



**27th Annual Report  
2011-2012**

## Board of Directors

Sanjay Anand	Whole Time Director
Rashmi Anand	Whole Time Director
Vasudeva Rao	Director
Rajiv Rai Sachdev	Director

## Corporate Management

Rashmi Anand	Whole Time Director
Sanjay Anand	Whole Time Director

## Company Secretary

Martin Golla	Sr. VP-Legal & Company Secretary
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## Auditors

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

## Solicitors

Vikram Philip & Associates

## Bankers

Canara Bank  
Allahabad Bank

## Registered Office

Survey No. 380/1, Khanvel Silvassa Road,  
Dapada -396230  
Union Territory of Dadra & Nagar Haveli

## Corporate Office

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

## Works

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

## Registrar & Share Transfer Agent

Sharex Dynamic (I) P Ltd,  
Unit-1, Luthra Industrial Premises,  
Andheri - Kurla Road, Safed Pool,  
Andheri (E) Mumbai – 400 072  
Tel.: 28515606 / 28515644  
[www.sharexindia.com](http://www.sharexindia.com)  
Email : [sharexindia@vsnl.com](mailto:sharexindia@vsnl.com)

## Web-site

[www.fazethree.com](http://www.fazethree.com)

FAZE THREE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Saturday, 29<sup>th</sup> September, 2012
2. Time and Venue : 10.00 a.m. at  
Survey No. 380/1  
Khanvel Silvassa Road, Dapada – 396 230  
Union Territory of Dadra & Nagar Haveli
3. Book Closure : Saturday, 22<sup>nd</sup> September, 2012 to  
Saturday, 29<sup>th</sup> September, 2012  
(Both Days inclusive)
4. Investors' Complaints may be addressed to : Corporate Office  
Faze Three Limited,  
1-2, Shiv Smriti Chambers, 49-A,  
Dr. Annie Besant Road, Worli,  
Mumbai – 400 018  
Phone : 022 6660 4600  
Email: investors@fazethree.com

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## NOTICE

### 27TH ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Faze Three Limited will be held at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli on Saturday, 29th September, 2012 at 10.00 a.m. to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 and the Statement of Profit & Loss Account for the year ended 31st March 2012 together with the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Rajiv Rai Sachdev, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution as an Ordinary Resolution thereof:

“RESOLVED THAT M/s Thakur Vaidyanath Aiyar & Co, Chartered Accountants, Mumbai (Firm Registration No. 000038N) be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors in consultation with the Statutory Auditors.”

By order of the Board of Directors  
For **Faze Three Limited**

Place: Mumbai  
Date : 14.08.2012

**Martin Golla**  
**Sr. VP-Legal & Company Secretary**

#### Notes:

1. A MEMBER ENTITLED TO ATTEND & VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy, in order to be effective, should be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of the Annual Report.
3. The Register of Members and the Share Transfer Registers of the Company shall remain closed from Saturday, 22nd September, 2012 to Saturday, 29th September 2012 (both days inclusive).
4. Members are requested to intimate any change in their address to the Registrars and the Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd.
5. Documents referred to in any of the items in the Notice are available for inspection at the Registered Office of Company on any working day during Business Hours between 11.00 am to 1.00 pm
6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
7. Members are requested to address all the correspondence/documents, invariably quoting their Registered Folio No. relating to the equity shares held by them, directly to our Registrar and Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd, Unit-1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072.
8. Members are requested to bring their copy of this Annual Report to the Meeting.
9. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
10. Brief resume of Mr. Rajiv Rai Sachdev, Director retiring by rotation, is given under the Corporate Governance Report.

By order of the Board of Directors  
For **Faze Three Limited**

Place: Mumbai  
Date: 14.08.2012

**Martin Golla**  
**Sr. VP-Legal & Company Secretary**

## 27th Annual Report 2011-2012



### DIRECTORS' REPORT

To the Members,

Yours Directors present the 27th Annual Report together with the Audited Statements of Accounts for the year ended March 31st 2012.

### FINANCIAL RESULTS

(Rs. Lacs)

Particulars	For the Year ended 31.03.2012	For the Year ended 31.03.2011
Sales	17595.72	12323.96
Other Income	2487.13	2916.31
<b>Profit before finance cost, tax, depreciation &amp; amortization and exceptional items</b>	<b>1103.40</b>	<b>1969.73</b>
Less: Depreciation & amortization expenses	1075.78	560.90
Finance Cost	2382.69	957.08
Exceptional items	4196.46	420.47
<b>Profit/(Loss) Before Tax</b>	<b>(6551.53)</b>	<b>31.27</b>
Less: Provision for Taxation		
Current Tax	-	6.50
Deferred Tax	304.91	-
<b>Profit/ (Loss) After Tax</b>	<b>(6856.44)</b>	<b>24.77</b>

### COMPANY OPERATIONS

During the year under review, the company has recorded significant growth in turnover of Rs. 17595.72 Lacs as against Rs. 12323.96 Lacs during the previous year. The revenue from other income stood at 2487.13 Lacs as against Rs. 2916.31 during the previous year. During the year under review, the Company earned a profit of Rs. 1103.40 Lacs before finance cost, depreciation & amortization expenses, exceptional items and tax as against the previous year's profit of Rs. 1969.73 Lacs. The Company suffered a net loss of Rs. 6856.44 Lacs as against the profit of Rs. 24.77 Lacs during the previous year.

The company suffered loss during the year under review due to high cost of raw materials, adverse exchange rate fluctuations coupled with increased rate of interest and finance cost.

Further, the Company has written-off the investments made and advances given to its wholly owned subsidiary companies viz. Faze Three Netherlands B. V. and Pana Textil GmbH to the extent of Rs. 838.58 Lacs during the year. The company had written off part of the investments and advances of Rs. 420.74 Lacs last year. The Company has made provision for diminution in the value of investments in equity shares and 5% preference shares amounting to Rs. 486.98 Lacs in M/s V. R. Woodart Limited. The company has also provided the liability of Rs. 2870.90 Lacs created on account of invocation of Corporate Guarantee given to Canara Bank London in respect of its German subsidiary company viz. Pana Textil GmbH. The said guarantee has been invoked due to filing of insolvency petition in the German Court. The aforesaid liabilities have adversely affected the company's profits during the year under review.

### DIVIDEND

In view of the losses reported by the Company, your Directors have not recommended any dividend.

### BUSINESS OUTLOOK

The global economy witnessed challenges during fiscal year 2011-12 with the deepening debt crisis in Europe, US and other economies. The worsening fiscal conditions in the major western economies especially those in Euro zone, steep rise in commodity markets, large volatility in the currency and equity markets and huge fiscal deficits had a significant impact on global economic conditions. The Indian economy also witnessed its share of challenges during fiscal 2011-12 with high inflation, currency depreciation, increased cost of living and deceleration in GDP growth rates.

The recessionary trend in the European and US markets continues, as a result the operations of the Company have come under pressure. However, in spite of these facts the Board is pleased to inform the members that the company has registered a growth of 43% in turnover as compared to last year. The company would have done extremely better than this under normal conditions. The major revenue came from sale of Bathmats, Blankets, Rugs and Cushion & Cushion Covers to major international markets like USA, UK & European continent.

In the last Annual Report we had announced the company's plans to look at Brazil as an upcoming market. Towards this object, the company has initiated setting up front end marketing set up for the company's products in Brazil. The company is focusing on business with decent margins and avoiding business which will have strain on the margins and at the same time blocking precious working capital.

The company has clocked a substantial growth in terms of turnover. The company's constant endeavour to achieve higher capacity utilization, maximizing sales and better operational efficiencies has led to enhanced sales during the year. The long term clientele base and company's constant efforts to meet the ever changing preferences of customers have challenged FTL to set higher aspirations in terms of sales and customer satisfaction.

#### **SUBSIDIARY COMPANY:**

The Ministry of Corporate Affairs has issued direction under section 212 (8) of the Companies Act, 1956 vide general circular No. 2/ 2011 dated February 8, 2011 and in accordance with the same, the Balance Sheet, the Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company.

As reported last year, the Company's wholly owned subsidiary company of M/s Pana Textil GmbH has filed an insolvency petition in the German Court. The German court has completed the insolvency proceedings and the company is in the process of liquidation.

#### **FIXED DEPOSITS**

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

#### **AUDITORS**

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

#### **DIRECTORS**

Mr. Rajiv Rai Sachdev is an eminent and well known industrialist in the Entertainment industry. He has had a very distinguished career in the film industry and ranks amongst the doyens of this glamorous business.

The aforesaid Director is retiring at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment. A Brief resume of the above said director is forming the part of the corporate governance report.

Your directors recommend re-appointment of the said director.

Mr. Ajay Anand has tendered his resignation effective 5th July 2012 due to his personal commitments. The Board wishes to place on record its appreciation for the contribution made by Mr. Ajay Anand and wishes him the best for his future endeavors.

#### **REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION**

The Board has reviewed the financial status of the company as on 31.03.2012 and formed an opinion that the company's networth has been eroded and the company should make a reference to Board for Industrial and Financial Reconstruction (BIFR) under Section 15 (1) of the Sick Industrial Companies (Special Provision) Act, 1985.

### FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued Foreign Currency Convertible Bonds of Rs. US\$ 8.00 million on 26.12.2006, which were due for redemption on 27.12.2011. The company could not redeem the said bonds on due date. The company is in negotiation with Bondholders for the settlement of the same.

### LEGAL SUITS

Two winding up petitions under Section 433 of the Companies Act, 1956 have been filed against the company before the Bombay High Court by one of the FCCB Bondholder and by Mr. Harald Kurreck, former Managing Director of our German Subsidiary M/s. Pana Textil GmbH. The proceedings of the same are pending before the Hon'ble High Court.

### PARTICULARS OF EMPLOYEE

There are no employees drawing salary as required to be mentioned under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

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

### DIRECTOR'S RESPONSIBILITY STATEMENT

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

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

### CORPORATE GOVERNANCE

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

### ACKNOWLEDGEMENT

Your Directors wish to thank all stakeholders, Company's Bankers and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board

Place: Mumbai  
Date: 14.08.2012

**Sanjay Anand**  
Whole Time Director

## ANNEXURE TO DIRECTORS' REPORT

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

### 1. RESEARCH AND DEVELOPMENT (R & D)

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

### 2. CONSERVATION OF ENERGY

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

	Particulars	For the year ended March 31st 2012	For the year ended March 31st 2011
A.	(i) Electricity		
	a) Purchased		
	Units (Lakhs)	72.28	67.80
	Total Cost (Rs. in Lakhs)	395.47	326.29
	Rate Per Unit (Rs.)	5.47	4.81
	b) Own Generation (Thru DG Set)		
	Units (Lakhs)	7.25	7.32
	Total Cost (Rs. in lakhs)	103.05	97.74
	Rate Per Unit (Rs.)	14.21	13.36
	(ii) Coal, Firewood, Rice Husk etc.		
	(Qty in Qntls in Lakhs)	1.49	1.43
	Total Cost (Rs. in Lakhs)	700.80	557.79
	Rate per Qntl. (Rs.)	470.34	390.06
B.	Foreign Exchange Earnings and Outgo (Rs. in Lakhs)		
	Total Foreign Exchange Earnings Earned	15986.22	11805.43
	Total Foreign Exchange Used	122.87	187.74

For and on behalf of the Board

**Sanjay Anand**  
Whole Time Director



### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### OVERVIEW

The global economic environment which was weak throughout the year, turned sharply adverse in September 2011, owing to the turmoil in the euro-zone countries and debt crisis in major economies. A large part of the reason for the slowing of the Indian economy can be attributed to global factors as well as domestic factors. Among these are the tightening of monetary policy owing to high and persistent headline inflation and slowing investment and industrial activity. Huge exchange rate volatility, continuing rise in energy cost and slowdown in reforms were the other dampeners. As a result, GDP of 6.5% during the year was the lowest in the last nine years. The Government is continuously monitoring its fiscal policy with a view to reviving and maintaining growth.

For the Indian economy, the outlook for growth and price stability at this stage looks more promising. The Economic Survey expects the growth rate of real GDP to pick up to 7.6% in 2012-13. The main reason for a gradual recovery is the decline in overall investment rate. Gross capital formation during the third quarter of 2011-12 as a ratio of GDP was at 30%, down from 32% one year ago. As fiscal consolidation gets back on track, savings and capital formation should begin to rise. Moreover, with the easing of inflationary pressures in the months to come, there could be a reduction in policy rates by RBI, which should encourage investment activity and have a positive impact on growth.

The Global economy remains quite fragile and concerted efforts will be needed to restore stability and renewed growth, including addressing the sovereign debt crisis, financial regulation, growth and job creation efforts and energy security. There has been an undeniable slowdown in economic activities and the GDP growth rate is likely to be lower than last financial year. In spite of this, compared to other major world economies, India has been performing well and having healthy growth to support industrial development.

#### INDUSTRY OVERVIEW AND OUTLOOK

Overall demand outlook for the textile industry for FY13 is expected to remain moderate, with volatile commodity prices and exchange rate being key challenges for the industry. Participants who are well placed in value chain and have control over their debt levels may witness improved performance. Prospect of cotton spinning units is expected to improve with decline in cotton prices leading to a revival in demand for cotton yarn and consequent increase in capacity utilization across the cotton textile value chain. However, with the US and EU accounting for major part of Indian exports, the concerns over the economic health of these countries would put pressure on the Indian exporters in the current year. There will be a prolonged demand slowdown to subdue capacity utilisation levels and revenue growth prospects of the domestic textile companies. Softening cotton and cotton yarn prices have helped margins recover to some extent, but have not translated into a full-scale demand revival. Benefits from rupee depreciation on exports will be limited by the existing hedge positions of or by price renegotiations and discount demands from overseas buyers.

Export demand continues to be weak despite lower end-product prices, as the economic slowdown persists in Europe and the US. However, Indian exporters are diversifying into other markets such as Africa, Australia and Latin America to offset this impact.

Company's performance in terms of sales had an immense growth of 43% as compared to previous year. Despite worse economic global conditions, the company could get ample orders from new and existing customers. The major revenue came from sale of Bathmats, Blankets and Cushion Covers to USA and UK markets. Being an Export Oriented company, FTL is considering the factors like global economic slowdown, fluctuation in exchange rates and raw material prices. The company has taken various steps to deal with the current conditions. The company is making all efforts to improve the quality and productivity to take advantage of the opportunities at competitive rates from the international markets.

#### OPPORTUNITIES, CHALLENGES AND THREATS

The hike in excise duty on cotton-based products from 5% to 6% is not expected to have any significant negative impact on cotton textile players since the excise duty on cotton-based products is concessional and optional. The hike in excise duty on textile products other than cotton-based products from 10% to 12% is expected to increase the cost of production for non-cotton textile players.

The exemption of new automated shuttle looms from customs duty is expected to boost investments and capacity addition in weaving and garment sectors which may increase competition considering the fragmented nature of the industry.

The government of India has promoted a number of export promotion policies for the textile sector in the union budget 2011-2012 and the foreign trade policy 2009-2014. The Reserve Bank of India (RBI) has been recommended various revival steps like restructuring for stressed textile companies, including a two-year moratorium on term loans and conversion of working-capital loans into term loans of up to five years.

A stable outlook on cotton and synthetic textiles would require a stable policy environment, improved demand/supply position, stabilisation of input costs, and consequent improvement in margins and liquidity. It is unlikely that the sector's outlook will turn positive in light of the challenging operating environment.

The raw material price fluctuation, especially cotton and yarn is a grave concern for the company. The company has implemented the cost management design specifically to achieve both performance enhancement and cost control. The company is also implementing effective resource management, resource planning in procuring the quality raw materials at competitive prices. Further, the company has implemented various methods to monitor the waste management and thereby reduce and control the waste produced during the various manufacturing process. The effective implementation of these measures will enable the company to face stiff competition in the industry and offer its products at competitive prices.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

Owing to the nature of the business, the company is bound to come across various risks like political risks, completion risk, technology obsolescence risks, human risks and currency fluctuation risks. The Company has a risk management policy to control and mitigate the risks to maximize opportunity and minimize adversity. Risk Management and mitigation are integral part of the decision making process of the Company at all levels. Further, the Company has also in place Insurance policies to protect the assets of the Company from any loss arising out of damage or loss of property of the Company.

The company remains committed to maintaining internal control designed to safeguard the efficiency of operations and security of the assets. Accounting records are adequate for preparation of financial statements and other financial information. Through the internal audit process at the sectoral and corporate levels, both the adequacy and effectiveness of internal control across various levels and compliance with laid down system and policies are regularly mentioned. The Audit committee of the Board met periodically during the year to review internal control systems as well as financial disclosures.

### **HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Company has built a strong pool of talent by committed efforts to attract, transform and retain the best talent available. The Company has young and vibrant team of highly qualified professionals at all the levels of the Company. Significant emphasis is also laid on enhancing managerial and leadership qualities at senior management level to propel the Company towards stronger and more sustainable growth. The Company aims to continue and nurture the talent management process of the Company which is the back bone and essential to continue the exponential growth of the Company.

### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of the applicable corporate laws and regulations. It may be noted that the actual results may differ from what has been expressed or implied herein. The Company does not undertake to make any announcement or update in case any of these forward looking statements become materially incorrect in future.

For and on behalf of the Board

Place: Mumbai

Date: 14.08.2012

**Sanjay Anand**  
Whole Time Director

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

Corporate Governance philosophy of Faze Three Limited (FTL) stems from its beliefs that the Company's business strategy plans and decisions should be consistent with the welfare of all its Stakeholders. The Company further believes that the quest for excellence in performance rests on unflinching adherence to the core values of integrity, honesty, transparency and accountability in all business transactions. These beliefs are based on a rich legacy of fair and ethical business practices and steadfast commitment to uphold professional integrity. The Company believes that sound corporate governance is critical for enhancing and retaining investors' trust and the company always seeks to ensure its performance goals are met with integrity.

Effective Corporate Governance requires a clear understanding of the rolls of the Board and the senior management and their relationship with others in the corporate structure. With this understanding in mind, the Board exercises its responsibilities in the widest sense of the term. In its endeavor to act as a trustee of the Shareholder's Capital, the Board performs pivotal role in the Governance system focusing on good governance in order to attain maximum value for the entire spectrum of its shareholders leading to long term benefits to the society at large. The disclosures seek to match best practices in international corporate governance. We also endeavor to enhance long term shareholders value in all our business decisions.

**COMPOSITION OF BOARD OF DIRECTORS**

The Company believes that a dynamic, vigorous, well informed Board is necessary to ensure highest standards of Corporate Governance. The day-to-day management of the Company is entrusted with the key management personnel led by the Whole Time Directors who operate under the superintendence, direction and control of the Board. The Board comprises of Executive and Non-Executive Directors having in-depth knowledge of the business and Industry. The Board of directors consists of two Whole-time Directors and one non-executive, independent Director and one non executive non - independent Director.

**Board Membership & Terms:**

The Non-Executive Directors are liable to retire by rotation and one third of the said directors retire every year and if eligible, offer themselves for re-appointment.

**Board Meeting and Procedures:**

During the financial year under review 12 Board Meetings were held on the following dates 06/05/2011, 13/05/2011, 4/07/2011, 03/08/2011, 12/08/2011, 31/08/2011, 16/09/2011, 03/10/2011, 15.11/2011, 09/12/2011, 06/01/2012, 15/02/2012

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

Name of Director	Designation	Category	Attendance		Particulars of other Directorship, Committee membership / Chairmanship		
			Board Meeting	Last AGM	Director	Chairman	Member
Mr. Ajay * Anand	Chairman & Managing Director	Promoter, Executive	12	Yes	2	--	2
Mrs. Rashmi Anand	Whole Time Director	Promoter Executive	12	Yes	--	--	--
Mr. Sanjay Anand	Whole Time Director	Non-promoter Executive	4	No	2	--	2
Mr. Vasudeva Rao	Director	Non-Executive & Independent	6	Yes	---	---	---
Mr. Rajiv Rai Sachdev	Director	Non-Executive & Non-Independent	6	No	1	--	---

**Appointment / Re-appointment of Directors:**

- Mr. Ajay Anand resigned from the directorship w.e.f. 5th July 2012
- Mr. Rajiv Rai Sachdev retires by rotation and being eligible, offers himself for re-appointment as director of the company.

None of the Directors hold directorships in more than the permissible number of companies under the relevant provisions. Further, none of the directors on the Board is a member of more than ten committees or Chairman of more than five committees.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING**

Particulars	Rajiv Rai Sachdev
Date of Birth	18.7.1955
Date of appointment	08.03.2004
Qualifications	B.A.
Expertise in specific functional area	Wide Experience in Entertainment & Advertising Industry
Directorship held in other Public Companies	NIL
Membership/chairmanship of committees of other Public Companies	NIL

**AUDIT COMMITTEE**

**Composition, Meetings and Attendance:**

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

The committee is headed under the stewardship of Mr. Vasudeva Rao, a Chartered Accountant and an independent non-executive Director. Mr. Rajiv Rai Sachdev, non-independent non-executive director is a member of the Committee, has requisite financial and management experience. Mr. Sanjay Anand, Whole-Time Director of the Company is also a member of the Committee.

Audit Committee met 5 times during the year on 13.05.2011, 12.08.2011, 31.08.2011, 15.11.2011 & 15.02.2012.

**Attendance :-**

S. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings Attended
1.	Mr. Vasudeva Rao	Chairman	5	5
2.	Mr. Ajay Anand	Member	5	5
3.	Mr. Rajiv Rai Sachdev	Member	5	4

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

**The terms of reference are broadly as under:**

1. Oversight of the company's financial reporting process and the disclosure of its financial information.
2. Review with the management, the annual financial statements
3. Review of Related Party Transactions
4. Review of Company's financial and risk management policies

5. Reviewing with the management performance of statutory and internal auditors and adequacy of the internal control systems.
6. Reviewing, with the management, the quarterly financial statements.
7. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditor and the fixation of audit fees.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Reviewing with the Management, the Annual Financial Statements before submission to the Board.
10. Discussion with internal auditors any significant findings and follow up there on and in particular internal control weaknesses and reviewing the adequacy of internal audit function and
11. To review the functioning of the Whistle Blower mechanism.

**SHARE TRANSFER COMMITTEE**

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

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

The Committee met 7 times during the financial year to consider the request for transfer and transmissions and the members were present at all the meetings.

**SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:**

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

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

The Committee met 4 times during the financial year and all the members were present at the meeting. The Company has not received any serious complaints and the routine complaints received were attended to promptly and no complaint as such is pending with the company.

**REMUNERATION COMMITTEE:-**

The Remuneration Committee consists of Two directors Mr. Vasudeva Rao and Mr. Rajiv Rai Sachdev. The Committee is headed by Mr. Vasudeva Rao.

The Committee is constituted to formulate and recommend to the Board from time to time, a compensation structure for whole-time members of the Board and managers.

The details of remuneration paid to Managing Director and Whole Time Directors during the year 2011-2012 is given as follows:(No sitting fees paid to the following directors)

<b>Director</b>	<b>Designation</b>	<b>Remuneration (including all perquisites) Rs.</b>	<b>Service Contract</b>
Mr. Ajay Anand	Chairman & Managing Director	3,456,000/-	3years
Mr. Sanjay Anand	Whole Time Director	3,702,473/-	3years
Mrs. Rashmi Anand	Whole Time Director	1,440,000/-	3years

The details of Sitting Fees paid to Non-Executive Directors during the year ended March 31st 2012 are as follows (The Non-Executive Directors are not entitled to any remuneration, whatsoever, except sitting fees): -

Sr. No.	Name of the Non-Executive Director	Sitting Fees (Rs.)
1	Mr. Vasudeva Rao	30,000/-
2	Mr. Rajiv Rai Sachdev	30,000/-

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

Year	Location	Date	Time
2008-2009	Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	29th August, 2009	12.00 p.m.
2009-2010	Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	29th September, 2010	9.30 a.m.
2010-2011	Survey No. 380/1, Khanvel Silvassa Road, Dapada, Silvassa – 396 230 Union Territory of Dadra & Nagar Haveli	29th September, 2011	10.30 a.m.

- All the resolutions set out in the respective Notices were passed by the members. No postal Ballot was conducted during the year.
- The following special resolutions were passed by the members during the previous three Annual General Meetings:
  - The members passed special resolution at the Annual general Meeting held on 29.08.2009 for payment of remuneration to the executive directors in view of inadequacy of profits during the year 2008-09.
  - The Members passed a special resolution at the Annual General Meeting held on 29.09.2010 for re-appointment of Managing Director and Whole Time Directors for a period of three years and payment of remuneration

#### Disclosures :

##### a) Risk Management Framework:

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

##### b) Code of Conduct:

The Company has laid down a code of conduct for the Board of Directors and Senior Management personnel of the Company. The code of conduct is available on the website of the Company [www.fazethree.com](http://www.fazethree.com). The declaration of Whole Time Director is given below:

To the Shareholders of Faze Three Limited

Sub: Compliances with Code of Conduct

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

Mumbai, 14.08.2012

**Sanjay Anand**  
Whole Time Director

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

To the Board of Directors of Faze Three Limited

Dear Sirs,

Sub: CEO/CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Faze Three Limited for the year ended 31st March, 2012 and that to the best of our knowledge and belief, we state that:-

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

Yours sincerely,

**Sanjay Anand**  
Whole Time Director

### **Prevention of Insider Trading :**

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

### **Other Disclosures :**

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

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

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

**MEANS OF COMMUNICATION :-**

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

- (I) Times of India (English) - Surat Edition
- (ii) Economic Times ( Gujarathi) - Gujarat Edition

Company's results and official news releases, if any, are also displayed on the Company's website [www.fazethree.com](http://www.fazethree.com)

**GENERAL SHAREHOLDER INFORMATION**

AGM Date, time and venue 29th September, 2012 10.00 a.m.  
Survey No. 380/1,  
Village Dadra 396191  
Union Territory of Dadra & Nagar Haveli

**Financial Calendar for 2012-13 (Tentative)**

2nd Quarter Results Second week of November 2012  
 3rd Quarter Results Second week of February 2013  
 4th Quarter Results Second week of May 2013  
 Results for the year ending March 2013 Second week of August 2013

**DATE OF BOOK CLOSURE** 22nd September, 2012 to 29th September,2012  
(Both days inclusive)

**LISTING ON STOCK EXCHANGES** Bombay Stock Exchange  
Luxembourg Stock Exchange

**STOCK CODE** 530079 on Bombay Stock Exchange  
027941079 on Luxembourg Stock Exchange

**DEMAT ISIN No. FOR NSDL & CDSL** INE963C01033

**SHARE TRANSFER SYSTEM** All the transfers received are processed by the Registrar & Transfer Agents and are approved by the Share Transfer Committee. Every effort is made to dispose off the Share Transfer / Transmission requests within 10 days of the receipts of the same.

**PLANT LOCATION**

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

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

**DESIGNATED E-MAIL ID FOR SHAREHOLDERS** [investors@fazethree.com](mailto:investors@fazethree.com)

**Dividend Information:**

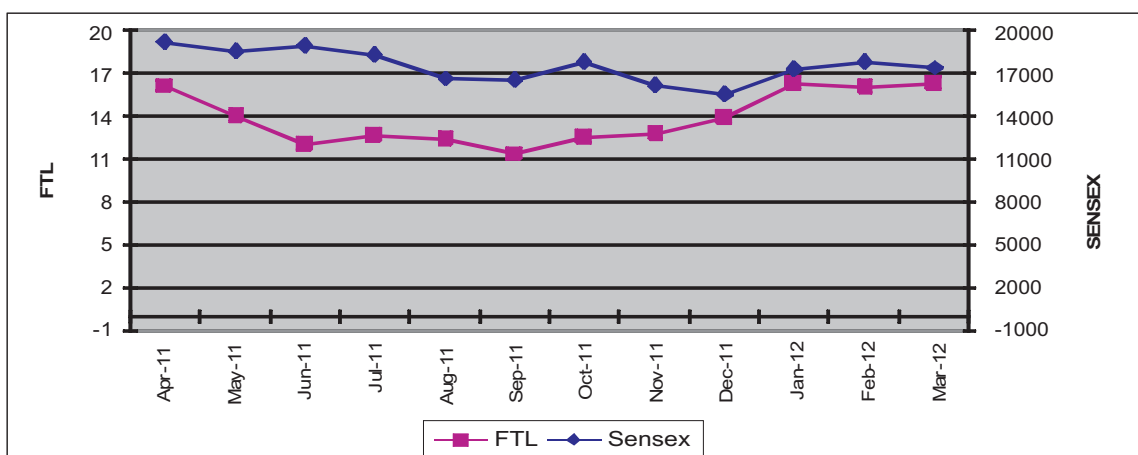
Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial year ended 2005-2006 which remained unpaid or unclaimed will be transferred to the Investor Education and Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956 on 27.09.2013.

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



Stock Market Data (BSE) :

Month	Month's High Price	Month's Low Price	Volume	BSE Sensex High	BSE Sensex Low
April 2011	17.31	13.28	161545	19811.14	18976.19
May 2011	17.35	12.20	131573	19253.87	17786.13
June 2011	15.89	11.48	53320	18873.39	17314.38
July 2011	13.50	12.00	169129	19131.70	18131.86
August 2011	13.57	10.76	195546	18440.07	15765.53
September 2011	13.98	11.00	104501	17211.80	15801.01
October 2011	12.98	10.43	66494	17908.13	15478.69
November 2011	14.49	11.31	40873	17702.26	15478.69
December 2011	18.35	13.31	47818	17003.71	15135.86
January 2012	17.54	13.17	33119	17258.97	15358.02
February 2012	19.00	15.00	31027	18523.78	17061.5
March 2012	17.00	13.80	76170	18040.69	16920.61



Distribution of Shareholding as on March 31, 2012:-

Sr. No.	No. of Equity Shares held		Shareholders		Shareholding	
	From	To	Nos.	%	Nos.	%
1	Upto	100	1856	42.43	106639	0.87
2	101	200	577	13.19	100041	0.82
3	201	500	1363	31.16	427669	3.51
4	501	1000	285	6.52	230698	1.89
5	1001	5000	229	5.24	490750	4.03
6	5001	10000	22	0.50	158878	1.30
7	10001	100000	28	0.64	764163	6.27
8	100001 and above		14	0.32	9909959	81.30
	<b>TOTAL</b>		<b>4374</b>	<b>100</b>	<b>12188797</b>	<b>100.00</b>

Shareholding Pattern as on March 31, 2012

Category code	Category of Shareholder	Total no of shares	Percentage of Shareholding
(A) 1	<b>Promoter Holding</b> Indian Promoters	<b>6566744</b>	<b>53.88</b>
	<b>Total Promoter Holding</b>	<b>6566744</b>	<b>53.88</b>
(B)	<b>Non Promoter Holding</b> <b>Institutions &amp; Non Institutions</b>		
(a)	Venture Capital Fund	250	0.001
(b)	Private Bodies Corporate	3455355	28.35
(c)	Individuals	2102876	17.25
(d)	Any Other (Clearing Member)	3441	0.03
(e)	NRI	60131	0.49
	<b>Total Non Promoter Holding</b>	<b>5622053</b>	<b>46.12</b>
	<b>GRAND TOTAL (A)+(B)</b>	<b>12188797</b>	<b>100.00</b>

For and on behalf of the Board

Place: Mumbai  
Dated:14.08.2012

**Sanjay Anand**  
Whole Time Director

## AUDITOR'S REPORT ON CORPORATE GOVERNANCE

### TO THE MEMBERS OF FAZE THREE LIMITED

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

To the Members of Faze Three Limited

We have examined the compliance of conditions of Corporate Governance by Faze Three Limited for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchange(s) in India.

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

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

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

**For THAKUR, VAIDYANATH AIYAR & CO.**  
Chartered Accountants  
Firm Rgn. No. 000038N

Place: Mumbai  
Date:14.08.2012

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

## **AUDITORS' REPORT**

To The Members  
Faze Three Ltd  
Mumbai

We have audited the attached Balance Sheet of Faze Three Limited, as at 31st March 2012, the Statement of Profit and Loss 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 an opinion on these statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e. On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon, and in particular Note 7.1 regarding provision for Gratuity, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012 and
    - ii. In the case of the Statement of Profit and Loss, of the loss for the year ended on that date.
    - iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For THAKUR VAIDYANATH AIYAR & CO.  
CHARTERED ACCOUNTANTS  
Firm Registration No. 000038N**

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

Place: Mumbai  
Dated: 9th August 2012

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## ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date

- i. In respect of Fixed Assets
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.
  - (b) As explained to us the major Fixed Assets have been physically verified by the Management at reasonable intervals during the year. As per the information given to us no material discrepancy has been noticed on such verification.
  - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of Inventories
  - (a) As informed to us, physical verification of inventories has been conducted by the Management at the end of the year.
  - (b) Based on the explanations given to us, in our opinion, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion, the Company is maintaining proper records of inventory and as explained to us, there were no material discrepancies noticed between the physical stocks and book record.
- iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956:
  - (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has taken loans from 9 Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 the maximum amount outstanding at any time during the year was Rs.623 Lakhs, and the year end balance is 150 lakhs. The Company had granted loans to 2 Companies listed in the Register maintained under Sec 301 of the Companies Act, 1956 the maximum amount outstanding at any time during the year was Rs.994 Lakhs, and the year end balance is Rs.nil lakhs.
  - (b) As per the information and explanations given to us, rate of interest and the terms and conditions of the said loans taken / given, are not prima facie prejudicial to the interest of the Company.
  - (c) As explained to us no amount of principal and interest has become due during the year.
  - (d) In view of our comment in (c) above, Para 4(iii)(d) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct weaknesses in internal controls.
- v. In respect of transactions covered under Section 301 of the Companies Act, 1956
  - (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the Register maintained under section 301 of the Act have been so entered.
  - (b) In our opinion and according to the information & explanations given to us, the transaction made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sec 58A and 58AA of the Act and the Rules framed there under.
- vii. The Company has an Internal Audit System, which in our opinion needs to be strengthened.
- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.

ix. In respect of Statutory dues

- (a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income- Tax, Sales-Tax, Wealth- tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the details of dues of income-tax which have not been deposited on account of dispute are given below:-

Particulars	Assessment years to which the matter pertains to	Forum where dispute is pending	Amount (Rs. In Lakhs)
Income tax	2003 2004	High Court	26.43
Income tax	2004-2005	ITAT (Mumbai)	20.99

- x. The accumulated loss at the end of the financial year exceeded the Company's net worth. The Company has incurred cash loss during the year, but has not incurred cash loss in the immediately preceding Financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore Para 4 (xiii) is not applicable to the Company.
- xiv. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of para 4(xiv) of the Order are not applicable to the Company.
- xv. The Company had given a guarantee for loan taken by a subsidiary from bank which has been invoked during the year.
- xvi. According to information & explanation given to us, in our opinion, term loans availed by the company were, prima facie, applied by the company for the purpose for which the loans were obtained.
- xvii. On the basis of our examination & according to the information & explanations given to us, on an overall examination of the Balance Sheet of the Company, Funds raised on short term basis have, prima facie, not being used during the year for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year and therefore para 4(xix) of the Order is not applicable to the Company.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

**For THAKUR VAIDYANATH AIYAR & CO.**  
**CHARTERED ACCOUNTANTS**  
 Firm Registration No. 000038N

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

Place: Mumbai  
 Dated: 9th August 2012

<b>BALANCE SHEET</b>		<b>Notes</b>	<b>As At</b>	<b>As At</b>
<b>as at 31 March, 2012</b>			<b>31st March 2012</b>	<b>31st March 2011</b>
			<b>[₹]</b>	<b>[₹]</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
(a)	Share capital	3	121,887,974	121,887,974
(b)	Reserves and surplus	4	(241,563,121)	444,081,422
			<b>(119,675,147)</b>	<b>565,969,396</b>
<b>Non-current liabilities</b>				
(a)	Long-term borrowings	5	132,244,814	199,673,839
(b)	Deferred tax liabilities (Net)	6	132,859,816	102,367,993
(c)	Long-term provisions	7	18,924,960	1,043,363
			<b>284,029,590</b>	<b>303,085,195</b>
<b>Current liabilities</b>				
(a)	Short-term borrowings	8	559,829,923	696,498,510
(b)	Trade payables	9	305,792,167	343,289,090
(c)	Other current liabilities	10	1,043,479,636	498,207,848
(d)	Short-term provisions	11	38,263,846	39,140,860
			<b>1,947,365,573</b>	<b>1,577,136,308</b>
			<b>2,111,720,016</b>	<b>2,446,190,899</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
(a)	Fixed assets	12		
	(i) Tangible assets		832,316,889	919,996,341
(b)	Non-current investments	13	8,239,993	56,937,269
(c)	Long-term loans and advances	14	67,908,950	76,671,617
			<b>908,465,832</b>	<b>1,053,605,227</b>
<b>Current assets</b>				
(a)	Inventories	15	700,836,386	673,929,469
(b)	Trade receivables	16	302,928,486	375,897,202
(c)	Cash and cash equivalents	17	53,096,171	24,772,990
(d)	Short-term loans and advances	18	97,999,681	240,063,357
(e)	Other current assets	18a	48,393,460	77,922,654
			<b>1,203,254,184</b>	<b>1,392,585,672</b>
			<b>2,111,720,016</b>	<b>2,446,190,899</b>
	Summary of significant accounting policies	2.1		

The Accompanying notes are an integral part of the financial statements

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**

Chartered Accountants

Firm Rgn. No-000038N

**C. V. Parameswar**

Partner

M.No.: 11541

Place : Mumbai

Dated : 9th August, 2012

**For and on behalf of the Board**

**Rashmi Anand**

Whole Time Director

**Sanjay Anand**

Whole Time Director

**Martin Golla**

Sr. VP-Legal & Company Secretary

## 27th Annual Report 2011-2012



Statement of Profit & Loss Account For The Year Ended 31st March 2012	Notes	For the Year Ended 31st March 2012 (₹)	For the Year Ended 31st March 2011 (₹)
<b>Income</b>			
Revenue from operations	19	1,876,264,810	1,424,343,577
Less : Excise duty on domestic sales		(2,280,047)	(90,250)
Other income	20	134,300,057	99,773,886
<b>Total Revenue</b>		<b><u>2,008,284,820</u></b>	<b><u>1,524,027,213</u></b>
<b>Expenses</b>			
Cost of materials consumed	21	882,644,989	695,506,126
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	73,191,573	(94,587,653)
Employee benefits expense	23	184,317,408	149,563,213
Other expenses	26	757,790,640	576,572,052
Miscellaneous expenditure written off		-	-
<b>Total</b>		<b><u>1,897,944,610</u></b>	<b><u>1,327,053,738</u></b>
<b>Profit before interest, tax, depreciation and amortisation, finance costs and exceptional items</b>		<b>110,340,210</b>	<b>196,973,475</b>
Depreciation and amortization expense	25	107,578,027	56,090,355
Finance costs	24	238,268,683	95,708,758
Exceptional items	27	419,646,220	42,047,329
<b>Profit / (loss) before tax but after interest, depreciation and amortisation and exceptional items</b>		<b>(655,152,719)</b>	<b>3,127,033</b>
<b>Tax Expenses</b>			
Current tax		-	650,000
Deferred tax		30,491,823	-
<b>Total Tax Expense</b>		<b><u>30,491,823</u></b>	<b><u>650,000</u></b>
<b>Profit/(Loss) for the period from continuing operations (A)</b>		<b>(685,644,543)</b>	<b>2,477,033</b>
Profit/(loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
<b>Profit/(loss) from Discontinuing operations (after tax) (B)</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) for the period (A + B)</b>		<b><u>(685,644,543)</u></b>	<b><u>2,477,033</u></b>
Earnings per equity share [nominal value of share ₹ 10]			
Basic		(56.25)	0.20
Diluted		(56.25)	0.20
Summary of significant accounting policies	2.1		

The Accompanying notes are an integral part of the financial statements

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**

Chartered Accountants

Firm Rgn. No-000038N

**C. V. Parameswar**

Partner

M.No.: 11541

Place : Mumbai

Dated : 9th August, 2012

**For and on behalf of the Board**

**Rashmi Anand**

Whole Time Director

**Sanjay Anand**

Whole Time Director

**Martin Golla**

Sr. VP-Legal & Company Secretary

## Cash Flow Statement For The Year Ended 31st March 2012

	Year ended 31st March 2012	(₹ in Lacs) Year ended 31st March 2011
<b>Profit before tax from continuing operations</b>	(6,551.53)	31.27
Non-cash adjustment to reconcile profit before tax to net cash flow		
Depreciation / amortization from continuing operation	599.17	560.90
Impairment / other write off of tangible assets pertaining to continuing operation	476.61	-
Provision for diminution in value of investments	486.98	-
Unrealized foreign exchange loss	727.02	-
Interest expense	2,382.69	957.09
Interest Income	(136.88)	(81.21)
Exceptional items (refer note 27) and other trade write offs	4,196.46	420.47
Miscellaneous expense written off	-	12.13
Profit / Loss on sale of investment	-	(21.11)
Profit / Loss on sale of asset	-	(130.05)
<b>Operating profit before working capital changes</b>	<b>2,180.53</b>	<b>1,749.50</b>
<b>Movements in Working Capital :</b>		
Increase / (decrease) in trade payables*	1,229.77	1,343.97
Increase / (decrease) in long term provisions	178.82	-
Increase / (decrease) in short term provisions	(8.77)	-
Increase / (decrease) in current liabilities	4,725.69	-
Increase / (decrease) in trade receivables*	(875.05)	(750.38)
Increase / (decrease) in inventories*	(269.07)	(1,717.18)
Increase / (decrease) in long term loans and advances	87.63	-
Increase / (decrease) in short term loans and advances	1,420.64	-
Increase / (decrease) in other current assets	295.29	-
Direct taxes paid (net of refunds)	-	(6.50)
Exceptional Items	(4196)	(420.47)
<b>Net Cash flow from / (used in) operating activities (A)</b>	<b>4,769.00</b>	<b>198.94</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of fixed assets, CWIP and capital advances	(189.00)	(252.69)
Proceeds from of Fixed assets	-	197.33
Purchase of non current Investments	-	-
Proceeds of sale / maturity Investments	-	23.03
Interest received	136.88	81.21
Depreciation adjustment	(10.00)	-
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>(62.11)</b>	<b>48.88</b>



## 27th Annual Report 2011-2012



### Cash Flow Statement For The Year Ended 31st March 2012 (Contd.)

	Year ended 31st March 2012	(₹ in Lakhs) Year ended 31st March 2011
<b>Cash flow from Financing Activities</b>		
Proceeds from issuance of share capital	-	-
Proceeds from long term borrowings (net)*	-	605.10
Repayment of long term borrowings	(674.29)	-
Proceeds from short term borrowings	-	-
Repayment of short term borrowings	(1,366.69)	-
Interest paid	(2,382.69)	(957.09)
Net cash flow from / (used in) financing activities (C)	(4,423.66)	(351.99)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	283.23	(104.17)
Cash and cash equivalents at the beginning of the year	247.73	351.90
Cash and cash equivalents at the end of the year	<u><u>530.96</u></u>	<u><u>247.73</u></u>

#### Components of cash and cash equivalents

Cash on hand	3.44	2.64
With Banks		
On current accounts	282.01	190.98
On deposit account	214.80	50.13
EEFC Account	26.76	0.03
Unpaid dividend account	3.95	3.95
Total cash and cash equivalents (note 17)	<u><u>530.96</u></u>	<u><u>247.73</u></u>

\* The Amounts of year ended 2011 are presented in line of the last years audited balance sheet on comparables are provided as far as possible for the same.

As per our report of even date.  
**Thakur Vaidyanath Aiyar & Co.**  
 Chartered Accountants  
 Firm Rgn. No-000038N

**C. V. Parameswar**  
 Partner  
 M.No.: 11541

Place : Mumbai  
 Dated : 9th August, 2012

**For and on behalf of the Board**

**Rashmi Anand**  
 Whole Time Director

**Sanjay Anand**  
 Whole Time Director

**Martin Golla**  
 Sr. VP-Legal & Company Secretary

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## Notes Forming Part of Financial Statements (Contd.)

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### 1. Corporate Information

Faze Three Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Indian Companies Act, 1956. The company's equity shares are listed for trading on the Bombay Stock Exchange. The company is engaged in manufacturing of Home furnishing items.

### 2. Basis of Accounting

The Financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The financials are prepared under the historical cost convention on an accrual basis and to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) to the extent applicable and relevant provisions of the Companies Act, 1956.

#### 2.1 Summary of Significant Accounting policies:

##### a. Presentation and disclosure of financial statements

For the year ended 31st March 2012, the revised schedule VI notified under the Companies Act, 1956, has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed in preparation of financial statements. However, it has significant impact on presentation and disclosures made in financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

##### b. Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, as of the date of the reporting period. These estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions could result in outcome different from the estimates. Difference between actual results and estimates are recognised in the period in which results are known or materialized.

##### c. Tangible and Intangible Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price, borrowing cost if capitalization criterias are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Intangible assets are considered as such only if amounts involved are significant.

##### d. Depreciation on tangible fixed assets

Depreciation on original cost has been provided under the Straight Line Method in the manner and at the rates prescribed by Schedule XIV to the Companies Act, 1956 except for Motor Vehicles, which is charged on written down value method. In the case of re-valued assets, depreciation is charged on re-valued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the re-valued amount it is adjusted against the Revaluation Reserve. Loom accessories, which are of replacement in nature, are expensed.

##### e. Borrowing costs

Borrowing costs includes interest, amortisation of ancillary costs incurred in connection with arranging the borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

##### f. Impairment of tangible fixed assets

The Company assesses at each reporting date whether there is an indication that an asset may be

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Notes Forming Part of Financial Statements (Contd.)

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impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and its written down to its recoverable amount.

After impairment depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the company will comply with the conditions attached to them and (ii) the grant/ subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the period necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the useful life of the related asset.

Where the company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.

Government grants of the nature of promoter's contribution are credited to capital reserves and treated as a part of the shareholders' funds.

h. Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investment. All other investments are classified as long term investments.

Current Investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Inventories

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

j. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of

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## Notes Forming Part of Financial Statements (Contd.)

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goods have been passed to the buyer, usually on delivery of the goods. Domestic sales are inclusive of excise duty.

### Interest

Interest income is recognized on a time proportion basis taking into account outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

### k. Foreign Currency Transaction

#### Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

#### Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. Non - monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined. The exchange differences arising on restatement of monetary items are recognized as income or as expenses in the period in which they arise in the statement of profit and loss.

### l. Retirement and other employee benefits

Retirement benefit in the form of provident fund and family pension fund is a defined contribution scheme and is charged to the statement of profit and loss. The company has no other obligation, other than the contribution payable to the provident fund and family pension fund.

### m. Income Tax

Tax expense comprise of current and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdiction where the company operates. The tax rate and tax laws are used to compute the amount due are those that are enacted or substantively enacted, at the reporting date.

Deferred income tax reflects the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rate and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Minimum Alternate Tax (MAT) paid in the year is charged to the statement of profit and loss as current tax. The company recognized MAT credit available as an asset only to the extent that there is convincing evidence that the company will be charged normal income tax during the specified period i.e. the period for which MAT credit is allowed to be carried forward to the next year in which company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for credit

### Notes Forming Part of Financial Statements (Contd.)

Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of Profit & Loss and shown as "MAT credit Entitlement." The company reviews the "MAT credit entitlement" assets at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

n. Segment reporting

The company has a single reportable segment.

o. Earnings per share

Basic earnings per share are calculated by dividing the net profit and loss for the period attributable to equity shareholder (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus elements in a right issue, share split and reserve shares split (consolidation of shares) that have changed the number of equity shares outstanding without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

p. Provisions

Provisions are recognized when there is a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and reliable estimate can be made of the amount of obligation. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimate.

q. Contingent liabilities / Assets

Claims against the company where the possibility of outflow of resources is remote in the settlement of obligation are not disclosed as contingent liabilities. Contingent liabilities are not recognised but are disclosed and contingent assets are neither recognised nor disclosed in the financial statements.

r. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

s. Current and Non-current

All Assets and liabilities are presented as current or non-current as per the company's normal operating cycle and other criteria set out in the revised schedule VI of the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets of processing and the realisation. The company has ascertained its operating cycle as 12 months for the purpose of current / non-current assets / liabilities.

t. Measurement of EBIDTA

As permitted by the Guidance note on the revised schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of the profit & loss account. The company measures EBITDA on the basis of Profit & Loss for continuing operations. In its measurement, the company does not include depreciation and amortization expenses, finance costs, exceptional items and tax expenses.

## Notes Forming Part Of Financial Statements For The Year Ended March 2012

### 3. Share Capital

Particulars	31st March 2012		31st March 2011	
	Number	₹	Number	₹
<b>Authorised</b>				
Equity Shares of ₹ 10/- each	17,000,000	170,000,000	17,000,000	170,000,000
<b>Issued, Subscribed &amp; Fully paid up</b>				
Equity Shares of ₹ 10/- each	12,188,797	121,887,974	12,188,797	121,887,974

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	31st March 2012		31st March 2011	
	Number	₹	Number	₹
<b>Equity Shares of ₹ 10/- each</b>				
Shares outstanding at the beginning of the year	12,188,797	121,887,974	12,188,797	121,887,974
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	12,188,797	121,887,974	12,188,797	121,887,974

b. Terms/rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹. 10/- per share. All the Equity Shares rank pari passu in all respect.

c. The company has not issued bonus shares and shares for consideration other than cash nor the company has bought back any shares during the period of five years immediately preceding the reporting date.

d. Details of shareholders holding more than 5% shares in the Company.

Name of Shareholder	31st March 2012		31st March 2011	
	No. of Shares held	% of Holding in the class	No. of Shares held	% of Holding in the class
<b>Equity Shares of ₹ 10/- each fully paid</b>				
Ajay Anand	2,964,209	24.32	2,964,209	24.32
Ajay Anand (HUF)	662,500	5.44	662,500	5.44
Instyle Investments Pvt. Ltd.	2,394,625	19.65	2,394,625	19.65
Whitley Willows Overseas Ltd	1,638,297	13.44	1,638,297	13.44

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## Notes Forming Part of Financial Statements (Contd.)

## 4. Reserves &amp; Surplus

Particulars	31st March 2012	31st March 2011
	₹	₹
Capital Reserves	53,331,692	53,331,692
Securities Premium Account	31,273,767	31,273,767
General Reserve	314,031,484	314,031,484
Surplus / (deficit) in statement of profit & loss Balance as per last financials	45,444,479	42,967,446
Loss for the current year	(685,644,543)	2,477,033
Net Deficit in the statement of profit and loss	<b>(640,200,064)</b>	<b>45,444,479</b>
	<b>(241,563,121)</b>	<b>444,081,422</b>

## 5. Long Term Borrowings

Particulars	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	Non Current Portion	₹	Current Maturities	₹
Secured				
Term loans				
Term loans from banks	125,929,839	199,673,839	73,744,000	67,601,423
Other Loans (Against hypothecation of vehicles)	6,314,975	-	4,888,997	1,949,577
	<b>132,244,814</b>	<b>199,673,839</b>	<b>78,632,997</b>	<b>69,551,000</b>

## Note No.5.1

The term loan is secured by pari passu charge by way of EMT of Land & Building and Hypothecation of specific Plant & Machineries and other movable fixed assets in respect of the expansion / new projects as prime security and collaterally secured by way of extension of the first charge on the existing fixed assets of the company excluding office property at Worli. The office property at Worli is exclusively charged to Canara Bank. (Comprising built up area 1983 sq.ft)

Term loans from Canara bank included above carries interest of (BPLR + 0.25 bps) to (BPLR + 1.25 bps). The same Loan was taken from FY 2002 and is repayable in quarterly installments by FY 2015. Some of the loans included above fall under Technology Ungradation Fund Scheme of Ministry of Textiles (TUFS) which are eligible for a interest subsidy of 500 bps.

Term loans from Allahabad bank included above carries interest of (Base Rate + 450 bps). The same Loan was taken from FY 2010 and is repayable in quarterly installments by 2016. Other Loans are repayable in monthly installments by 2014 There is no default in repayment of the term loans.

## 6. Deferred tax liabilities (Net)

Particulars	31st March 2012	31st March 2011
	₹	₹
Difference in WDV between Books of Accounts and Income tax records	132,859,816	102,367,993
	<b>132,859,816</b>	<b>102,367,993</b>

## Notes Forming Part of Financial Statements (Contd.)

### 7. Long Term Provisions

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Provision for employee benefits		
Gratuity	18,924,960	1,043,363
	<u>18,924,960</u>	<u>1,043,363</u>

Note no. 7.1 - Short term maturities on gratuity provision have not been segregated. The company has covered its gratuity liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC. Until previous year, the company used to provide to the extent of gratuity funded to the LIC. In the current year the company has provided gratuity as per Payment of Gratuity Act, 1972 on a full liability basis.

### 8. Short Term Borrowings

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Loans repayable on demand from banks (secured) (refer note 8.1)	539,827,044	554,007,041
Other loans and advances payable on demand (unsecured)	20,002,879	142,491,469
	<u>559,829,923</u>	<u>696,498,510</u>

#### Note No.8.1

Packing Credit Foreign Currency (PCFC) and Packing Credit Rupees (PCRS) is secured by way of hypothecation of Current Assets (raw materials, WIP, finished goods, spares & stores and goods meant for exports, book debts etc) as prime security and collaterally secured by extension of the charge on the Fixed Assets of the company excluding Office property at Worli. The office property at Worli is exclusively charged to Canara Bank. (Comprising built up area 1983 sq.ft).

PCFC and PCRS facilities are from Canara Bank carrying interest rate of (LIBOR + 350 bps) for PCFC facility and 11.25 % for PCRS facility for Allahabad Bank. However, PCRS facility is eligible for interest subvention of 2 %.

### 9. Trade Payables

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Trade Payables (including acceptances) (refer note 36 for details of dues to micro and small enterprises.	305,792,167	343,289,090
	<u>305,792,167</u>	<u>343,289,090</u>

Trade payables include some amounts due to parties covered under AS 18, refer note 28.



## Notes Forming Part of Financial Statements (Contd.)

**10. Other Current Liabilities**

Particulars	<u>31st March 2012</u>	<u>31st March 2011</u>
	₹	₹
Current maturities of Term Loan	73,744,000	67,601,423
Current maturities of Other loan	4,888,997	1,949,577
Foreign Currency Convertible Bonds (Refer note 10.1)	597,641,506	428,656,848
Invocation of Corporate Gaurantee (Refer note 10.2)	287,090,224	-
Other liabilities (Refer note 10.3)	80,114,909	-
	<u><b>1,043,479,636</b></u>	<u><b>498,207,848</b></u>

**Note No.10.1 Foreign Currency Convertible Bonds**

The current outstanding of principal value of Foreign Currency Convertible Bonds have become due for redemption on 27th Demember, 2011 and were not redeemed on that date. These Bonds have redemption premium and interest payable which has been provided in the books of accounts.

**Note no. 10.2 - Invocation of Corporate guarantee**

The Company had given Corporate Guarantee to Canara Bank London in respect of its German subsidiary namely Pana Textil GmbH to the extent of 4 Mln Euros. The said guarantee had been invoked in the last financial year and liability with respect to the same has been near crystallization as the completion of insolvency proceedings of Pana Textil GmbH is underway. Accordingly the liability has been provided in the books of accounts for the current year.

**Note no. 10.3** - Includes an amount of Rs. 35.5 Mln received as advance against property and Rs. 44.61 Mln temporary book overdraft. There are no amounts due to be transferred to investor protection fund.

**11. Short Term Provisions**

Particulars	<u>31st March 2012</u>	<u>31st March 2011</u>
	₹	₹
Provision for employee benefits		
Salary & Reimbursements	9,747,430	12,323,843
Contribution to PF and other funds	904,021	1,139,111
Others		
Professional Tax Payable	23,712	15,436
Service Tax Payable	263,126	3,823
TDS Payable	3,008,155	2,488,424
Expenses Payable	22,710,721	8,934,137
Sales Tax Payable	1,097,171	670,580
Others	509,510	13,565,506
	<u><b>38,263,846</b></u>	<u><b>39,140,860</b></u>

**Notes Forming Part of Financial Statements (Contd.)**  
**12. Tangible Fixed Assets**

Tangible assets particulars	Gross block			Accumulated depreciation and impairment				Net block		
	Balance as at 1st April, 2011	Additions	Disposals	Balance as at 31st March, 2012	Balance as at 1st April, 2012	Depreciation/ amortisation expense for the year	Eliminated on disposal of assets	Impairment Provision recognised in statement of profit and loss	Balance as at 31st March, 2012	Balance as at 31st March, 2011
(a) Land Freehold Leasehold	58,568,193 12,185,987	2,625,225 900,000	2,016,700	59,176,718 13,085,987					59,176,718 13,085,987	58,568,193 12,185,987
(b) Buildings Owned	375,775,577	9,333,782	1,267,000	383,842,359	88,550,821	12,767,899	298,971	11,278,857	271,543,753	287,224,756
(c) Plant and Equipment Owned	659,821,676	5,249,213	1,353,090	663,717,799	168,165,813	36,877,630	7,444	32,935,195	425,746,605	491,655,863
(d) Furniture and Fixtures Owned	50,190,809	2,666,867		52,857,676	26,620,413	3,598,105		1,619,869	21,019,289	23,570,396
(e) Vehicles Owned	35,750,693	2,401,241	865,244	37,286,690	25,563,880	2,930,083	727,296		9,520,023	10,186,813
(f) Office equipment Owned	7,580,494	293,933		7,874,427	2,628,907	364,752			4,880,768	4,951,587
(g) Computer Owned	18,334,611	386,164		18,720,775	16,116,706	1,199,737			1,404,332	2,217,905
(h) Electrical Installation Owned	45,943,358	556,501		46,499,859	17,019,402	2,156,693		1,826,707	25,497,057	28,923,956
(l) Fire Hydrants Owned	520,782		47,094	473,688	9,898	22,500	1,067		442,357	510,884
<b>Total</b>	<b>1,264,672,180</b>	<b>24,412,926</b>	<b>5,549,128</b>	<b>1,283,535,978</b>	<b>344,675,840</b>	<b>59,917,399</b>	<b>1,034,778</b>	<b>47,660,628</b>	<b>832,316,889</b>	<b>919,996,341</b>
<b>Previous year</b>	<b>1,215,958,022</b>	<b>62,444,992</b>	<b>13,755,833</b>	<b>1,264,647,180</b>	<b>295,544,484</b>	<b>56,090,355</b>	<b>6,984,000</b>	<b>0</b>	<b>919,996,341</b>	<b>919,996,341</b>

**Note 12.1**

The value of Intangible assets are negligible and immaterial, hence, have not been separately classified.

## Notes Forming Part of Financial Statements (Contd.)

## 13. Non-current investments

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
<b>Non Trade Investments (at cost)</b>		
<u>Preference Shares (unquoted)</u>		
4,52,000 (4,52,000) 5% Non-cumulative preference shares of ₹. 100 each fully paid up of V. R. Woodart Ltd.	45,200,000	
Less : diminution in value of investment provided on the above in accordance with AS-13. (refer note 13. 1 and note 27)	45,200,000	
	-	45,200,000
Unit trust of India - 6.75% US 64 Bonds 424 units	42,400	42,400
<u>Equity shares (unquoted)</u>		
Saraswat Co-Op Bank Ltd. (2500 equity shares of ₹. 10 each, fully paid up)	25,000	25,000
Greater Bombay Co-Operative Bank Limited (40 equity shares of ₹.25 each, fully paid up)	1,000	-
<u>Equity shares (quoted)</u>		
V. R. Woodart Ltd. (14,56,612 equity shares of ₹. 10 each, fully paid up) (Market Value as on 31st March 2012 : ₹ 81,71,593)	11,669,869	
Less: diminution in value of investment provided on the above in accordance with AS-13. (refer note 13. 1 and note 27)	3,498,276	
	8,171,593	11,669,869
	<u>8,239,993</u>	<u>56,937,269</u>

**Note No.13.1**

The diminution in value of the said investment is provided in accordance with AS - 13.

## 14. Long Term Loans and Advances

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Capital advances		
Unsecured, considered good	42,330,909	46,063,144
Security Deposits		
Unsecured, considered good	8,169,018	12,475,151
Advance Income tax (net of provision)		
Unsecured, considered good	17,409,023	18,133,322
	<u>67,908,950</u>	<u>76,671,617</u>

## 15. Inventories (valued at lower of cost and net realizable value)

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Raw Materials and components	363,069,799	272,512,462
Work-in-progress	94,922,665	108,796,947
Finished goods	209,368,632	268,685,923
Stock-in-trade	19,942,024	18,631,974
Dyes and Chemicals	13,533,266	5,302,163
	<u>700,836,386</u>	<u>673,929,469</u>

## Notes Forming Part of Financial Statements (Contd.)

### 16. Trade Receivables

Particulars	31st March 2012 ₹	31st March 2011 ₹
Unsecured, considered good		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	44,589,556	34,608,368
Others	258,338,930	341,288,834
	<b>302,928,486</b>	<b>375,897,202</b>

### 17. Cash and cash equivalents

Particulars	31st March 2012 ₹	31st March 2011 ₹
Balances with banks	28,200,958	19,097,958
Cash on hand	344,451	264,189
Bank deposits with Less than 12 months maturity (refer note 17.1)	21,480,020	5,013,088
Bank balance on EEFC account	2,675,629	2,642
Unclaimed dividend account	395,113	395,113
	<b>53,096,171</b>	<b>24,772,990</b>

#### Note No.17.1

The amounts in Bank deposits above include margin money deposit of Rs. 4,104,019 for issue of letters of credit and bank guarantee held with Canara Bank.

### 18. Short-term loans and advances

Particulars	31st March 2012 ₹	31st March 2011 ₹
Staff Advances	2,915,461	2,440,287
Advance to Suppliers	12,056,717	29,674,128
Claims Recoverable	6,339,407	5,435,226
Prepaid Expenses	2,664,967	2,544,489
Excise/ Service Tax/ Cenvat	40,774,318	53,132,390
Interest Receivable	8,098,025	25,945,680
TDS Recoverable	2,489,285	1,902,913
Others	22,661,501	118,988,244
	<b>97,999,681</b>	<b>240,063,357</b>

### 18a. Other Current Assets

Particulars	31st March 2012 ₹	31st March 2011 ₹
Export Incentive receivable	48,393,460	77,922,654
	<b>48,393,460</b>	<b>77,922,654</b>

## Notes Forming Part of Financial Statements (Contd.)

**19. Revenue from operations**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Sales		
Exports	1,601,141,741	1,187,179,527
Domestic	158,430,092	45,216,626
Other Operating revenues (Export Incentives)	114,412,930	191,857,174
	<u><b>1,873,984,763</b></u>	<u><b>1,424,253,327</b></u>

**20. Other income**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Interest Income	13,688,332	8,120,877
Insurance Claim received	8,458,386	18,694,995
Job work income	95,306,085	34,392,254
Foreign exchange fluctuation gain	-	23,700,551
Miscellaneous income	16,363,954	2,115,956
Profit on sale of Assets	483,300	12,749,253
	<u><b>134,300,057</b></u>	<u><b>99,773,886</b></u>

**21. Cost of materials consumed**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Inventory at the beginning of the year	272,512,462	208,749,836
Add: Purchases	986,735,592	759,268,752
Less: Inventory at the end of the Year	376,603,065	272,512,462
Cost of material and components consumed (Refer note 21.1)	<u><b>882,644,989</b></u>	<u><b>695,506,126</b></u>

21.1 - Cost of material includes the cost of Yarn Rs.787.86mln (PY Rs.631.99mln) and Others Rs.94.78mln (PY Rs.6.35mln)

**22. Changes in inventories of finished goods work-in-progress and Stock-in-Trade**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Inventory at the end of the year	304,291,297	377,482,870
Inventory at the beginning of the Year	377,482,870	282,895,217
Changes in inventories of finished goods work-in-progress and stock-in-trade	<u><b>(73,191,573)</b></u>	<u><b>94,587,653</b></u>

**23. Employee Benefits Expense**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Salaries and incentives	144,687,060	129,138,930
Contributions to - Provident Fund, E.S.I.C. and other Funds	8,958,489	8,809,490
Other expenses and provisions	30,671,859	11,614,793
	<u><b>184,317,408</b></u>	<u><b>149,563,213</b></u>

**Notes Forming Part of Financial Statements (Contd.)**
**24. Finance Costs**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Interest expense	105,900,531	31,819,133
Bank Charges	23,623,494	38,913,625
Redemption Premium on Foreign Currency Convertible Bond	108,744,658	24,976,000
	<u><b>238,268,683</b></u>	<u><b>95,708,758</b></u>

**25. Depreciation and amortization expense**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Depreciation on tangible assets	107,578,027	56,090,355
	<u><b>107,578,027</b></u>	<u><b>56,090,355</b></u>

**26. Other Expenses**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
Sewing, Stitching, Processing & Finishing Charges	130,672,132	189,871,165
Power & Fuel	119,968,339	106,222,048
Clearing and Forwarding expenses	65,757,579	68,622,016
Repairs & Maintenance:		
Plant & Machinery	9,459,105	9,215,975
Building	2,767,429	1,942,002
Other Manufacturing Expenses	24,943,328	54,046,358
Rent	8,050,776	7,964,635
Stores and spares consumed	31,836,738	22,211,668
Audit Fees (refer note 26.1)	633,744	456,671
Miscellaneous expenses (refer note 30)	246,132,822	66,923,187
Travelling, Vehicle & Conveyance expenses	18,034,375	15,716,469
Legal & Professional Fees	12,303,527	13,771,237
Insurance Charges	3,390,439	4,108,850
Foreign Exchange Fluctuation Loss (net)	72,702,392	-
Selling & Distribution Expenses	6,144,179	13,191,855
Excise duty	4,993,736	2,307,916
	<u><b>757,790,640</b></u>	<u><b>576,572,052</b></u>

**26.1 Details of Payments to the auditor**

Particulars	<u>31st March 2012</u> ₹	<u>31st March 2011</u> ₹
as auditor	350,000	350,000
for taxation matters	130,150	75,000
for certification	120,000	-
for reimbursement of expenses	33,594	31,671
	<u><b>633,744</b></u>	<u><b>456,671</b></u>

**Notes Forming Part of Financial Statements (Contd.)**
**27. Exceptional items**

The Company had given Corporate Guarantee to Canara Bank London in respect of its German subsidiary namely Pana Textil GmbH to the extent of 4 Mln Euros. The said guarantee had been invoked in the previous year and liability with respect to the same has been near crystallization as the completion of insolvency proceedings of Pana Textil GmbH is underway. Apart from aforesaid it also includes write offs on account of the subsidiary. Further, it includes diminution in value of investments made in an associate company in accordance with Accounting Standard - 13 (AS - 13).

**28. Related party disclosures**
**A) Related parties where control exists**

Relationship	Name / Entity
Subsidiary	Pana Textil GmbH Faze Three Netherlands B. V.
Associates	V R Woodart Limited Aunde India Limited Instyle Investments Pvt. Ltd Ajay Anand (HUF) Trimurti Films Pvt Ltd Joint Producers Pvt Ltd
Key Management personnel	Ajay Anand (Managing Director) Rashmi Anand (Whole Time Director) Sanjay Anand (Whole Time Director)

**B) Related parties with whom transactions have taken place**

Relationship	Name / Entity
Son of Ajay Anand	Vishnu Anand
Daughter of Ajay Anand	Rohina Anand
Brother of Ajay Anand	Ashok Anand
Brother of Rashmi Anand	Rajiv Rai Sachdev

**Related Party Transactions**
**a. Sale / purchase of goods and services**

	Year ended	Sale of goods	Sale of services	Purchase of goods	Sale of DEPB license	Amount owed to related parties
Purchase of Goods Aunde India Limited	March 2012	16,948,789	95,306,085	20,563	Nil	Nil
	March 2011	30,612,402	27,418,115	16,133,729	Nil	Nil
Pana Textil GmbH	March 2012	Nil	Nil	Nil	Nil	Nil
	March 2011	14,154,458	Nil	Nil	Nil	Nil

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2012**
**b. Loans and interest payments**

Relationship	Name	Loans Received	Loans Repaid / adjusted	Interest received	Interest paid	Balance at year end
KMP	Ajay Anand	-	(11,605,761)	-	(1,091,178)	-
KMP-Relative	Rohina Anand	-	(4,879,826)	-	(514,543)	-
KMP	Ajay Anand (HUF)	-	(7,315,314)	-	(820,831)	-
KMP	Rashmi Anand	-	(3,587,932)	-	(470,547)	-
KMP-Relative	Vishnu Anand	2,700,000	(3,336,414)	-	(397,999)	-
Associates	Aunde India Ltd	59,400,000	-	6,831,000	-	-
Associates	Instyle Investments Pvt Ltd	700,000	(14,223,785)	-	(1,706,346)	-
Associates	V. R. Woodart Ltd	10,046,698	3,847,565	-	-	13,894,263
Subsidiaries	Pana Textil GmbH	-	-	-	-	-
Associates	Trimurti Films Pvt Ltd	-	-	-	-	1,100,000
Associates	Joint producers Pvt Ltd	1,800,000	(1,402,901)	-	(167,615)	-

**c. Remuneration to key managerial personnel**

Particulars	<u>31st March 2012</u>	<u>31st March 2011</u>
	₹	₹
Ajay Anand	3,456,000	34,56,000
Rashmi Anand	1,440,000	1,440,000
Sanjay Anand	3,702,473	1,764,500
	<u>8,598,473</u>	<u>6,660,500</u>

**d. Other transaction**

Lease rent of Rs. 600,000 (PY Rs. 600,000) has been paid to Rohina Anand for rent of premises. Also salaries have been paid to Ashok Anand Rs. 898,100 (PY Rs. 835,100) and Rohina Anand Rs. Nil (PY Rs. 480,000).

**29. Contingent liabilities**

Particulars	<u>31st March 2012</u>	<u>31st March 2011</u>
	₹	₹
(i) Contingent Liabilities		
Claims against the company not acknowledged as debt	-	-
Guarantees and Letter of Credit	2,39,76,300	1,80,99,581
Other money for which the company is contingently liable	4,31,03,420	4,03,14,152
Corporate Guarantee*	-	25,24,40,000
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	50,25,200
Uncalled liability on shares and other investments partly paid	-	-
Other commitments (specify nature)	-	-



\*The Company had given Corporate Guarantee to Canara Bank London in respect of its German subsidiary namely Pana Textil GmbH to the extent of 4 Mln Euros. The said guarantee had been invoked in the last financial year and the liability with respect to the same has been near crystallization during insolvency proceeding of Pana Textil GmbH, which are underway. Accordingly the liability has been provided in the books of accounts for the current year.

30. Miscellaneous expenses under note 26 'Other Expenses' mainly includes R & D - lab testing expenses of ₹. 3.87 Mln (PY ₹. 3.36 Mln), Repairs-others ₹.6.73 Mln (PY ₹. 4.31Mln), Commission/ service charges ₹.2.22 Mln (PY ₹.2.70 Mln), W/Os of ₹. 151.65 Mln(PY ₹.nil), Security expenses ₹. 5.14 Mln (PY ₹. 4.75 Mln), Printing & Stationery ₹.2.41 Mln (PY ₹.2.63 Mln), Loss on Sale of Assets ₹. 0.43 Mln (PY ₹.nil), etc.

**31. Value of imports calculated on CIF basis**

Particulars	31st March 2012 ₹	31st March 2011 ₹
Raw materials	10,200,578	20,908,562
Stores and spares	2,783,654	1,645,577
Capital goods	-	1,845,457
	<b>12,984,232</b>	<b>24,399,596</b>

**32. Expenditure in Foreign currency**

Particulars	31st March 2012 ₹	31st March 2011 ₹
Travelling and conveyance	6,774,744	8,004,788
Interest	3,476,869	6,360,366
Professional fees	2,036,133	4,409,582
	<b>12,287,746</b>	<b>18,774,736</b>

**33. Imported and indigenous raw materials, components and spare parts consumed**

Particulars	% of Total consumption		Value	
	31st March 2012	31st March 2012	31st March 2011	31st March 2011
	₹	₹	₹	₹
<b>Raw materials</b>				
Imported	1.16	10,200,578	3.01	20,908,562
Indigenous	98.84	872,444,411	96.99	674,597,564
<b>Total</b>	100	882,644,989	100	695,506,126
<b>Spare parts</b>				
Imported	8.74	2,783,654	7.41	1,645,577
Indigenous	91.26	29,053,084	92.59	20,566,092
<b>Total</b>	100	31,836,738	100	22,211,669

**34. Earnings in Foreign currency**

Particulars	31st March 2012 ₹	31st March 2011 ₹
Exports at F.O.B value	1,598,621,741	1,180,542,741

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### 35. Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The management believes that it is appropriate to prepare these financial statements on 'going concern' basis, for the following reasons:

- a) The company has not made operating losses during the year. Besides, there are sufficient orders on hand pending execution. The management is fully seized of the matter and is of the view that going concern assumption holds true and that the company will be able to discharge its liabilities in the normal course of business.
- b) As the Networth of the company is eroded in the current year, it is a mandatory requirement under section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 to file a reference to BIFR for revival and rehabilitation of the company. Accordingly, the Board of directors of the company have resolved to file reference to BIFR based on this Audited balance sheet.

36. There are no outstanding dues to small and medium enterprises as defined under MSMED Act, 2006.

37. Debit / Credit balances are subject to confirmation and reconciliation.

### 38. Previous period figures

Till the year ended 31st March 2011, the company was using pre-revised schedule VI of the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March 2012, the revised schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

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As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**

Chartered Accountants

Firm Rgn. No-000038N

**C. V. Parameswar**

Partner

M.No.: 11541

Place : Mumbai

Dated : 9th August, 2012

**For and on behalf of the Board**

**Rashmi Anand**

Whole Time Director

**Sanjay Anand**

Whole Time Director

**Martin Golla**

Sr. VP-Legal & Company Secretary

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# 27th Annual Report 2011-2012



**FAZE THREE LIMITED**  
Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada –396230  
Union Territory of Dadra & Nagar Haveli  
**27th Annual General Meeting**

Folio No.  
No. of Shares:

### ATTENDANCE SLIP

I certify that I am registered shareholder/Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 27th Annual General Meeting of FAZE THREE LIMITED held on Saturday, 29th September, 2012 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 10.00 a.m

Full Name of the Member  
(as registered with the Company)

Full name of the Proxy

DP ID :		CLIENT ID :	
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Regd Folio No.

No. of Shares

Signature of the Shareholder/Member/Proxy

#### Notes:

1. Shareholders/Joint Shareholders, Proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the Auditorium.
2. Please bring your copy of the Annual Report to the Meeting venue.
3. Please avoid being accompanied by Non-members and Children.

### FAZE THREE LIMITED

Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada –396230  
Union Territory of Dadra & Nagar Haveli

### PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member of FAZE THREE LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on Saturday, 29th September, 2012 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 10.00 a.m. and at any adjournment thereof.

DP ID :		CLIENT ID :	
---------	--	-------------	--

Signed by the said  
Date :

Affix Re. 1/-  
Revenue  
Stamp

Folio No.  
No. of Shares

**Note:** The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member.

**BOOK-POST**

**To,**

***If undelivered please return to :***

**FAZE THREE LIMITED**

Corporate Office

1-2, Shiv Smriti Chambers,

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

Mumbai - 400 018.