CASH & BANK BALANCES | | | | 83 | 57 |
| Cash in hand | 32 | 38 | SCHEDULE - 8 | | |
| Balance with Scheduled Banks - | | | ADMINISTRATIVE EXPENSES | | |
| in Current Accounts | 10 | 10 | Bank Charges | - | - |
| | 42 | 48 | Printing & Stationery | 6 | 6 |
| SCHEDULE - 4 | | | Rates & Taxes | 4 | 9 |
| LOANS & ADVANCES | | | Auditors Remuneration | 16 | 17 |
| (Unsecured, considered good, | | | | 26 | 32 |
| unless otherwise stated) | | | | | |
| Advance Recoverable in cash or in kind | 5,000 | 5,000 | | | |
| or for value to be received and/or | | | | | |
| to be adjusted | 5,000 | 5,000 | | | |

**SCHEDULE 9
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010**

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The Financial statements are prepared and presented under the historical cost convention, on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Revenue recognition

Company follows accrual system of accounting and takes into account expense and income as accrued.

Revenue in relation to business of Property Development is recognized on sales basis.

Dividend and Miscellaneous Income is accounted on cash basis.

3. Investments

The Investments, if any, are stated at cost including all other expenses incurred on its acquisition and interest accrued thereon, if any.

4. Fixed Assets

Presently the Company does not possess any fixed assets.

5. Depreciation

In absence of Fixed Asset, no depreciation policy is fixed by the Company.

6. Retirement benefits

The provisions of Gratuity and Employees Provident Fund and Miscellaneous Provisions Act, 1952 and The Payment of Gratuity, 1972 are not applicable to the Company.

7. Taxation

Since, the Company has not commenced its actual business operation, although fixed expenses are incurred by the Company, it leads to loss in the books of accounts of the Company. Due to the loss, no income tax is provided. Also, No deferred tax asset / liability has been provided in absence of no items found which have timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent accounting periods.

8. Preliminary Expenses

Preliminary Expenses shall be written off over a period of five years from the year in which the Company commences actual business operations.

9. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimates can be made. Provisions are not discounted to its present value and are determined on best estimate required to settle the obligation at the Balance Sheet Date. These are reviewed at each Balance Sheet Date and adjusted to reflect the current best estimates.

All known liabilities are provided for and liabilities which are material, and whose future outcome cannot be ascertained with the reasonable certainty are treated as Contingent and disclosed by way of Notes forming part of Accounts.

B) OTHER NOTES ON ACCOUNTS

1. In the opinion of the Management, there is no contingent liability and adequate provision has been made for all known liabilities, except Interest & penalty as may arise.

2. Loan and Advances include an old advance given to M/s Priyanka Builders & Developers of Rs. 50.00 Lacs for booking of Property. However, no property detail is available as MOU/Agreement is yet to be entered since payment made on 30th May 2007.

3. Earnings per Share :

| Particulars | 31-03-2010 | 31-03-2009 |
|---|------------|------------|
| Net Profit/ (Loss) for the year attributable to Equity Shareholders (Rs.) | (25,649) | (31,620) |
| Weighted average number of Basic & Diluted Equity Shares outstanding | 50,000 | 50,000 |
| Basic and Diluted Earnings per Share (Face value of Rs. 10/- each) | (0.51) | (0.63) |

4. In the opinion of the management, value on realization of current assets, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.

5. Debit & Credit Balance are subject to confirmation.
6. There is no amount outstanding with suppliers under the Micro, Small and Medium Enterprises Development Act, 2006.

7. Related Party Disclosures :

A] Name of Related Party and Nature of Relationship:

- | | |
|------------------------------|---|
| I. Holding Company | Pioneer Embroideries Limited |
| II. Key Management Personnel | Shri Rajkumar Sekhani Shri Harsh Vardhan Bassi |

B] Nature of Transactions:

| Nature of Transactions | | 31-03-2010 (Rs) | 31-03-2009 (Rs) |
|------------------------|--|--------------------|--------------------|
| i). | Loans & Advances from Holding Company | 36,929 | 14,421 |
| ii). | Balance Out standing (Holding Company) | 50,69,664 | 50,32,735 |

8. Other Information pursuant to provision of Paragraph 3, 4A, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956 are either Nil or Not Applicable.
9. Schedule 1 to 9 forms an integral part of the accounts.
10. Additional information pursuant to Part IV to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

| | | |
|---------------------|---|------------|
| Registration Number | : | 169361 |
| State Code | : | 11 |
| Balance Sheet Date | : | 31-03-2010 |

II. CAPITAL RAISED DURING THE YEAR (Amount of in Rs. Thousands)

| | | |
|-------------------|---|-----|
| Public Issue | : | Nil |
| Right Issue | : | Nil |
| Bonus Issue | : | Nil |
| Private Placement | : | Nil |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount of in Rs. Thousands)

| | | |
|-----------------------------|---|-------|
| Total Liabilities | : | 5,570 |
| Total Assets | : | 5,570 |
| Source of Funds | | |
| Paid up Capital | : | 500 |
| Reserves & Surplus | : | -- |
| Secured Loans | : | -- |
| Unsecured Loans | : | 5,070 |
| Deferred Tax Liability | : | -- |
| Application of Funds | | |
| Net Fixed Assets | : | -- |
| Investments | : | -- |
| Net Current Assets | : | 5,024 |
| Misc. Expenditure | : | 463 |
| Accumulated Losses | : | 83 |

IV. PERFORMANCE OF COMPANY (Amount of in Rs. Thousands)

| | | |
|----------------------------|---|--------|
| Turnover | : | -- |
| Total Expenditure | : | 26 |
| Profit / (Loss) before Tax | : | (26) |
| Profit / (Loss) after Tax | : | (26) |
| Earning per share (Rs.) | : | (0.51) |
| Dividend Rate % | : | - |

| | |
|---|--------|
| V. GENERIC NAME OF THE PRINCIPAL PRODUCT / SERVICES OF THE COMPANY (As per monetary terms) | |
| Items Code No. (ITC Code) | : N.A. |
| Product Description | : N.A. |

Signature to schedule 1 to 9

As per our Reports of even date attached herewith

For MBAH & CO
Chartered Accountants
(Firm Regn. No. 121426W)

Mahesh Bhageria
Partner
Membership No.34499

Place: Mumbai
Date : 27th August, 2010

For and on behalf of the Board

RAJ KUMAR SEKHANI
Director

HARSH VARDHAN BASSI
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | YEAR ENDED 31ST MARCH, 2010 | (Rs. in thousand) YEAR ENDED 31ST MARCH, 2009 |
|--|--------------------------------|---|
| A Cash Flow from Operating Activities: | | |
| Net Profit before tax and before extraordinary items | (26) | (32) |
| Adjustments for Expenses | - | - |
| Operating profit before working capital changes | <u>(26)</u> | <u>(32)</u> |
| Add: Adjustments for | | |
| Trade Payables | <u>(17)</u> | <u>(17)</u> |
| Cash (Outflow) from operation | (43) | (15) |
| Income Tax Paid | - | - |
| Net Cash from Operating Activities | (43) | (15) |
| B. Cash Flow from Investing Activities: | - | - |
| Net Cash used in Investment Activities | - | - |
| C. Cash Flow from Financing Activities: | | |
| Proceeds from Borrowings | 37 | 15 |
| Net Cash used from Financing Activities | 37 | 15 |
| Net increase / (decrease) in cash and cash equivalents | (6) | - |
| | | |
| Cash and Cash equivalents (Opening balances as on 01-04-2009) | 48 | 48 |
| Cash and Cash equivalents (Closing balances as on 31-03-2010) | 42 | 48 |

As per our Report of even date attached
For **M B A H & CO**
Chartered Accountants
(Firm Regn. No. 121426W)

Mahesh Bhageria
Partner
Membership No. 34499
Place : Mumbai
Date : 27th August, 2010

For & on behalf of the Board

RAJ KUMAR SEKHANI
Director

HARSH VARDHAN BASSI
Director



PIONEER EMBROIDERIES LIMITED

Registered Office : Unit No, 101B, 1st Floor, Abhishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058

ATTENDANCE SLIP

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

NAME OF THE MEMBER (in Block letters)

I hereby record my presence at the 18th Annual General Meeting to be held on 28th September, 2010 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 at 9.30 A.M.

SIGNATURE OF THE MEMBER OR PROXY

| Folio No. | No. of Shares held | Client ID | DP ID |
|-----------|--------------------|-----------|-------|
| | | | |

TEAR HERE



TEAR HERE



PIONEER EMBROIDERIES LIMITED

Registered Office : Unit No, 101B, 1st Floor, Abhishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058

PROXY FORM

I / We _____
of _____ being a member/
members of PIONEER EMBROIDERIES LTD. hereby appoint Shri / Smt. _____ of
_____ (or failing him/her) _____
of _____ (or failing him/her)
_____ of _____ as my/our Proxy to attend and vote for
me/us on my/our behalf at the 18th Annual General Meeting to be held on 28th September, 2010 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 at 9.30 A.M.

AS WITNESS my hand / our hands this _____ day of _____ 2010.

Note: The proxy must be deposited at the Registered office of the company not less than 48 hours before the time for holding the meeting. Proxy need not be a member of the Company.

Signature

Affix
Re. 1
Revenue
Stamp

of Member

| Folio No. | No. of Shares held | Client ID | DP ID |
|-----------|--------------------|-----------|-------|
| | | | |

