

- BOARD OF DIRECTORS** : S. B. GARWARE *Chairman & Managing Director*
: S. S. GARWARE (Mrs.)
: DILIP J. THAKKAR
: N. P. CHAPALGAONKAR
: NIMISH G. PANDYA
: M. GARWARE MODI (Mrs.) *Vice Chairperson & Jt. Managing Director*
: SARITA GARWARE (Ms.) *Jt. Managing Director*
: SONIA GARWARE (Ms.)
: B. MORADIAN
: M. S. ADSUL *Director – Technical*
- COMPANY SECRETARY & GENERAL MANAGER** : Manoj Koul
- BANKERS** : Indian Overseas Bank
Dena Bank
The Federal Bank Limited
State Bank of Mysore
Bank of India
Punjab National Bank
- AUDITORS** : Shah & Co.
Chartered Accountants
- SOLICITORS & ADVOCATES** : Crawford Bayley & Co.
- REGISTERED OFFICE** : Naigaon, Post Waluj,
Aurangabad - 431 133.
- CORPORATE OFFICE** : Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai 400 057.
- WORKS** : L-5 & L-6, Chikalthana Industrial Area,
Dr. Abasaheb Garware Marg, Aurangabad 431 210.
- Naigaon, Post Waluj, Aurangabad 431 133.
- A-1 & A-2, MIDC, Ambad, Nasik 422 010.
- 50-A Swami Nityanand Marg, Vile Parle (East),
Mumbai 400 057.
- Plot No. 103, Masat, Silvassa 396 230.
- OFFICES** : 403, Madam Bhikaji Cama Bhawan,
11, Bhikaji Cama Place, New Delhi 110 066.
- 37/1B, Hazra Road, Kolkata 700 029.
- Old No. 40, New No. 91,
Shiyali Mudali Street, Pudupet,
Chennai 600 002.
- REGISTRARS & TRANSFER AGENTS** : Intime Spectrum Registry Limited.

NOTICE

NOTICE IS HEREBY GIVEN THAT the Fifty First Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company on Tuesday, the 23rd December, 2008 at 11.30 a.m. at Naigaon, Post Waluj, Aurangabad 431 133 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2008 and the Profit and Loss Account for the 18 months period ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. S. S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Ms. Sarita Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. B. Moradian, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business:

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment to or re-enactment thereof) (hereinafter referred to as "the Act"), and subject to the enabling provisions of Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange where the shares of the Company are listed, and in accordance with the applicable guidelines / rules / regulations / notifications / circulars and clarifications thereon issued under Securities Contract Regulation Act, Securities and Exchange Board of India Act, the SEBI (Disclosure & Investor Protection) Guidelines, 2000, and all other applicable law(s), issued from time to time, if any, and subject to all such statutory, regulatory and Government approvals, permissions or sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any or more of them while granting such approvals, permissions or sanctions, consent, authority and approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors, which the Board may have constituted or hereinafter may constitute, to which the Board have delegated or may delegate all or any of its powers, from time to time) to create, offer, issue and allot, in one or more tranches, by way of preferential issue, upto 2,00,000 (Two Lakhs) equity shares of Rs. 10/- (Rupees Ten) each (equity shares), of the Company for cash, to various schemes operating under UTI - Mutual Fund (UTI - MF) and Specified Undertaking Unit Trust of Inida (SuUTI) of UTI Asset Management Company Limited (UTI) at a price of Rs. 32.67 per equity share (i.e., at a premium of Rs. 22.67 per equity share), which is not less than the higher of the following :

- (i) The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the six months preceding the "Relevant Date"; or
- (ii) The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the "Relevant Date",

such equity shares being issued as per the One Time Settlement of dues with UTI and in accordance with the applicable laws, rules, regulations and guidelines prevailing in this regard.

RESOLVED FURTHER THAT:

- (a) The relevant date for the purpose of pricing of issue of Shares in accordance with the SEBI (DIP) Guidelines is 22nd November, 2008.
- (b) The equity shares to be offered, issued and allotted in pursuance of this resolution shall rank *pari-passu* with the existing equity shares of the Company in all respects.
- (c) The offer, issue and allotment of the equity shares shall be made at such time or times and in such manner as the Board may in its absolute discretion decide, subject to the provisions of the SEBI (DIP) Guidelines, 2000 and all other applicable law(s), issued from time to time.
- (d) The Board, be and is hereby authorized to decide and approve the other terms and conditions of the issue of the Shares and shall be entitled to vary, modify or alter any of the terms and conditions, including the issue price and the size of the issue, as it may deem expedient, without further being required to seek any consent or approval of the members of the Company, however subject to the applicable provisions, rules, regulations, notifications, guidelines etc. as prescribed by Government of India, SEBI or any other regulatory authority in that behalf.

RESOLVED FURTHER THAT for giving effect to this Resolution, the Board be and is hereby authorized to take such steps and to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental to this resolution and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the equity shares and the listing thereof with the Stock Exchange, enter into any agreements or other instruments, and to take such actions or give such directions as they may consider as being necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit."

7. To consider and if thought fit, to pass with or without modification(s), as on Ordinary Resolution, the following:-

"RESOLVED THAT Messers Shah & Co., Chartered Accountants, be paid an additional remuneration of Rs. 4,00,000 (Rupees Four Lakhs) and reimbursement of out of pocket expenses incurred by them for the extended period of the Financial Year from 1st April, 2008 to 30th September, 2008."

By Order of the Board of Directors

Mumbai, 22nd November, 2008

Registered Office:

Naigaon, Post Waluj,
AURANGABAD - 431 133.

Manoj Koul
Company Secretary &
General Manager

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to item no. 6 & 7 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, December 15, 2008 to Tuesday, December 23, 2008 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all dividends remaining unpaid / unclaimed up-to the financial year ended 31st March, 1994 have been transferred to the General Reserve Account of the Central Government. Members who have not en-cashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial years ended 31st March, 1995, 31st December, 1995 and 31st December, 1996 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection Fund (IEPF) set up by the Central Government. It may be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.
8. Members holding shares in physical form are requested to forward all applications for transfer and all other shares related correspondence, including intimation for change of address, if any, to the Registrar and Share Transfer Agents of the Company at the following address:

INTIME SPECTRUM REGISTRY LIMITED

(Unit: Garware Polyester Limited)
C-13, Pananal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel. No. 2596 3838
Fax : 2596 2691

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.6 :**

In order to implement the One Time Settlement (OTS) package sanctioned by UTI vide its letters No. UTIMF/DFM(DS)/G-76/530/2007-08 dated 30th September, 2008 and No. UTIMF/DFM(DS)/G-76/381/2008-09 dated 1st October, 2008 the Company is required to issue 2,00,000 (Two lakhs) Equity Shares to various schemes operating under UTI - Mutual Fund (UTI - MF) and Specified Undertaking Unit Trust of Inida (SuUTI) of UTI Asset Management Company Limited (UTI) as per SEBI guidelines in future.

In terms of Section 81(1A) of the Companies Act, 1956, it is required to obtain approval of the shareholders, by way of passing of a Special Resolution in a General Meeting, for making any further issue of shares.

Accordingly, the Board has subject to members approval, decided to issue equity shares on a preferential basis to UTI in terms of Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

UTI has agreed to subscribe for 2,00,000 (Two Lakhs) number of equity shares at a price to be determined as per Chapter XIII of the said SEBI Guidelines, that is to say, at a price not less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the six months preceding the "Relevant Date"; or
- (ii) The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the "Relevant Date".

The "Relevant Date" means the date thirty days prior to the date on which this Annual General Meeting ("AGM") of the Company is held to consider amongst others, the proposed preferential issue under Section 81(1A) of the Act. As the date of this AGM of the Company is 23rd December, 2008, the "Relevant Date" is 22nd November, 2008.

The equity shares are proposed to be issued at Rs. 32.67 per equity share i.e. at a price not less than the price so determined under the said Guidelines.

Information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 for the Preferential Issue is as under:

Object of the preferential offer:

To implement One Time Settlement (OTS) package sanctioned by UTI, the company is required to issue 2,00,000 (Two Lakhs) equity shares at a price determined as per SEBI guidelines to UTI in future.

Intention of Promoters/Directors/Key Management Persons to subscribe to the preferential offer:

The Promoters/Directors/Key Management Persons of the Company will not subscribe to any securities through this preferential offer.

Proposed time within which the allotment shall be completed:

The allotment of the equity shares shall be completed within 15 days of the date of passing of the above special resolution, provided that where the allotment of such equity shares on preferential basis is pending on account of pendency of any approval by any Regulatory Authority, the allotment shall be completed within 15 days of such approval.

Identity of the Proposed Allottee# and the percentage of post preferential issue capital that may be held by it:

Name of the Proposed Allottee & their Identity#	% of Post Issue Shareholding
1. SuUTI - US 64	} 0.87%
2. SuUTI - ARF	
3. UTIMF - ULIP	
4. UTIMF - HUS 92	
5. UTIMF - BALANCED FUND	

Shareholding Pattern before and after the proposed Issue.

Category	Pre Issue		Post Issue	
	Number of Equity Shares	%	Number of Equity Shares	%
A. Promoter Holding				
1. Indian	1,35,91,160	59.45	1,35,91,160	58.94
2. Foreign	Nil	-	Nil	-
Total A	1,35,91,160	59.45	1,35,91,160	58.94
B. Public Shareholding				
1. Institutions				
(a) Mutual Funds	6,751	0.03	6,751	0.03
(b) Financial Institutions, Banks, Insurance Companies, Venture Capital Funds	18,76,143	8.21	18,76,143	8.13
(c) Central Govt./State Govt.(s)	Nil	-	Nil	-
(d) Foreign Institutional Investors / Foreign Venture Capital Investors	9,011	0.04	9,011	0.04
2. Non Institutions				
(a) Bodies Corporate	5,23,073	2.29	5,23,073	2.27
(b) Individuals	60,07,983	26.28	60,07,983	26.05
(c) Any Other:				
i) Foreign Nationals	387	0.00	387	0.00
ii) Clearing Members	34,183	0.15	34,183	0.15
iii) Non Resident Indians (Rept)	8,02,495	3.51	8,02,495	3.48
iv) Trust	100	0.00	100	0.00
Total B	92,60,126	40.51	92,60,126	40.15
C. Total (A + B)	2,28,51,286	99.96	2,28,51,286	99.09
D. Investor – UTI Asset - Management Company Ltd.	9,100	0.04	2,09,100	0.91
GRAND TOTAL (C + D)	2,28,60,386	100.00	2,30,60,386	100.00

The equity shares to be issued and allotted to Investors are subject to the Memorandum and Articles of Association of the Company. The equity shares so issued and allotted through this issue, shall rank *pari-passu* in all respect with, and carry the same rights including dividend as, the existing equity shares of the Company.

The aforementioned shareholding pattern may change from time to time depending upon the transfer of shares by existing shareholders of the Company.

ANNUAL REPORT 2007-2008

Pricing of the issue

The issue of equity shares to UTI on preferential basis shall be at Rs. 32.67 per share. The issue price has been determined in accordance with the SEBI (DIP) Guidelines.

Relevant Date

The "Relevant date" for the purpose of determining the minimum price at which equity shares may be issued to UTI under the SEBI DIP Guidelines is 22nd November 2008.

Lock in period

The equity shares to be issued and allotted to UTI shall be subject to lock-in for a period of one year from the date of allotment of the equity shares or such reduced period as may be permitted under the applicable SEBI (DIP) Guidelines as amended from time to time.

Auditors Certificate

The Certificate of M/s. Shah & Co., Chartered Accountants, the Statutory Auditors of the Company, certifying that the issue of equity shares by way of preferential issue as mentioned in item no. 6, is being made in accordance with the requirements contained in Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, shall be laid before this Meeting.

As the proposal for issue of equity shares on a preferential basis will be in the interest of the Company, the Board of Directors recommend the passing of the Special Resolution contained in item no. 6 of the Notice.

None of the directors are interested or concerned in the Resolution.

Item No. 7

At the last Annual General Meeting held on December 18th, 2007 the shareholders approved the appointment of the Statutory Auditors, M/s. Shah & Co., Chartered Accountants from the conclusion of last Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 8,00,000/- (Eight Lakhs) plus service tax and reimbursement of actual out-of-pocket expenses. In view of extension of the Financial Year by 6 months from April 1st, 2008 to September 30th, 2008 the members are requested to approve an additional payment of Rs. 4,00,000 (Rupees Four Lakhs) fixed on prorata basis and reimbursement of out of pocket expenses incurred by them during the extended period.

None of the Directors are interested or concerned in the Resolution.

By Order of the Board of Directors

Manoj Koul
Company Secretary &
General Manager

Mumbai, 22nd November, 2008

Registered Office:

Naigaon, Post Waluj,
Aurangabad - 431 133.

Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting.

Name of the Directors	Mrs. S. S. Garware	Ms. Sarita Garware	Mr. B. Moradian
Date of Birth & Age	09.12.1935 (73 years)	25.10.1967 (41 years)	13.11.1950 (58 years)
Appointed on	04.04.1996	24.12.1993	29.10.2001
Qualification	B.A.(Hons.) B.Ed.	M.B.A from European University in Switzerland	B.E. (Mech.) from VJTI, MMS from JBIMS.
Expertise in specific functional areas	<ul style="list-style-type: none"> Marketing & Exports Associated with Charitable & Welfare Organisations 	<ul style="list-style-type: none"> Specialisation in Marketing (Total Managerial Experience 16 years) 	<ul style="list-style-type: none"> Marketing Productivity H.R.D. (Total Managerial-Experience - 33 years)
Directorship held in other Companies	<ul style="list-style-type: none"> Garware Industries Limited Lucky Trading & Exports Limited 	<ul style="list-style-type: none"> Garware Industries Limited 	<ul style="list-style-type: none"> Essel Propack Limited
Chairmanships/ Memberships of Committees across public companies	Nil	Garware Polyester Limited. Member- Share & Debenture Transaction cum Investor Grievances Committee.	Garware Polyester Limited. a) Chairman - Share & Debenture Transaction cum Investor Grievances Committee. b) Member - Audit Committee. c) Member - Remuneration Committee.

DIRECTORS' REPORT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH SEPTEMBER, 2008

TO THE MEMBERS

Your Directors present the Fifty-first Annual Report together with the Audited Statement of Accounts of the Company for the eighteen months period ended 30th September 2008.

Financial Results

(Rs. in Crores)

	April 2007 - September 2008 (18 months)		April 2006 - March 2007 (12 months)	
Operating Profit before Interest & Depreciation		149.99		82.56
Less : Interest & Financial Charges	78.25		46.30	
Depreciation	49.10	127.35	<u>31.14</u>	<u>77.44</u>
Profit for the period before Tax		22.64		5.12
Less : Income Tax	6.98		2.95	
Wealth Tax	0.09	7.07	<u>0.04</u>	<u>2.99</u>
Profit After Tax		15.57		2.13
Less : Extra ordinary item		6.16		<u>0.00</u>
Net Profit		9.41		2.13
Add : Balance brought forward from previous year		58.46		<u>56.33</u>
Balance available for Appropriation		67.87		<u>58.46</u>

Your Directors have not recommended any dividend for the 18 month period under review with a view to conserve resources to combat the impending liquidity crunch and to plough back profits to strengthen the net working capital.

Operations

Gross sales increased by 11% (on annualized basis) from Rs. 909 crores to Rs.1507 crores. Local sales increased by 5%, and exports by 13% (on annualized basis). In local market there was pressure on prices and margins due to excess supply situation rise in crude oil prices leading to increase in raw material cost. Your Company was in a position to increase the sales and mitigate the pressure on margin to some extent.

Future outlook

Growth of Polyester film in international market is expected at 3-4% p.a. In local market too, growth is estimated at the rate of 10% p.a. The growth in domestic market is expected to be higher due to boom in retail outlets. There is likely to be significant capacity addition in coming two years as some of the players are expected to commission new lines in Dubai, Mexico and China. The market scenario is, therefore, expected to be more challenging. Your Company has successfully faced the competition and been able to tap additional business in speciality film in China, USA, Australia, New Zealand, Brazil, Mexico, Nigeria and Yemen.

The beginning of the recent slow down poses a challenge to the industry. Your Company expects to face the challenge by stepping up marketing efforts and initiating measures for mitigating risk factors such as Credit Risk, Market Risk, Country Risk while reviewing the sales policy on a continuous basis.

As regards Sun Control Film the growth of international and domestic market for Window films is expected to be 5% and 15% respectively. The glass industry continues to develop products with solar control and UV rejection properties and poses a threat to the Window film business. Nonetheless, Company's focus continues on Sun Control film exports. The Company can penetrate into untapped markets in Eastern Europe such as Czechoslovakia, Croatia, Poland, Hungary, Romania, and Bulgaria. Exports of branded premium films continue to penetrate into

lucrative markets such as USA, EU, UK and Russia. New products such as Nano, Ceramic and IR films launched in the market have revealed wide acceptance worldwide. The local market continues to show robust growth due to car kits. As stated earlier, your Company has set in process the necessary steps to combat the slow down.

Financial Restructuring

In order to improve the debt profile and have a healthier balance sheet, your Company has undertaken financial re-structuring of its liabilities. Towards this your Company was successful in obtaining sanction for settlement proposals from Industrial Development Bank of India Limited (IDBI) and UTI Asset Management Company Limited (UTI). With this restructuring and other waivers obtained by the company, the balance sheet ratios have substantially improved, strengthening the financial health of the Company.

During the period under review, pursuant to One Time Settlement (OTS) package sanctioned by IDBI and UTI and in terms of Section 81(1A) of the Companies Act, 1956;

- a) Company has allotted 10,19,022 equity shares of Rs. 10/- each at a premium of Rs. 48.88 per equity share, aggregating upto Rs. 6 Crores and 54,46,000 - 0.01% Cumulative Redeemable Preference Shares of Rs. 100/- each, aggregating upto Rs. 54.46 Crores to IDBI.
- b) Company is under process to issue 2,00,000 equity shares to UTI, subsequent to approval of members at the Annual General Meeting.

Research & Development

Company's R & D Center is accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, and is engaged in research on new applications as well as development of new products, improvement of manufacturing

processes and de-bottlenecking activities. Your Company's thrust on R & D activities has paid rich dividends.

Information Technology

Company believes that IT is a strategic tool for excellence in customer service & sustainable business growth. With this end in view, the Company has implemented ERP (Kamat Soft) project for better business integration, hosted own centralized e-mail server, launched informative web site, installed CCTV for better security control, installed high speed connectivity for all plant locations for voice and data.

Human Resource Development

The company's HR policies and process are aligned to effectively drive its business and other emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating appropriate work environment, and maintaining a structured recognition system. The company helps employees to build new skills and competencies and promote knowledge sharing and team building.

Quality Initiatives

Your company is committed to quality and reliability. The quality system of the company provides an opportunity to compare performance with similar organization world-over, to learn and share best practices and strengthen relationship with customers.

Corporate Social Responsibility

Corporate social responsibility in your company is aligned with 'Garware' tradition of creating wealth in the community with focus on health, education and safety.

Subsidiaries

Pursuant to Section 212 of the Companies Act, 1956 the accounts of Garware Polyester International Limited and Global Pet Films Inc., subsidiaries of the Company, are annexed.

Safety, Health & Environmental Protection

Your Company has sustained various activities, for continuous improvement in Safety, Health and Environment (SHE) at the work premises and surroundings, so as to maintain our commitment to be Responsible Corporate Citizen. These initiatives include-Periodic SHE inspections, audits and trainings, Energy conservation schemes, Substitution of fossil fuel by biomass fuel in boiler, and Field SHE promotional activities for enhancing employee participation. The Security system has been regularly upgraded.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of your Company confirm:

- i) that in the preparation of the 18 month period accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year for 18 months period and of the profit of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv) that the Directors have prepared the accounts for the 18 month period on a going concern basis.

Directors

Mrs. S. S. Garware, Ms. Sarita Garware, and Mr. B. Moradian retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Gautam Doshi resigned from the directorship of the Company w.e.f. 04.08.2008. IDBI has withdrawn the nomination of Mr. S. N. Baheti from directorship of the Company w.e.f. 30.09.2008. The board places on record its sincere appreciation of the valuable guidance given by Mr. Gautam Doshi and Mr. S. N. Baheti during their tenure as Director of your Company.

Audit Committee

The Audit Committee comprises of two independent Directors viz. Mr. B. Moradian, Mr. Nimish G. Pandya and one wholetime Director Mr. M. S. Adsul.

Corporate Governance

A Report on Management Discussion and Analysis, Corporate Governance as well as Auditor's Certificate regarding compliance of Clause 49 of the listing agreement form part of this Report.

Extension of Financial Year

Registrar of Companies has granted permission for extension of financial year by six months. The current financial year under review therefore comprises of 18 months w.e.f 01.04.2007 to 30.09.2008.

Auditors

The retiring Auditors, Messers Shah & Co., are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to appoint them as Auditors and fix their remuneration.

Other Statutory Information

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary at the Corporate Office of the Company.

Information as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report is annexed.

Industrial Relations

The relations between the Employees and the Management remained cordial during the period under review. Your Directors wish to place on record their appreciation of the contribution made by the Employees at all levels.

Acknowledgements

Your Directors wish to place on record their appreciation of the whole-hearted co-operation received by the Company from the various departments of the Central & State Governments, Company's Bankers and Financial & Investment Institutions during the period under review.

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman & Managing Director

Mumbai, 6th November 2008

ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY

Your Company always focuses on energy conservation and also strives to improve efficiency. Studies are conducted on regular basis to analyze quantitative energy consumption pattern and to find ways and means to improve efficiency. Following successful energy conservation efforts were made during the period under review-

1. Provision of VFD to CT fan in Central Utility Waluj to reduce power consumption in Central Utility Waluj.
2. Conversion of Single Effect VAHP machine to Double Effect machine to reduce F.O. consumption in Central Utility Waluj.
3. Commissioning of 40 TR, 100TR vapor compression machines to reduce F.O. consumption for VAHP machine in Central Utility Waluj.
4. Conversion of Boiler from F.O. firing to Briquette firing to reduce F.O. consumption in Waluj.
5. Optimization of Ejector Cooling Tower to reduce power consumption in Polyplant Waluj.
6. Palletizing return water pump replaced by high efficiency pump in Film Plant Chikalthana to reduce power consumption.
7. Optimization of compressor operation in Chikalthana Film Plant to reduce power consumption.
8. Provision of H.P. ejector in Polyplant Waluj to reduce F.O. consumption

(B) TECHNOLOGY ABSORPTION

I. Research and Development (R & D) –

1. Specific areas in which R & D carried out by the Company.

- a. Development of in-line coated base film for extrusion coated thermal lamination film
- b. Development of in-line coated release film
- c. Development of in-line coated film with high barrier properties
- d. Establishment of heavy metal free polyester film.

2. Benefit derived as a result of the above R & D

- a. Cost of final product reduced for the customer by eliminating one of the processes.
- b. Value added products developed
- c. Company is ready for the new FDA regulation in packaging industry

3. Expenditure on R & D / Product Development

	(Rs. in Lakhs)
a. Capital (Excl. CWIP)	2.19
b. Recurring	210.67
Total	212.86
Total R & D expenditure as a percentage to total turnover.	0.25%

II. Technology absorption, adaptation and innovation

1. Efforts made towards technology absorption, adaptation and innovation:

- (a) Developed technique to disperse nano particles
- (b) Developed non-fading nano particle based Solar Control film

2. Benefits derived as a result of above efforts:

Above efforts have resulted in improvement of product output, quality and reduction in wastage.

3. Technology imported during the last five years:-

No Technology has been imported during the last 5 years

(C) FOREIGN EXCHANGE EARNING AND OUTGO

I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.

1. The export marketing activities are being consolidated to maintain the share of exports in total production. Newer markets are being explored.
2. Constant endeavor is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. The Company has established warehousing and marketing outfits in USA and UK.

II. Total Foreign Exchange used and earned (Rs. in Crores)

Used	: 63.13
Earned (FOB)	: 419.72

For and on behalf of the Board of Directors

Mumbai, 6th November, 2008

S. B. GARWARE
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

Your Company in terms of the listing agreement with Stock Exchange, Mumbai, has already implemented the Code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI). The Board of Directors have supported the broad principles of Corporate Governance and accordingly have implemented the same from the financial year 2001-2002.

Company's philosophy on Code of Governance

The philosophy of the Company is to enhance the long-term economic value of the Company, its shareholders at large by adopting better corporate practices in fair and transparent manner. Given below is the report on corporate governance:

The Report on Corporate Governance is divided into six parts: -

- (1) Board of Directors – Composition
- (2) Committees of the Board
- (3) Remuneration of Directors
- (4) Disclosures (5) Means of Communication
- (6) Shareholder information

1. COMPOSITION OF THE BOARD OF DIRECTORS (as on 30th September, 2008)

Category	Name of the Director	No. of Shares held as on 30th September 2008	No. of Directorship in Public Limited Companies*	No. of Chairmanship of Committees (Both Listed/Unlisted Public Companies)#	Committee membership #
Non - Independent Executive	1. Shri S.B. Garware	14,48,890	4	-	-
	2. Mrs. M. Garware Modi	5,04,430	6	-	-
	3. Ms. Sarita Garware	4,59,345	2	-	1
	4. Mr. M.S. Adsul	25	2	-	-
Independent Non-Executive	1. Mr. S.N. Baheti +	-	3	-	1
	2. Mr. Nimish Pandya **	-	2	1	1
	3. Mr. B Moradian ***	-	2	1	1
	4. Mr. N.P. Chapalgaonkar	-	1	-	-
	5. Mr. Dilip J. Thakkar	-	12	5	9
Non-Independent Non-Executive	1. Mrs. S.S. Garware	1,06,528	3	-	-
	2. Ms. Sonia Garware	4,12,514	2	-	-

+ IDBI has withdrawn the nomination Mr. S. N. Baheti w.e.f 30.09.2008.

** Chairman of Audit Committee

*** Chairman of Share & Debenture Transactions cum Investors' Grievances Committee

* This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director but includes directorship in Garware Polyester Limited.

Committee of Directors include Audit Committee and Shareholders/ Investor Grievance Committee of Directors only. This includes membership/ chairmanship in Committee of Directors of Garware Polyester Limited.

BOARD MEETINGS

The Company places before the Board all the relevant and necessary data/information at its meetings such as production, sales, exports, review of business, any legal proceedings by/against the Company, share transfers, quarterly financial results, minutes of: (a) previous Board Meetings, (b) Audit Committee Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meetings and such other relevant information.

During the period under review, six Board Meetings were held as per details given below:

Board Meetings

Sr. No.	Date	Board Strength	No. of Directors Present.
1	30.04.2007	11	4
2	31.07.2007	12	6
3	31.10.2007	12	7
4	30.01.2008	12	6
5	29.04.2008	12	8
6	29.07.2008	12	6

The last Annual General Meeting (AGM) was held on 18th December, 2007.

The attendance of Directors at the Board Meetings, and at the aforesaid Annual General Meeting was as under:

Name of Directors	Number of Board Meetings attended	Whether present at the previous AGM
Shri S. B. Garware	5	YES
Mrs. S. S. Garware	2	NO
Mrs. M. Garware Modi	0	NO
Ms. Sarita Garware	6	NO
Ms. Sonia Garware	3	YES
Mr. S. N. Baheti # \$	4	NO
Mr. A.B. Bhalerao*	2	NO
Mr. M.S. Adsul	3	YES
Mr. Dilip J. Thakkar	1	NO
Mr. B. Moradian	4	NO
Mr. N. P. Chapalgaonkar	6	YES
Mr. Gautam Doshi*	0	NO
Dr. A. M. Naik*	2	NO
Mr. Nimish Pandya	3	NO

Attended by IDBI's representative.

* Mr. A. B. Bhalerao, Dr. A. M. Naik, and Mr. Gautam Doshi ceased from the directorship of the company w.e.f. July 31 2007, October 31, 2007 and August 04, 2008 respectively.

\$ IDBI has withdrawn the nomination of Mr. S. N. Baheti w.e.f September 30, 2008.

2. COMMITTEE OF THE BOARD

The Board has constituted Committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the various Committees of the Board:

(a) Audit Committee

The Board of the Company has constituted an Audit Committee comprising of the following Directors:

Mr. Nimish Pandya	–	Chairman
Mr. B. Moradian	–	Member
Mr. S. N. Baheti*	–	Member
Dr. A. M. Naik *	–	Chairman
Mr. M. S. Adsul #	–	Member

The Company Secretary, Mr. Manoj Koul acts as the Secretary to the Committee.

* Dr. A. M. Naik and Mr. S. N. Baheti ceased to be a Chairman and Member of the Committee w.e.f October 31, 2007 and September 30, 2008 respectively.

Mr. M. S. Adsul was appointed as a member of the Audit Committee w.e.f July 29, 2008.

Brief description of terms of reference are:

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.
- Reviewing the adequacy of the Audit and Compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter which may be referred to it by the Board.

The Minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

Meetings and attendance during the period.

During the period under review, Six Audit Committee meetings were held as per details given below.

Sr. No.	Date	Strength	No. of Members Present.
1	30.04.2007	3	2
2	28.07.2007	3	2
3	31.10.2007	3	2
4	30.01.2008	3	2
5	29.04.2008	3	2
6	29.07.2008	3	2

The attendance of Members at the Committee Meetings was as under:

Name of Members	Audit Committee Meetings Attended
Mr. B. Moradian	4
Mr. S.N. Baheti	2
Dr. A.M. Naik	3
Mr. Nimish Pandya	3
Mr. M.S.Adsul	Nil

(b) Share & Debenture Transactions cum Investors' Grievances Committee

The Board of the Company has constituted a Share & Debenture Transactions cum Investors' Grievances Committee comprising of the following Directors:

Mr. B. Moradian	-	Chairman
Ms Sarita Garware	-	Member
Dr. A.M. Naik*	-	Member
Mr. Nimish Pandya	-	Member

The Company Secretary, Mr. Manoj Koul, acts as the Compliance Officer.

* Dr. A. M. Naik ceased to be a member of the Committee w.e.f. October 31, 2007.

The terms of reference of the above Committee are as follows:

- To consider and approve transfer of shares and debentures, issuance of duplicate share/debenture certificates etc.
- Redressal of shareholder's/investor's complaints relating to transfer of shares/debentures, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, interest on debentures, etc.

Details of complaints received and redressed during the period from 1st April, 2007 to 30th September, 2008.

As per information received from Registrar M/s. Intime Spectrum Registry Limited, during the period, the Company received 176 complaints from shareholders, which were resolved. The details are as under:

Nature of Complaint	No. of Complaints	No. of Complaints Resolved	No. of Pending Complaints as on 30.09.2008
Transfer of Shares/Debentures	31	31	Nil
Dividend	63	63	Nil
Others	82	82	Nil
Total	176	176	Nil

Share Transfer Details:

During the period, the Committee met 32 times. As on 30th September, 2008, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Members at the aforesaid Committee Meeting was as under:

Name of Members	Meetings Attended
Mr. B. Moradian	27
Ms. Sarita Garware	22
Dr. A.M. Naik	10
Mr. Nimish Pandya	16

Investor's Grievances:

The Registrars and Transfer Agents, viz. Intime Spectrum Registry Limited under supervision of the Secretarial Department of the Company redresses the Investors' Grievances.

(c) Remuneration Committee

The Board of the Company has constituted a Remuneration Committee comprising of the following Directors:-

Mr. Nimish Pandya	-	Chairman
Mr. B. Moradian	-	Member
Mr. S. N. Baheti	-	Member
Dr. A. M. Naik *	-	Chairman

* Dr. A. M. Naik ceased to be a Chairman of the Committee w.e.f October 31, 2007.

The terms of reference of the above committee are to review the remuneration payable to Managing / Whole-time Directors. The Committee met once on 28.07.2007.

3. REMUNERATION TO DIRECTORS:

The Managing Director, Joint Managing Directors and Director Technical are paid remuneration as per the Agreements entered into between them and the Company as approved by the Central Government wherever necessary. Non-Executive Directors are paid sitting fees of Rs. 5,000/- for every Board Meeting with effect from January, 2005 and Rs. 1000/- for every Committee Meeting attended by them.

The details of remuneration paid to the Directors of the Company for the 18 months period ended 30th September, 2008, are given below:

(Rs. in Lakhs)

(a) Salary and Perquisites	628.34
(b) Commission	-
(c) Sitting Fees to Non-Executive Directors	2.00
Total	630.34

Service contract in respect of Managing Director, Joint Managing Directors and Director-Technical is for five years.

Performance-linked Bonus	:	Nil
Stock option details, if any	:	Nil

During the period M/s. Pandya and Co. Advocates High Court & Notary was paid Rs.4,59,000 towards professional services rendered in legal matters of the Company. Mr. Nimish Pandya is a partner of M/s. Pandya and Co.

4. DISCLOSURES:

- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the Company at large are separately disclosed in this Report.

- b. Your company recognizes the "Risk Management" as an integrated, forward-looking process oriented approach for managing "Enterprise Wide Risks".

The Company manages its risk under following broad category:

1. Strategic and Business Risk
2. Operation and implementation Risks
3. Financial Risks
4. Risk related to Human Resources

The management of the company headed by Executive Committee under over all supervision of Board of Directors regularly reviews the plans of the company, taking into account the changes in the global industry scenario and advises the operational management on various strategic issues.

To facilitate ownership and accountability in all functional areas, the company has adopted Standard Operating Procedures devised by M/s. Pricewaterhouse Coopers Pvt. Ltd. from the risk perspective and to strengthen internal controls and standardize the procedures to mitigate associated risks.

- c. No penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years.

5. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the unaudited financial results in the Proforma prescribed by the Stock Exchange, and discloses the said financial results to the Stock Exchange, Mumbai where the shares of the Company are listed. Further, the quarterly/half yearly/yearly results in the prescribed Proforma are published in the leading newspapers.

The Company's website is: www.garwarepoly.com

Report on Management Discussion and Analysis forms part of this Annual Report.

6. GENERAL SHAREHOLDER INFORMATION

- (a) **Registered Office:**
Naigaon, Post Waluj,
Aurangabad – 431 133
- (b) **Registrars and Share Transfer Agents :**
Intime Spectrum Registry Limited, C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
Tel. No.: 25963838 Fax No.: 25962691 e-mail : jsrl@vsnl.com
Contact Person: Mr. Mahadevan Iyer / Mr. Sudhir Raval

- (c) **Address for Correspondence:**
Garware Polyester Limited,
Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai-400 057.
Tel No: 6698 8000 – 15
Fax No: 2824 8155 / 66
e-mail: manojkoul@garwarepoly.com

- (d) **PLANTS LOCATIONS :** Waluj, Chikalthana,
Nasik, and Silvassa.

(e) LISTING ON STOCK EXCHANGE

Shares of the Company are listed on the Stock Exchange, Mumbai, under Stock Code No. 500655, ISIN No. for dematerialised shares is INE 291A01017.

The Company has paid Annual Listing Fees for the year 2007-08 to the above Stock Exchange. The Company has also paid custodial charges to National Securities Depository Limited and Central Depository Securities Limited for 2007-2008.

(f) Share price Data on The Stock Exchange, Mumbai

Month	Share Price Data		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April 2007	43.35	39.00	14,383.72	12,425.52
May 2007	44.70	40.95	14,576.37	13,554.34
June 2007	43.65	37.95	14,683.36	13,946.99
July 2007	55.30	40.60	15,868.85	14,638.88
August 2007	62.65	52.55	15,542.40	13,779.88
September 2007	67.35	57.35	17,361.47	15,323.05
October 2007	74.75	55.05	20,238.16	17,144.58
November 2007	79.45	65.30	20,204.21	18,182.83
December 2007	94.50	71.70	20,498.11	18,886.40
January 2008	90.75	57.20	21,206.77	15,332.42
February 2008	59.10	47.25	18,895.34	16,457.74
March 2008	48.60	35.20	17,227.56	14,677.24
April 2008	48.35	42.00	17,480.74	15,297.96
May 2008	46.45	41.85	17,735.70	16,196.02
June 2008	41.50	35.05	16,632.72	13,405.54
July 2008	38.80	30.20	15,130.09	12,514.02
August 2008	39.50	35.45	15,579.78	14,002.43
September 2008	38.20	32.40	15,107.01	12,153.55

(g) Share Transfer System

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents if the same are valid and complete in all respects and thereafter the same are duly approved by Share & Debenture Transactions cum Investors' Grievances Committee. Since the Company's shares are compulsorily traded in demat segment on the Stock Exchange, Mumbai, bulk of the transfers takes place in electronic form.

(h) Dematerialisation of Shares and Liquidity

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), for which purpose the Company has entered into Agreements with the respective Institutions.

The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchanges by all investors. Nearly 82% of the equity shares of the Company have been dematerialised by investors and bulk of transfers take place in the demat form.

(i) Distribution of Shareholdings as on 30th September, 2008

No. of Shares held	No. of share-holders	% of Share-holders	No. of Shares	% share-holding
1 to 500	32356	96.44	28,75,083	12.58
501 to 1000	599	1.78	4,75,896	2.08
1001 to 2000	277	0.83	4,17,378	1.83
2001 to 3000	80	0.24	2,03,698	0.90
3001 to 4000	40	0.12	1,44,970	0.63
4001 to 5000	44	0.13	2,13,105	0.93
5001 to 10000	62	0.18	4,58,410	2.00
10001 and above	94	0.28	1,80,71,846	79.05
Total	33552	100.00	2,28,60,386	100.00

(j) Categories of shareholding as on 30th September, 2008.

Sr. No.	Category	No. of shares held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	1,32,54,596	57.98
2.	Other Garware family Members and their Associates	3,36,564	1.47
3.	Mutual Funds and UTI	15,851	0.07
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-Govt. Institutions)	18,76,143	8.21
5.	Private Corporate Bodies	5,23,073	2.29
6.	Foreign Institutional Investors	9,011	0.04
7.	NRIs	8,02,495	3.51
8.	Indian Public	60,42,653	26.43
	Grand Total	2,28,60,386	100.00

(k) Outstanding GDRs/ADRs/

Warrants or any convertible instruments and conversion date and likely impact on equity : Not Applicable

(l) Reappointment / Appointment of Directors

Mrs. S. S. Garware, Ms. Sarita Garware and Mr. B. Moradian, Directors are retiring by rotation and being eligible, offers themselves for re-appointment. Brief resumes of these Directors are given in the Notice of the 51st Annual General Meeting.

(m) Code of Conduct

The Company has always encouraged and supported ethical business practice in personal and corporate behaviour by its directors and employees. The Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company. In addition to that a special Code of Conduct for dealing in equity shares and other listed securities of the Company is also in place.

(n) Information on General Body Meetings

Details of the last 3 Annual General Meetings (AGM) held by the Company are as under:

	Date	Venue	Time
48 th AGM	29 th Sep., 2005	Registered Office: Naigaon, post Waluj, Aurangabad-431133	11.30 a.m.
49 th AGM	29 th Sep., 2006	As above	11.30 a.m.
50 th AGM	18 th Dec., 2007	As above	11.30 a.m.

None of the Special Resolutions passed during the last three AGMs were required to be passed through postal ballot. No special resolution for this year is required to be passed through postal ballot.

(o) Financial Calendar

Financial Year	1 st October 2008 to 30 th September 2009
Unaudited Financial Results for the Quarter ending 31 st December 2008 / 31 st March 2009 / 30 th June 2009 and 30 th September 2009	In the month immediately following the respective quarter.
Annual General Meeting for year ending 30 th September 2009	Before the end of December 2009.
Date of Book Closure for the current financial year	15 th December 2008 to 23 rd December 2008 (both days inclusive)
Email address for Investor Complaints	manojkoul@garwarepoly.com

AUDITORS' REPORT ON CORPORATE GOVERNANCE

THE MEMBERS, GARWARE POLYESTER LIMITED

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the period ended 30th September 2008, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

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

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

For Shah & Co.
Chartered Accountants

(INDULAL H. SHAH)
Partner
Membership No. : 798

Mumbai, 6th November, 2008

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Garware Polyester Limited (GPL) is a pioneer producer of polyester films and metallised film. It is the only Company, which manufactures quality Sun Control Film in India.

1. Industry Structure and Developments

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging, etc. There is likely to be significant capacity addition during the years 2008-09 and 2009-10 by other players in India, Dubai and Mexico.

The restrictive trade practices continue to hamper the export in EU and USA. The Company has, therefore developed alternative markets viz. Australia, New Zealand, Brazil, China, Far East, Middle East, Eastern Europe, Nigeria, Yemen and Mexico.

2. Opportunities and threats

The volatile crude oil prices have resulted in increased input cost, whereas excess capacity creation of polyester film by the competitors has resulted in excess supply in the domestic market. These factors have built tremendous pressure on the margins. The Company is constantly endeavoring to explore newer opportunities by introducing value added products. The Company has developed new products such as Nano technology based films, Ceramic films and IR (Infrared) films. These products have been well received by our customers both in domestic and international markets. With increased focus on R & D, the Company hopes to maintain its growth.

3. Outlook

Exports:

Plain Film:

The Company expects to continue the growth in business for specialty film in China. There is also likely to be continued growth in

our specialty film business in countries like Australia, New Zealand, Brazil, Mexico, Nigeria and Yemen. The impact of the slow down started recently will be tackled by stepping up the marketing efforts.

The Company's wholly owned subsidiary in UK, viz. Garware Polyester International Limited (GPIL) is handling European markets and Global Pet Films (GPF), a wholly owned subsidiary of GPIL, is handling American markets. We expect these subsidiaries to grow their business, given the response to the Company's popular brands, such as 'Garfilm' and 'Global Window Film'.

Sun Control Film:

Exports of Sun Control films continue to grow rapidly contributing substantially to Company's profitability. During the period, the focus was on penetration into untapped markets in Eastern Europe such as Czechoslovakia, Croatia, Poland, Hungary, and Bulgaria. Sun Control films are now exported worldwide. Growing demand and production of automobiles coupled with high growth in the building industry offer good prospects in future for Sun Control films especially in emerging economies viz. India, Brazil, Russia, China, Middle East etc. To combat the recent slow down, the Company proposes to step up marketing efforts.

Local:

The strategy of providing value added products viz. car kits and OEM tie-ups has ensured robust growth for Sun Control films in the domestic market. Increased usage of Window films, Safety and Security films in offices, commercial buildings and malls continues to add to the growth of Company's business in the premium segment of Window films.

4. Review of Operations

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the applicable accounting standards.

(Rs. in Lakhs)

	2007-08 (18 Months)	2006-07 (12 Months)	% Change on annualised basis
Gross Sales	150,702.50	90,925.47	10.50
Net Sales	86,202.30	52,372.02	9.73
Other Income	204.25	335.64	(59.43)
Profit Before Interest, Depreciation & Tax	14,999.24	8,256.47	21.11
Interest & Financial Charges	7,824.96	4,630.06	12.67
Depreciation	4,910.29	3,114.45	5.11
Profit Before Tax	2,263.99	511.96	194.81
Provision For Tax	707.47	299.41	57.53
Profit After Tax	1,556.52	212.55	388.21
Extra Ordinary Item	616.00	0.00	—
Net Profit	940.52	212.55	195.00
Earning per share before Extra Ordinary Item (Rs.)	6.93	0.97	376.29
Earning per share after Extra Ordinary Item (Rs.)	4.19	0.97	187.97
Market Capitalization	8,069.72	9,189.75	(12.19)

5. Internal Control Systems and their Adequacy

The Company has sound systems of internal control and checks, which are supplemented by a regular internal audit commensurate with the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems, which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary. The Company is utilizing the services of a

renowned consulting group for suggestions on improving internal control systems.

6. Material Developments in HR / Industrial Relations

Your Company has a well-qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing Units of the Company continued to remain cordial throughout the 18-month period. There was no industrial unrest during the period under review.

7. Risks and Concerns

Due to extreme volatility of crude oil prices, the raw material prices during the period under review have been exhibiting an increasing trend. The large volatility of Rupee has added further uncertainty. Though the Company has been in a position to pass on the increases partially, there has always been a time lag for export markets. In view of competition, it has sometimes not been possible to fully pass on the increase to the consumers. There will, therefore, be pressures on the profitability.

The Company will continue to focus on cost control and cost effective measures and give dedicated and specified thrust to exports.

Some of the Company's products are commodity grade and are to a large extent fungible with competitors' products. Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand. Significant addition in capacities by competitors has heated the competition.

Taxes and other levies imposed by the Central or State governments in India that affect the industry include customs duties, excise duties, sales tax, VAT, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the

taxes levied by the central or state governments may adversely affect the Company's competitive position and profitability.

The Company is a large exporter of films to many countries, and for the 18 month period ended September 30, 2008, nearly 95.03% of revenue from exports was denominated in U.S. Dollars and 4.97% was denominated in Euros and other currencies. The extreme volatile foreign exchange market is a concern particularly, with hedging of exports. To handle this situation and to not only protect the margins but to maximize the earnings, your Company is exploring the various options available in the forex market.

The Company is subject to risks arising from interest rate fluctuations, which could adversely affect its business operational results. The Company has endeavored to monitor and mitigate these risks.

8. Cautionary Statement

The statements in report of the Board of Directors and the Management Discussion & Analysis Report describing the Company's outlook, estimates or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company takes no responsibility for keeping the members updated on changes in these factors except as may be statutorily required from time to time.

**CHIEF EXECUTIVE OFFICER (CEO) AND
CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

[Pursuant to Clause 49(V) of the Listing Agreement]

To,
The Board of Directors,
GARWARE POLYESTER LIMITED

We, the undersigned, in our respective capacities as **a) Chairman and Managing Director and b) President - Finance** of Garware Polyester Limited ("the Company") to the best of our knowledge and belief certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the 18 months period ended on September 30, 2008 and based on our knowledge and belief, we state that:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company's code of conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.
- (c) We are responsible for establishing and maintaining internal controls and evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
 - (i) significant changes, if any, in the internal control over financial reporting during the period.
 - (ii) significant changes, if any, in the accounting policies made during the period and that the same has been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and involvement therein, if any, of the management of and employee having significant role in the Company's internal control system over financial reporting.

P. Subbarao
President - Finance

S. B. Garware
Chairman and Managing Director

Date : 6th November, 2008.

AUDITORS' REPORT

TO THE MEMBERS OF GARWARE POLYESTER LIMITED

We have audited the attached Balance Sheet of **GARWARE POLYESTER LIMITED** as at 30th September, 2008 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

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

Further to our comments in the Annexure referred to in Paragraph (3) above, we state 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, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2008 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on the said date.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes in Schedule 12 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2008.
 - (ii) In the case of the Profit and Loss Account, of the "PROFIT" of the Company for the period ended on that date.
- AND
- (iii) In the case of the Cash Flow Statement of the Cash Flows for the period ended on that date.

For SHAH & CO.
Chartered Accountants

(INDULAL H. SHAH)
Partner
Membership No : 798

Mumbai, 6th November, 2008

ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the management during the period. We are informed that no material discrepancies have been noticed by the management on such verification.
- (c) The company has not disposed off substantial part of fixed assets during the period. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
- (ii) (a) The Inventories have been physically verified during the period by the Management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of Clause 4(iii) (b), (c) and (d) of the order are not applicable for the period under report.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Hence the provisions of clauses 4 (iii) (f) and (g) of the order are not applicable for the period under report.
- (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 purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (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 companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the management.
- (vi) According to the information and explanations given to us, the company has not accepted during the period any deposits from the public as per the provisions of Sections 58 A and 58 AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Govt. has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in the period under review for any of the products of the company.
- (ix) (a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As explained to us, no undisputed amounts payable in respect of above were in arrears as at 30th September, 2008 for a period of more than six months from the date they became payable.

(b) The following dues have not been deposited on account of dispute:

Nature of Dues	Financial Year to which the Dispute Pertains	Amount (Rs. In Lakhs)	Forum where dispute is pending
Income Tax	2002 – 03	13.61	Commissioner of Income Tax, Mumbai
Excise Duty	1994 – 95 2001 – 02	7.21 31.40 }	Customs, excise and Service Tax Appellate Tribunal, Mumbai
Excise Duty	1989 – 90	0.41	High Court, Mumbai
Sales Tax	1982 – 83	4.88	Deputy Commissioner, Delhi
Sales Tax	1984 – 85 1993 – 94	6.00 6.25 }	Sales Tax Assessing Officer, Delhi & Noida

- (x) The company does not have accumulated losses at the end of the financial period and has not incurred cash losses during the accounting period covered by our audit and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders as these have been requested for deferment / One Time Settlement.
- (xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As the company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xiv) As the company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the term loans on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been earmarked to be applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, the company has not applied short term borrowings for long term use.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the period.
- (xx) The company has not raised any money by way of public issue during the period.
- (xxi) According to the information and explanations given to us, no material fraud on or by the company has been noticed or reported during the period.

For SHAH & CO.
Chartered Accountants

(INDULAL H. SHAH)
Partner
Membership No : 798

Mumbai, 6th November, 2008

ANNUAL REPORT 2007-2008

BALANCE SHEET AS AT 30TH SEPTEMBER, 2008

	Schedule		As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
FUNDS EMPLOYED :				
SHAREHOLDERS' FUNDS				
Share Capital	1	7,725.83	2,177.93	
Reserves & Surplus	2	<u>16,587.11</u>	<u>15,860.09</u>	
			24,312.94	18,038.02
LOAN FUNDS				
Secured Loans	3A	39,349.21	51,547.27	
Unsecured Loans	3B	<u>505.68</u>	<u>983.76</u>	
			39,854.89	52,531.03
Deferred Tax Liability			<u>250.49</u>	<u>0.00</u>
	TOTAL		<u>64,418.32</u>	<u>70,569.05</u>
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	4	85,193.97	84,218.12	
Less: Depreciation		<u>43,934.94</u>	<u>39,081.50</u>	
Net Block		41,259.03	45,136.62	
Capital Work in Progress		<u>312.93</u>	<u>464.75</u>	
			41,571.96	45,601.37
INVESTMENTS	5		3,810.02	3,780.02
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	7,778.63	7,245.42	
Sundry Debtors		11,009.12	8,855.19	
Cash and Bank Balances		675.50	334.28	
Other Current Assets		2,233.48	3,678.80	
Loans and Advances		<u>2,584.64</u>	<u>4,770.62</u>	
		24,281.37	24,884.31	
Less: CURRENT LIABILITIES AND PROVISIONS	7			
Current Liabilities		3,265.46	2,967.98	
Provisions		<u>2,012.15</u>	<u>908.78</u>	
		<u>5,277.61</u>	<u>3,876.76</u>	
Net Current Assets			19,003.76	21,007.55
Deferred Tax Asset			0.00	180.11
Miscellaneous Expenditure (To the extent not written off)				
Share Issue Expenses.			<u>32.58</u>	<u>0.00</u>
	TOTAL		<u>64,418.32</u>	<u>70,569.05</u>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.04.2007 TO 30.09.2008

	Schedule	2007-2008 (18 Months) (Rs. in Lakhs)	2006-2007 (12 Months) (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		92,648.55	56,693.16
Inter-Divisional Transfers (as per contra)		58,053.95	34,232.31
Gross Sales		150,702.50	90,925.47
Less: Excise duty		6,446.25	4,321.14
Net Sales		144,256.25	86,604.33
Other Income	8	204.25	335.64
Increase / (Decrease) in Finished and Semi-finished Goods	9	(43.63)	(31.58)
		144,416.87	86,908.39
EXPENDITURE :			
Raw Materials consumed	10	42,229.70	27,050.78
Inter-Divisional Transfers (as per contra)		58,053.95	34,232.31
Manufacturing & other expenses	11	29,133.98	17,368.83
Interest & financial charges (Refer Note No.9 in Schedule 12B)		7,824.96	4,630.06
		137,242.59	83,281.98
Profit before Depreciation and Tax		7,174.28	3,626.41
Depreciation		4,910.29	3,114.45
Profit before Tax		2,263.99	511.96
Less : Provision for Taxation :			
Deferred Tax		430.60	182.96
Current Tax		173.74	48.13
Fringe Benefit Tax		94.00	64.51
Wealth Tax		9.13	3.81
Profit after Tax		1,556.52	212.55
Less : Extra Ordinary Items (Refer Note No.5 (iv) in Schedule 12 B)		616.00	0.00
Net Profit		940.52	212.55
Add: Balance brought forward from previous year		5,846.01	5,633.46
Profit available for appropriation		6,786.53	5,846.01
Balance carried to Balance sheet		6,786.53	5,846.01
Earning per Share {(Basic/Diluted) (Rupees) (Face value of Rs.10/-each)} Before Extra Ordinary Items (Not Annualised)		6.93	0.97
Earning per Share {(Basic/Diluted) (Rupees) (Face value of Rs.10/-each)} After Extra Ordinary Items (Not Annualised) (Refer Note No.14 in Schedule 12B)		4.19	0.97

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit & Loss Account

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

ANNUAL REPORT 2007-2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE-1

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SHARE CAPITAL		
Authorised:		
4,00,00,000 Equity Shares of Rs. 10/- each (Previous year 2,50,00,000)	4,000.00	2,500.00
60,00,000 Preference Shares of Rs.100/- Each raised during the period (Refer Note - A below) (Previous year Nil)	<u>6,000.00</u> <u>10,000.00</u>	<u>0.00</u> <u>2,500.00</u>
Issued, Subscribed and Paid-up:		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up (Previous year 2,18,41,364)	2,184.14	2,184.14
10,19,022 Equity Shares of Rs.10/- each issued during the period (Refer Note A (i) below)	<u>101.90</u>	<u>0.00</u>
	<u>2,286.04</u>	<u>2,184.14</u>
Less: Unpaid allotment call money (from others)	<u>6.21</u>	<u>6.21</u>
	2,279.83	2,177.93
54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each issued during the period (Refer Note - A (ii) below)	<u>5,446.00</u> <u>7,725.83</u>	<u>0.00</u> <u>2,177.93</u>

Out of the above :

- (i) 16,50,600 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves (Previous year 16,50,600)
- (ii) 6,60,000 Equity Shares of Rs 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash (Previous year 6,60,000)
- (iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs (Previous year 64,860)
- (iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants (Previous year 47,80,799)

Note : (A)

Pursuant to the Shareholders resolutions passed in the Extra Ordinary General Meetings held on 07.11.2007 and 19.06.2008, the Company has increased its Authorised Share Capital from Rs. 2,500 Lakhs to Rs.10,000 Lakhs out of which the company has issued and allotted Equity and Preference shares as follows to Industrial Development Bank of India Limited (IDBI) as per one time settlement (OTS) without payment being received in cash.

- i) 10,19,022 Equity shares of Rs.10/- each at a Premium of Rs. 48.88 per share.
- ii) 54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each. The preference shares amounting to Rs. 4,954.00 Lakhs shall be redeemed in 3 equal installments during 1st April, 2014 to 1st April, 2016 and Rs. 492.00 Lakhs shall be redeemed in one installment on 1st April 2016.
(Refer Note No. 5 (iv) (b&c) in Schedule 12 B)

SCHEDULE-2

RESERVES AND SURPLUS

Share Premium :

Balance as per last Balance Sheet	48.70	48.70
Add: On Equity Shares issued to Industrial Development Bank of India Limited (IDBI) (Refer Note No. A (i) in Schedule 1 and Note No. 5 (iv) b in Schedule 12B)	<u>498.10</u>	<u>0.00</u>
	546.80	48.70

Debenture Redemption Reserve :

Balance as per last Balance Sheet	1,356.05	1,356.05
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Revaluation Reserve :

Balance as per last Balance Sheet	4,584.49	4,584.49
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General Reserve :

Balance as per last Balance Sheet	4,024.84	3,672.05
Add: Waiver of Principal loan Amount from a bank (OTS)	0.00	352.79
Less: Provision for Leave encashment as of 1.4.2007	<u>711.60</u>	<u>0.00</u>
	3,313.24	4,024.84

Profit & Loss Account

TOTAL	<u>6,786.53</u> <u>16,587.11</u>	<u>5,846.01</u> <u>15,860.09</u>
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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 30.09.2008 (Rs. in Lakhs)		As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-3				
A SECURED LOANS				
I. Debentures / Bonds				
(i) 12.5% Non Convertible / Privately Placed Debentures	A TO D	6,619.44	6,735.16	
Less : Redeemed during the period		<u>6,416.94</u>	<u>115.72</u>	
		202.50		6,619.44
(ii) Zero Coupon Bonds / Debentures	E	3,253.16	3,662.51	
Less : Redeemed during the period		<u>2,467.32</u>	<u>409.35</u>	
		785.84		3,253.16
(iii) Interest accrued and due		<u>21.15</u>	<u>310.35</u>	
				10,182.95
II. From Banks				
Cash / Packing Credit Accounts	F	2,029.05	6,877.40	
Working Capital Demand Loan		<u>15,915.78</u>	<u>11,632.53</u>	
				18,509.93
III. Term Loans				
(i) Financial Institutions	G			
a) Rupee Loan		0.00	1,391.75	
b) Foreign Currency Loan		<u>3,700.87</u>	<u>5,714.44</u>	
		3,700.87		7,106.19
(ii) Banks	H			
a) Rupee Loan		13,886.41	4,053.83	
b) Foreign Currency Loan		1,900.32	3,535.16	
c) Interest Accrued & due		<u>0.00</u>	<u>112.10</u>	
		15,786.73		7,701.09
(iii) Vehicle Finance	I	<u>37.36</u>	<u>14.73</u>	
				14,822.01
IV. Deferred interest	J	<u>869.93</u>		<u>8,032.38</u>
Total		39,349.21		51,547.27

(Refer Note No.5 and 6 in Schedule 12B)

Notes :

- (A) 12.5% Non-Convertible Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 589.27 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 202.50 Lakhs (Previous year Rs. 911.26 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 4,893.27 Lakhs) are secured by first charge / mortgage ranking pari-passu with mortgage / charge created/to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 225.64 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) Zero Coupon Bonds / Debentures of Rs.100/- each aggregating to Rs.785.84 Lakhs (Previous year Rs. 3,253.16 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs. 61.86 Lakhs (Previous year Rs.1,947.62 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.723.98 Lakhs (Previous year Rs.1,305.54 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad and Nasik.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 3,700.87 Lakhs (Previous year Rs. 7,106.19 Lakhs) are secured / to be secured as under:
- (1) An amount of Rs. 592.86 Lakhs (Previous year Rs. 2,637.37 Lakhs) is secured by:
 - a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of ICICI Bank Limited and EXIM Bank for their Term Loans.
 - b) Hypothecation charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools & Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
 - (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
 - (2) Advance against export of Rs. 1,346.82 Lakhs (Previous year Rs. 2,829.69 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
 - (3) Exim Bank Working Capital Loan of Rs. 1,761.19 Lakhs (Previous year Rs. 1,639.13 Lakhs) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials & stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 15,786.73 Lakhs (Previous year Rs. 7,588.99 Lakhs) from Banks are secured as under :
- (1) Term Loans of Rs. 11,082.00 Lakhs (Previous year Nil) is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

- (2) Term Loans of Rs. 656.51 Lakhs out of Rs. 669.38 Lakhs (Previous year Rs. 1,355.88 Lakhs out of Rs. 1,384.19 Lakhs) is a foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (3) Term Loan of Rs. 704.47 Lakhs out of Rs. 3,496.02 Lakhs (Previous year Rs. 874.20 Lakhs out of Rs. 4,899.72 Lakhs) is a foreign currency loan. The said loan is secured by charge on the project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
- (4) Term loan of Rs. 539.33 Lakhs (Previous year Rs. 1,305.08 Lakhs) is a foreign currency loan. The same is secured by:
- A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of ICICI Bank Limited and EXIM Bank for their Term Loans.
 - Hypothecation / charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
 - Specified movables for securing borrowings for the Company's Working Capital Requirements and
 - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Vehicle Finance is secured by hypothecation of specific assets.
- (J) Funded interest outstanding as on 30th September, 2008 has been deferred on interest free basis and is secured by charge/ mortgage on the same lines as referred to the loans / debentures above.

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
B UNSECURED LOANS		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units (Amount repayable within one year Rs.112.93 Lakhs)	205.48	333.76
(ii) Short Term Loan from others (Amount repayable within one year Rs. 300.20 Lakhs)	<u>300.20</u>	<u>650.00</u>
TOTAL	<u>505.68</u>	<u>983.76</u>

SCHEDULE-4

FIXED ASSETS

Sr. No.	Description of Assets	GROSS BLOCK					DEPRECIATION Up to 30.09.2008	NET BLOCK	
		Cost/ Revaluation As at 01.04.2007	Additions during the period	Additions due to Revaluation	Sales/Transfer/ Adjustment during the period	Cost/ Revaluation As at 30.09.2008		As at 30.09.2008	As at 31.03.2007
1.	Land (Freehold)	11,576.62	0.00	0.00	0.00	11,576.62	0.00	11,576.62	11,576.62
2.	Land (Leasehold)	1,868.65	0.00	0.00	5.29	1,863.36	0.00	1,863.36	1,868.65
3.	Buildings	7,745.41	15.71	0.00	18.00	7,743.12	4,612.26	3,130.86	3,627.27
4.	Plant & Machinery	55,145.59	867.86	0.00	12.75	56,000.70	32,549.79	23,450.91	26,603.96
5.	Electrical Installations	2,994.65	11.35	0.00	0.00	3,006.00	2,391.89	614.11	753.92
6.	Moulds	287.54	0.00	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	330.80	19.58	0.00	0.00	350.38	190.53	159.85	175.78
8.	Furniture & Fixtures	499.21	10.24	0.00	0.44	509.01	427.71	81.30	97.92
9.	Office Equipments	482.16	23.13	0.00	0.00	505.29	361.69	143.60	153.45
10.	Vehicles	326.33	80.45	0.00	61.71	345.07	254.96	90.11	55.54
11.	Capital Expenditure On Research & Development	216.41	2.19	0.00	0.00	218.60	206.46	12.14	17.39
12.	Data Processing Equipments	1,156.53	43.53	0.00	0.00	1,200.06	1,089.78	110.28	162.52
13.	Expenditure On Tech. know-how/Product Development	1,430.76	0.00	0.00	0.00	1,430.76	1,404.87	25.89	43.60
14.	Copyrights	157.46	0.00	0.00	0.00	157.46	157.46	0.00	0.00
	Total	84,218.12	1,074.04	0.00	98.19	85,193.97	43,934.94	41,259.03	45,136.62
	Previous Year	73,042.79	6,643.27	4,584.49	52.43	84,218.12	39,081.50	45,136.62	37,035.91
	Capital Work-in-Progress							312.93	464.75

NOTES:

- The Free hold land includes Rs. 4,584.49 Lakhs on account of revaluation of land at Vile Parle, Mumbai as at 31st March, 2007.
- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
 - on Capital Expenditure on R & D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-5		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
A. In Government Securities (Unquoted) :		
1. 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	—	—
2. 7 years National Savings Certificates of the face value of Rs. 0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	—	—
	—	—
B. In Shares :		
I. Quoted		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up	0.01	0.01
2. 2,80,000 Equity Shares of Garware Marine Industries Ltd. of the face value of Rs.10/- each, fully paid-up	—	—
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up	56.80	56.80
	56.81	56.81
II. Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid up	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 20,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up	5.00	5.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd. of the face value of Rs. 25/- each fully paid-up	1.00	1.00
7. 1,000 Equity Shares of Poornawadi co-op Bank Ltd. of the face value of Rs 100/- each fully paid-up	1.00	1.00
8. (a) 2,97,76,820 Equity Shares (Previous year 2,97,76,820 Equity Shares) of Garware Chemicals Ltd. of the face value of Rs.10/- each fully paid-up including four equity shares held by nominees.	2,277.19	2,277.19
(b) 5,60,000 Equity Shares (Previous year Nil) of Garware Chemicals Ltd of the face value of Rs.10/-each fully paid up. Acquired during the period as per agreement for purchase of shares with Industrial Development Bank of India Ltd	30.00	0.00
9. 1,29,69,000 0.01 % Optional Convertible Cumulative redeemable Preference Shares (Previous year 1,29,69,000 OCCRP Shares) of Garware Chemicals Ltd.of the face value of Rs.10/- each, fully paid up.	1,296.90	1,296.90
	3,619.64	3,589.64
III. In Subsidiary Company (Unquoted)		
2,50,000 ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.	133.57	133.57
TOTAL	<u>3,810.02</u>	<u>3,780.02</u>
	Cost	Cost
	Market value	Market value
NOTE : Aggregate amount of company's investments.		
	Quoted	56.81
	Unquoted	303.80
	56.81	386.96
TOTAL	<u>3,753.21</u>	<u>3,723.21</u>
	<u>3,810.02</u>	<u>3,780.02</u>

ANNUAL REPORT 2007-2008

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS:		
I. Inventories :		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At Cost)	2,385.98	2,203.14
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,384.15	990.15
(ii) Finished goods (At cost or market value whichever is lower)	1,124.56	994.74
(iii) Semi-finished goods (At cost)	<u>2,883.94</u>	<u>3,057.39</u>
	7,778.63	7,245.42
II. Sundry Debtors :		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted) (Refer note No. 4 in Schedule 12B)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	2.31	6.37
(ii) Considered Doubtful	<u>493.33</u>	<u>504.43</u>
	495.64	510.80
Less :Provision for Doubtful Debts	<u>493.33</u>	<u>504.43</u>
	2.31	6.37
(b) Other Debts (Including Rs. 196.11 Lakhs due from subsidiary companies, previous year Rs. 538.84 Lakhs and Rs. 6,010.42 Lakhs due from Associate companies, Previous year Rs. 4,237.93 Lakhs)	<u>11,006.81</u>	<u>8,848.82</u>
	11,009.12	8,855.19
III. Cash and Bank Balances :		
(a) Cash on hand	19.31	23.63
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	492.01	157.00
In Margin Accounts	97.17	144.14
In Deposit Accounts	57.64	0.00
In Unclaimed Dividend Accounts	<u>9.37</u>	<u>9.51</u>
	675.50	334.28
IV. Other Current Assets:		
(a) Export benefits / Incentives receivable	840.79	1,080.04
(b) Other receivables	<u>1,392.69</u>	<u>2,598.76</u>
	2,233.48	3,678.80
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs. Nil due from Associate Company, previous year Rs.150.00 Lakhs)	1,007.03	912.84
(ii) Short Term Deposits with Banks (Earmarked for specific projects)	0.00	2,022.33
(iii) Sacrifice / Premium on restructured Term loans	0.00	224.00
(iv) Advance against Capital Expenditure	10.82	24.74
(v) Deposits with Customs & Excise authorities	151.10	261.00
(vi) Deposits with others	95.33	305.22
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	<u>1,320.36</u>	<u>1,020.49</u>
	2,584.64	4,770.62
TOTAL	<u>24,281.37</u>	<u>24,884.31</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE - 7		
CURRENT LIABILITIES AND PROVISIONS :		
A: Current Liabilities :		
(i) Sundry Creditors (Refer Note No. 17 in Schedule 12 B) (Including Rs. Nil, Previous year Rs. 52.98 Lakhs due to Associate Company)	1,853.40	2,135.68
(ii) Other Liabilities (Including Rs. 76.69 Lakhs due to Subsidiary companies, Previous year Rs. 73.48 Lakhs & Rs. 16.00 Lakhs due to Directors, Previous year Rs. Nil)	908.47	678.21
(iii) Deposits and advances from customers & others	491.66	142.11
(iv) Unclaimed Dividend	9.79	9.84
(v) Unclaimed Debenture and Interest	2.14	2.14
	3,265.46	2,967.98
B: Provisions		
(a) Taxation		
(i) Provision for Taxation	917.01	743.27
(ii) Provision for Fringe Benefit Tax	259.51	165.51
	1,176.52	908.78
(b) Provision for Leave Encashment / Gratuity	835.63	0.00
	2,012.15	908.78
TOTAL	5,277.61	3,876.76

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2007-08 (18 Months) (Rs. in Lakhs)	2006-2007 (12 Months) (Rs. in Lakhs)
SCHEDULE - 8		
OTHER INCOME		
Insurance claims	7.93	20.14
Income from Investments (Gross)	11.72	10.32
Interest on short term deposits with banks and others (Gross) (TDS Rs. 4.84 Lakhs Previous year Rs. 4.54 Lakhs)	21.67	21.22
Miscellaneous income	98.68	72.49
Profit on sale of fixed assets (Net)	4.16	2.14
Provision for Doubtful debts no longer required.	14.80	0.00
Less:- Bad debts Written off	0.80	0.00
	14.00	0.00
Excess Provision / Sundry Credit Balances written back	27.84	44.79
Rent (TDS Rs. 0.61 Lakh Previous year Rs. 0.40 Lakh)	6.30	4.20
Sales Tax / Excise refund	11.95	0.23
Gain on Exchange Rate Fluctuations	0.00	160.11
TOTAL	204.25	335.64

SCHEDULE - 9
INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

Opening Stock:		
Finished goods	994.74	821.04
Semi finished goods	3,057.39	3,262.67
	4,052.13	4,083.71
Closing Stock:		
Finished goods	1,124.56	994.74
Semi finished goods	2,883.94	3,057.39
	4,008.50	4,052.13
Increase / (Decrease)	(43.63)	(31.58)

SCHEDULE - 10
RAW MATERIALS CONSUMED

Opening Stock	990.15	1,265.95	
Add: Purchases and Expenses	42,623.70	26,774.98	
	43,613.85		28,040.93
Less: Closing Stock	1,384.15		990.15
TOTAL	42,229.70		27,050.78

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2007-2008 (18 Months) (Rs. in Lakhs)	2006-2007 (12 Months) (Rs. in Lakhs)
SCHEDULE - 11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses:		
Stores, Spares and Packing Materials consumed (Net)	4,235.75	2,557.48
Power and Fuel	8,432.70	5,002.10
Processing Charges	2,427.22	1,265.14
Water Charges	162.36	77.63
	15,258.03	8,902.35
B. Employees' Remuneration & Benefits:		
Salaries, Wages and Bonus	3,550.90	2,001.53
Contribution to Provident and other funds	828.41	398.84
Staff Welfare Expenses	340.97	235.54
	4,720.28	2,635.91
Less: Surrender Value of Keyman Insurance	0.00	106.25
	4,720.28	2,529.66
C. Administrative, Selling and General Expenses:		
Rent, Hire charges and Compensation (Net)	70.17	30.58
Rates, Taxes and Licence Fees	50.39	29.28
Insurance (Net)	291.63	383.06
Freight and Forwarding (Net)	2,541.54	1,626.22
Research and Development Expenses	210.67	251.18
Repairs and Maintenance of:		
(i) Plant and Machinery	773.22	511.15
(ii) Buildings	321.81	256.55
(iii) Other Assets	641.42	446.43
	1,736.45	1,214.13
Advertisement Expenses	128.75	58.36
Sales Tax / VAT	86.90	117.45
Travelling & Conveyance	619.67	412.32
Postage, Telegrams & Telephones	153.23	110.34
Lease Rentals	55.37	55.49
Commission on Sales	156.99	131.21
Donations	25.61	45.77
Legal and Professional charges (Refer Note No. 8 in Schedule 12 B)	1,022.37	472.84
Auditors' Remuneration		
(i) Audit fees	12.01	7.00
(ii) Tax Audit fees	6.00	3.60
(iii) For Certification / Others	5.15	4.10
(iv) Reimbursement of out of pocket Expenses	0.35	0.24
	23.51	14.94
Miscellaneous Expenses	1,301.68	873.05
Provision for Doubtful Debts	3.70	1.38
Loss on Swap / Exchange Rate Fluctuations	46.70	0.00
	8,525.33	5,827.60
D. Managerial Remuneration:		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	360.00	328.00
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	111.60	101.68
(iii) Other Perquisites	107.05	104.56
(iv) Leave Salary	13.22	0.00
	591.87	534.24
(b) To Whole Time Director :		
(i) Salary	14.50	15.00
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	5.05	5.15
(iii) Other perquisites	9.74	4.73
(iv) Leave Salary / Encashment	7.18	0.00
	36.47	24.88
	628.34	559.12
Less: Surrender Value of Keyman Insurance	0.00	451.38
	628.34	107.74
(c) Directors' Sitting Fees	2.00	1.48
	630.34	109.22
TOTAL	29,133.98	17,368.83

SCHEDULE-12:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation / Amortization

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation Reserve Account.

Depreciation / Amortization is provided as follows:

- On Technical Know-how / Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum.
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No. 756 (E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.

3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss / gain, arising from such transaction, is charged to the relevant revenue heads in the Profit and Loss Account.
- a) Hitherto Foreign Currency loans for financing fixed assets outstanding at the close of the financial year were recognized at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans,
- b) Pursuant to the adoption of accounting standard as prescribed by the Companies (Accounting Standards) Rules 2006 issued by Ministry of Corporate Affairs vide Notification No. G.S.R. 739 (E) dated 07.12.2006 and as required by Accounting Standard 11 (Revised 2003) "The effect of changes in Foreign Exchange Rates", the gain or loss due to fluctuations in exchange rates resulting in decrease / increase in foreign currency loan liability is charged to profit and loss account with effect from 1st April, 2007. Due to this change in method of accounting, the net profit for the period is lower by Rs. 50.76 Lakhs.
- Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

6. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.

7. Duties

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

8. Employment Benefits

a) Short Term Employment Benefits:

All employee benefits paid / payable wholly within 12 months of rendering the service are classified as Short Term Employee Benefits. Benefits such as salaries, wages, short term compensated absences, etc and the expected cost of bonus, Ex-gratia, Medical, LTA are recognized in the period in which the employee renders the related service and charged to profit & loss account.

b) Defined Contribution Plans:

Company's Contributory Plans with Employee Provident Fund in accordance with EPF Act, 1952 & ESIC Schemes in accordance with ESIC Act, 1948 under Government Administer Schemes and for certain employees are covered under the Contributory plans with the trust "Garware Polyester Limited Office Staff & Officers Provident Fund" Contributions are accounted on accrual / paid basis and charged to Profit & Loss Account.

c) Defined Benefit Plans:

- 1) Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India on accrual basis. Gratuity plans are determined by actuarial valuation by using the projected unit credit method.
- 2) Leave encashment benefits are accounted for on accrual / paid basis.

SCHEDULE-12 (Contd.)**9. Lease Rentals**

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

10. Contingent Liabilities

No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

11. Research and Development

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

12. Revenue Recognition**a) Sales:**

Sales are accounted for inclusive of excise duty and VAT / sales tax (wherever not charged separately), and are net of discounts and returns.

b) Export Benefits:

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme / other benefits are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

13. Taxation

a) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.

b) Current Taxes are provided based on taxable income as per the provisions of Income Tax Act, 1961.

c) Provision for fringe benefit tax (FBT) is computed as per the provisions of Income Tax Act, 1961.

14. Borrowing Cost:

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

15. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

B. NOTES:-

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1,003.07 Lakhs (Previous year Rs. 473.35 Lakhs) against which an advance of Rs. 10.82 Lakhs (Previous year Rs. 24.74 Lakhs) has been paid.

2. The Company has given counter-guarantees for Rs. 1,004.56 Lakhs (Previous year Rs. 952.97 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.

3. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs. 13,815.28 Lakhs (Previous year Rs. 9,564.97 Lakhs).

4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 3,408.16 Lakhs (Previous year Rs. 5,294.41 Lakhs).

5. Secured Loans:

(i) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 10,653.88 Lakhs was redeemed up to the period ended 30.9.2008 including of Rs. 6,416.94 Lakhs redeemed during the current accounting period. (Previous year Rs.115.72 Lakhs).

(ii) Zero Coupon Bonds of Rs. 785.84 Lakhs are repayable as under:

Rs. 440.98 Lakhs is repayable to EXIM Bank in quarterly installments till 1st January, 2010 and balance Rs. 344.86 Lakhs is repayable in quarterly installments with premium of Rs. 310.64 Lakhs till 1st January, 2012.

(iii) Amount of Term Loans / Debentures/ Zero Coupon Bond repayable within one year is Rs. 4,848.17 Lakhs (Previous year Rs. 8,120.08 Lakhs).

(iv) The company has done one time settlement (OTS) with Industrial Development Bank of India Limited (IDBI) against their outstanding loans of Rs. 13,585.82 Lakhs including deferred interest. Further Rs. 616.00 Lakhs was payable to IDBI by way of sacrifice. However, it was agreed to pay Rs. 13,977.82 Lakhs as under:

a) Rs. 7,931.82 Lakhs paid during the period.

b) Rs. 600 Lakhs by issuing 10,19,022 Equity Shares of Rs. 10 each at a premium of Rs. 48.88 per share and

c) Rs. 5,446 Lakhs by way of issuing 54,46,000 0.01% cumulative redeemable preference shares of Rs. 100 each.

Rs. 616 Lakhs as sacrifice referred above has been charged to Profit and Loss Account and shown under the head "Extra Ordinary Item" This includes Rs. 224 Lakhs paid in the prior year which was shown as Advance under Loans and Advances in Schedule 6. Balance of Rs. 392 Lakhs is included in Rs. 5,446 Lakhs under (iv) (c) above.

(v) The company has also done one time settlement (OTS) with Unit Trust of India (UTI) against their outstanding loans of Rs. 1,672.78 Lakhs including of deferred interest and agreed to settle the dues as follows:

a) Rs. 1,250 Lakhs by Bankers cheque

b) Issue of 2,00,000 Equity Shares of Rs. 10/- each at the premium to be decided as per SEBI guidelines. This is subject to the approval of the members at the ensuing Annual General Meeting to be held in December 2008.

c) Rs. 342.78 Lakhs by waiver of accrued interest.

6. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the period, as the balance in the Debenture Redemption Reserve account will meet the requirement.

SCHEDULE-12 (Contd.)

7. Contingent liability not provided for:

	2007-08 (18 Months) (Rs. in Lakhs)	2006-07 (12 Months) (Rs. in Lakhs)
a) Disputed matters in appeal / contested in respect of:		
Income Tax	13.61	13.61
Excise Duty	39.02	39.02
Sales Tax	17.13	17.13
b) Claims against the company not acknowledged as debts	0.00	0.00

8. Legal and Professional Charges include Rs. 5.15 Lakhs (Previous year Rs. 5.09 Lakhs) paid to some of the Partners of the Auditors for other services & Rs. 4.59 Lakhs paid to a firm in which one of the Director is a partner. (Previous year Rs. Nil).

9. Break up of Interest and financial charges are:

	2007-08 (18 Months) (Rs. in Lakhs)	2006-07 (12 Months) (Rs. in Lakhs)
On Secured Loans	2,754.43	876.43
On Debentures	331.77	834.95
Other Interest (Net) #	4,334.00	2,504.54
Financial Charges	898.53	642.47
Sub Total	8,318.73	4,858.39
Less: Waiver *	493.77	228.33
Total Net	7,824.96	4,630.06

* Waiver of interest on one time settlement (OTS) from a Bank & financial Institution amounting to Rs. 493.77 Lakhs (Net) (Previous year Rs. 228.33 Lakhs)

After adjusting capitalization of interest for project amounting to Rs. Nil (Previous year Rs. 95.89 Lakhs).

10. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 1,746.51 Lakhs (Previous year Rs. 896.42 Lakhs) against export effected during the period has been credited to Export Benefits earned account which has been included in sales.

11. Computation of net profit as per section 349 read with section 309 (5) and 198 of the Companies Act, 1956 is as under.

	2007-08 (18 Months) (Rs. in Lakhs)	2006-07 (12 Months) (Rs. in Lakhs)
Profit before prior period adjustments & extra ordinary item.	2,263.99	511.96
<i>Add:</i>		
(i) Remuneration to Directors@ (i)	628.34	559.12
(ii) Directors sitting fees	2.00	1.48
(iii) Provision for doubtful debts.	3.70	1.38
Total	2,898.03	1,073.94
<i>Less:</i>		
(i) Profit on sale of Fixed Assets	4.16	2.14
(ii) Provision for doubtful debts & sundry credit balances written back	41.84	44.79
(iii) Extra ordinary item	616.00	0.00
Net Profit as per Sec. 349 of the Companies Act, 1956	2,236.03	1,027.01
@(ii) Remuneration including commission @ 10% on Rs. 2,236.03 Lakhs (Previous year Rs. 1,027.01 Lakhs)	223.60	102.70

@ (i) The remuneration of Rs. 591.87 Lakhs, (Previous year Rs. 534.21 Lakhs including arrears of Rs. 167.10 Lakhs) paid to the Managing Director and Joint Managing Director are as per Central Government sanctions.

@(ii) In view of above, no provision for commission is made.

12. Segment Reporting:

a) The company is only in one line of business namely - Polyester film.

b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-

- i) Revenue within India includes sales to customers located within India.
- ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2007-08 18 Months (Rs. in Lakhs)			2006-07 12 Months (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	47,911.63	44,736.92	92,648.55	30,349.35	26,343.81	56,693.16
Amount of Segment Assets by location of assets. (Net Value)	23,450.91	—	23,450.91	26,603.96	—	26,603.96

SCHEDULE-12 (Contd.)

13. Related Party Disclosures.

- a) List of Related Parties
- Subsidiaries : Garware Polyester International Limited
- Ultimate Subsidiary : Global Pet Films, Inc.
- Associate Companies : Garware Industries Limited & Garware Chemicals Limited
- Key Management Personnel : 1) Shri S. B. Garware
2) Mrs. Monika Garware Modi
3) Ms. Sarita Garware
4) Ms. Sonia S. Garware

b) Transaction with Related Parties	2007-08 18 Months (Rs. in Lakhs)*	2006-07 12 Months (Rs. in Lakhs)*
(i) Sale of Goods / Capital Items:		
a) Subsidiary	1,989.39	1,029.75
b) Ultimate Subsidiary	5,800.32	6,082.37
c) Associate Companies	489.86	1,481.28
(ii) Purchase of Materials and Capital items:		
Associate Companies	8.35	9,953.64
(iii) Services Received / Processing Charges :		
a) Subsidiary	0.00	0.00
b) Ultimate Subsidiary	59.64	0.00
c) Associate Companies	2,388.32	1,196.89
(iv) Services Rendered:		
Associate Companies	762.08	1,331.27
(v) Balances [Dr. / (Cr.)]		
a) Subsidiary	(2.38)	107.96
b) Ultimate Subsidiary	121.79	357.41
c) Associate Companies	6,010.42	4,334.95
(vi) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		
* Figures are on gross basis (Including taxes and duties)		

14. Earning Per Share

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
Profit for the period	2,263.99	511.96
Less: Deferred Tax	430.60	182.96
Less: Current Income Tax	173.74	48.13
Less: Fringe Benefit Tax	94.00	64.51
Less: Wealth Tax	9.13	3.81
Less: Extra ordinary item	616.00	0.00
Profit attributable to equity shareholders	940.52	212.55
Weighted average number of Equity Shares of Rs.10/- each fully paid	2,24,64,100	2,18,41,364
Earning per share (Rupees) before extra ordinary item (Not Annualised)	6.93	0.97
Earning per share (Rupees) after extra ordinary item (Not Annualised)	4.19	0.97

15. Deferred Tax:

- a) Deferred Tax Liability of Rs. 430.60 Lakhs is provided in the current period (Previous year Rs.182.96 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- b) Major components of deferred tax arising as at 30th September, 2008 are given here below.

Deferred Tax Assets / (Liability)	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	356.18	2,926.74
Unabsorbed Business Losses, Depreciation & Capital Losses	4,643.21	3,322.92
Others	279.63	222.16
Deferred Tax Asset (i)	5,279.02	6,471.82
Less: Deferred Tax Liability:		
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961 (ii)	5,529.51	6,291.71
Deferred Tax Asset / (Liability) (Net) (i)-(ii)	(250.49)	180.11

SCHEDULE-12 (Contd.)

16. Disclosure as per AS-15 (Revised) on "Employee Benefit" for the period ended 30th September, 2008.

	Gratuity* (Funded) 2007-08 (18 Months) Rs. in Lakhs	Leave Encashment (Unfunded) 2007-08 (18 Months) Rs. in Lakhs
Change in the defined benefit obligations		
Defined benefit obligations as at 1 st April, 2007	759.01	711.60
Service cost	95.55	43.04
Interest cost	85.40	83.26
Actuarial Loss / (Gain)	32.24	(23.22)
Benefits paid	(106.82)	(35.42)
Defined benefit obligations as at 30 th September, 2008 (a)	865.37	779.26
Change in plan assets		
Fair Value of plan assets as at 1 st April, 2007	406.08	0.00
Expected return on plan assets	72.84	0.00
Contributions by employer	436.90	35.42
Actuarial Gain / (Loss)	0.00	0.00
Benefits paid	(106.82)	(35.42)
Fair value of plan assets as at 30 th September, 2008 (b)	809.00	0.00
Present Value of un funded obligations (a-b)	56.37	779.26
The Net amount recognized in statements of Profit & Loss for the period ended 30 th September, 2008 is as follows:		
Current service cost	95.55	43.04
Interest cost	85.40	83.26
Expected return on plan assets	(72.84)	0.00
Net Actuarial Loss / (Gain) recognized	32.24	(23.22)
Net amount recognized	140.34	103.08
Actual Return on Plan Assets	0.00	0.00
The principal actuarial assumptions used as at 30 th September, 2008 are as follows:		
Discount Rate	8%	8.00%
Expected rate of return on plan assets		
Withdrawal rate	1% to 3% depending on age	Up to Age 35 : 5% 36-50 : 2% 51 & above : 1%
Rate of increase in compensation levels	5.00%	5.00%

* Figures for the period ended 30th September, 2008 has been worked out based on actuarial valuation as on 31st March, 2008.

17. (a) Sundry Creditors in Schedule 7 to the accounts include Rs. 110.37 Lakhs (Previous year Rs. 339.33 Lakhs) payable to small scale industrial undertakings and Rs. 1,743.03 Lakhs (Previous year Rs.1,796.35 Lakhs) payable to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under clause (i) of section 3 of the Industries (Development and Regulation) Act, 1951.

The names of the small-scale industrial undertakings to whom, the Company owes sums outstanding for more than 30 days as on 30th September, 2008 are as under:

M/s. Able Moulders	M/s. Multipower Marketing & Services
M/s. Aditya Packaging	M/s. Marathawada Packaging Pvt. Ltd.
M/s. Aerocool Engineers	M/s. Novel Packaging
M/s. Bhagirath Bearings Pvt. Ltd.	M/s. Patidar Wooden Works
M/s. Bombay Indl Enterprises	M/s. P.C. Wood Industries
M/s. Dhanlaxmi Packaging Industries	M/s. Rahul Industrial Engineering
M/s. DKS Desiccants Pvt. Ltd.	M/s. Smithship Plastic Industries Pvt. Ltd.
M/s. Ganesh Industries	M/s. Suresh Polymers Pvt. Ltd.
M/s. Infinity Engineering	M/s. Shrikrishna Vijay Saw Mill
M/s. Maharashtra Saw Mill	M/s. Universal Enterprises
M/s. Mansi Paper Products Pvt. Ltd.	

- (b) There is no obligation for payment of interest on overdue amounts, if any, as per the terms of supplies. Thus, the question of providing interest does not arise.
- (c) The company has not received any intimation from suppliers regarding their status under the micro, small and medium enterprises development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

SCHEDULE-12 (Contd.)

18. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report, there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
19. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements range between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
20. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

(A) Licensed & Installed Capacities:

Product	2007 - 08		2006 - 07	
	Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
(i) Polyester Film	80,000	41,000	80,000	41,000
(ii) Metallised Film	2,210	2,210	2,210	2,210
(iii) Polyester Chips	104,400	104,400	104,400	104,400

Note: Installed capacities and Licensed capacities are as per the certificate given by the Director - Technical on which Auditors have relied.

(B) Details of Sales

Class of Goods:	2007 - 08 18 Months		2006 - 07 12 Months	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) Polyester films (Plain / Lacquered / Laminated / Stabilised / Coloured & Metallised)	58,933	92,580	35,447	55,326
(ii) Others (Including chips)		69		1,367

(C) Actual Production & Stocks

Class of Goods	Unit	2007 - 08 18 Months			2006 - 07 12 Months		
		Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT Rs. in Lakhs	688.23 935.72	58,911.20	666.88 1,072.41	585.40 754.11	35,550.22	688.23 935.72
(ii) Chips (excluding conversion)		NA	Produced for captive use in the manufacture of films		NA	Produced for captive use in the manufacture of films	
(iii) Others	Rs. in Lakhs	59.02		52.15	66.93		59.02

(D) Consumption of Raw Materials:

	2007 - 08 18 Months		2006 - 07 12 Months	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	347	180.40	18,372	8,536.69
(ii) PTA	51,757	21,906.88	13,761	6,147.78
(iii) MEG	21,657	10,847.83	12,176	5,547.95
(iv) Others		9,294.59		6,818.36
Total*		42,229.70		27,050.78

* After adjusting sale of raw material amounting to Rs. 88.23 Lakhs (Previous year Rs.179.49 Lakhs) and Octroi Duty Refund of Rs. Nil (Previous year Rs. 274.39 Lakhs).

SCHEDULE-12 (Contd.)

(E) Details of imports on CIF basis:

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
(i) Raw Materials	3,838.23	2,461.86
(ii) Packing Materials	149.50	103.54
(iii) Components & Spares	477.10	314.00
(iv) Capital Goods	129.55	1,011.23

(F) Details of Imported & Indigenous Raw Materials and Spares parts consumed and percentage of each to the total:

	2007-08 18 Months		2006-07 12 Months	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
- Imported	4,059.32	10	2,859.12	11
- Indigenous	38,170.38	90	24,191.66	89
Total	42,229.70	100	27,050.78	100
(ii) Stores & Spares:				
- Imported	363.41	27	185.01	24
- Indigenous	976.63	73	594.65	76
Total	1,340.04	100	779.66	100

(G) Remittances / Expenditure in Foreign Currency:

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
(i) Commission	127.13	119.44
(ii) Advertisement/Selling Expenses	252.11	189.77
(iii) Traveling Expenses	181.84	100.95
(iv) Books, Periodicals & Subscription	14.20	7.99
(v) Technical / Engg. Services/Professional Charges	262.37	100.88
(vi) Exhibition Expenses	9.24	11.08
(vii) Interest	869.26	773.95
(viii) Recruitment Expenses	0.21	0.31
(ix) Others	2.19	2.16

(H) Earnings in Foreign Exchange:

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
Exports (FOB basis)	41,971.54	24,523.65

21. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current period. Figures of the current period are for eighteen months hence not comparable with the figures of the previous year.

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	10889	State Code	11
Balance Sheet Date	30.09.2008		

II. Capital raised during the year (Amount in Rs. Thousand)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	554790

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	6441832	Total Assets	6441832
Sources of Funds			
Paid-up Capital	772583	Reserves & Surplus	1658711
Secured Loans	3934921	Unsecured Loan	50568
Deferred Tax Liability	25049		

Application of Funds

Net Fixed Assets	4157196	Investments	381002
Net Current Assets	1900376	Misc. Expenditure	3258

IV. Performance of Company (Amount in Rs. Thousand)

Turnover	15086312	Total Expenditure	14859913
Profit before tax	226399	Profit after tax	155652
Net Profit	94052		

+	-
✓	

+	-
✓	

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per share * (Not Annualised)	4.19	Dividend rate %	NIL
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V. Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.	39206909	39206903	39206904
Product Description	POLYESTER FILM	PACKAGING POLYESTER FILM	SUN CONTROL FILM

* Refer Note No 14 in Schedule 12 B

CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Period ended 30.09.2008 18 Months (Rs. in Lakhs)	Year ended 31.03.2007 12 Months (Rs. in Lakhs)
A. Cash flow from operating activities:		
Net Profit before tax and extraordinary items	2,263.99	511.96
Add: Depreciation	4,910.29	3,114.45
Interest expenses - Net	7,824.96	4,630.06
Loss on Exchange Rate Fluctuations	46.70	0.00
Extra Ordinary Items (Waiver of principal amount from a bank-OTS)	0.00	352.79
Provision for leave Encashment	124.03	0.00
Sub Total	<u>12,905.98</u>	<u>8,097.30</u>
Total	<u>15,169.97</u>	<u>8,609.26</u>
Less: Interest income	21.67	21.22
Profit on Exchange Rate Fluctuations	0.00	160.11
Profit on sale of fixed assets	4.16	2.14
Dividend received/Income from Investment	11.72	10.32
Extra Ordinary Items (Refer Note No.5 (iv) in Schedule 12 B)	616.00	0.00
Sundry balances Written Back (Net)	27.84	44.79
Rent	6.30	4.20
Sub total	<u>687.69</u>	<u>242.78</u>
Operating profit before working capital changes.	<u>14,482.28</u>	<u>8,366.48</u>
Adjustments For :		
(Increase)/Decrease in trade/other receivable (Net)	1,777.24	2,001.73
(Increase)/Decrease in inventories	(533.21)	751.04
Increase/(Decrease) in trade/other payables	325.37	220.79
Cash generated from operations	<u>16,051.68</u>	<u>11,340.04</u>
Direct taxes refund/(paid)(Net)	(309.00)	(209.76)
Net cash inflow/(outflow) from operations	<u>15,742.68</u>	<u>11,130.28</u>
B. Cash flow from investing activities :		
Purchase of fixed assets	(918.92)	(5,491.28)
Purchases of Investments	(30.00)	(4.00)
Sale of fixed assets	42.20	14.74
Interest received	21.67	21.22
Profit on Exchange Rate Fluctuations	0.00	160.11
Loss on Exchange Rate Fluctuations	(46.70)	0.00
Dividend received/Income from Investment	11.72	10.32
Rent	6.30	4.20
Net cash inflow/(outflow) from investing activities.	<u>(913.73)</u>	<u>(5,284.69)</u>
C. Cash flow from financing activities		
Equity Share Capital including share premium	600.00	0.00
0.01% Cumulative Redeemable Preference Shares	5,446.00	0.00
Interest / Financial Charges	(8,226.26)	(4,690.38)
Repayment of borrowings - secured	(11,231.66)	(1,492.38)
Proceeds/(repayments) of borrowings-Unsecured	(478.08)	(34.99)
Cash credit accounts	(565.10)	251.61
Dividend paid / Unclaimed Dividend Paid	(0.05)	(1.14)
Miscellaneous Expenditure (To the extent not Written off)	(32.58)	0.00
Net cash inflow/(outflow) from financing activities	<u>(14,487.73)</u>	<u>(5,967.28)</u>
Net increase/(decrease) in cash and cash equivalents	<u>341.22</u>	<u>(121.69)</u>
Cash and cash equivalents as at opening		
Cash and bank balances	334.28	455.97
Cash and cash equivalents as at closing		
Cash and bank balances	<u>675.50</u>	<u>334.28</u>
	<u>341.22</u>	<u>(121.69)</u>

For and on behalf of the Board of Directors

 As per our report of even date
 For SHAH & CO.
 Chartered Accountants

 S. B. GARWARE
 Chairman &
 Managing Director

 M. S. ADSUL
 Director - Technical

 B. MORADIAN
 Director

 INDULAL H. SHAH
 Partner
 Mumbai, 6th November, 2008

 P. SUBBARAO
 President - Finance

 MANOJ KOUL
 Company Secretary &
 General Manager

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

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Garware Pet Films Inc.
B)	Financial Year of the Subsidiary Companies ended on:	31st March, 2008	31st March, 2008
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:		
	(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	100%	
D)	The net aggregate of Profit / (Loss) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited		
	(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31/03/2008.		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	(in Pound) (381225)	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in Pound) (254063)	N.A.
	(b) Dealt with in the accounts of Garware Polyester Limited, for the year ended 31/03/2008 amounted to:-		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	N.A.	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in Pound) 25000	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31/03/2008	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31/03/2008	NIL	NIL
	(1) Fixed Assets		
	(2) Investments		
	(3) Monies lent by the Subsidiary		
	(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities		

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman &
Managing Director

P. SUBBARAO
President - Finance

M. S. ADSUL
Director - Technical

MANOJ KOUL
Company Secretary &
General Manager

B. MORADIAN
Director

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GARWARE POLYESTER
LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
GARWARE POLYESTER LIMITED AND ITS SUBSIDIARIES**

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B (i) of Schedule 12 of the consolidated financial accounts as at 30th September, 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date annexed thereto.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films Inc. These financial statements have been audited by other auditors whose reports have been furnished to us for the twelve months period ended 31st March, 2008 and our opinion in so far as it relates to the amounts included in respect of subsidiaries is based solely on the reports of the other auditors and unaudited accounts for the period of 18 months ended 30th September, 2008.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of Garware Polyester Limited and unaudited Financial statements of its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of Garware Polyester Limited and other financial information of the components and accounts for the period of 18 months of its subsidiaries the said accounts read together with the notes in Schedule 12, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Garware Polyester Limited and its subsidiaries as at 30th September, 2008 ;
- b) In the case of the consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the period ended on that date;

AND

- c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the period ended on that date.

For SHAH & CO.
Chartered Accountants

(INDULAL H. SHAH)
Partner
Membership No : 798

Mumbai, 6th November, 2008

ANNUAL REPORT 2007-2008

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2008

	Schedule		As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
FUNDS EMPLOYED :				
SHAREHOLDERS' FUNDS				
Share Capital	1	7,725.83	2,177.93	
Reserves & Surplus	2	16,235.95	15,482.11	
			23,961.78	17,660.04
LOAN FUNDS				
Secured Loans	3A	40,747.05	51,550.52	
Unsecured Loans	3B	505.68	983.76	
			41,252.73	52,534.28
Deferred Tax liability			250.49	0.00
TOTAL			65,465.00	70,194.32
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	4	85,228.46	84,245.06	
Less: Depreciation		43,956.79	39,096.69	
Net Block		41,271.67	45,148.37	
Capital Work in Progress		312.93	464.75	
			41,584.60	45,613.12
INVESTMENTS	5		3,676.45	3,646.45
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	8,627.28	8,265.31	
Sundry Debtors		11,081.88	8,995.01	
Cash and Bank Balances		1,164.93	1,031.55	
Other Current Assets		2,258.91	3,809.58	
Loans and Advances		2,590.69	4,777.65	
		25,723.69	26,879.10	
Less: CURRENT LIABILITIES AND PROVISIONS	7			
Current Liabilities		3,494.20	5,213.68	
Provisions		2,058.12	910.78	
		5,552.32	6,124.46	
Net Current Assets			20,171.37	20,754.64
Deferred Tax Asset			0.00	180.11
Miscellaneous Expenditure (To the extent not written off)				
Share Issue Expenses			32.58	0.00
TOTAL			65,465.00	70,194.32

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30TH SEPTEMBER, 2008

	Schedule	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		96,845.88	58,245.12
Inter-Divisional Transfers (as per contra)		58,053.95	34,232.31
Gross Sales		154,899.83	92,477.43
Less: Excise duty		6,446.25	4,321.14
Net Sales		148,453.58	88,156.29
Other Income	8	210.90	354.24
Increase / (Decrease) in Finished and Semi-finished Goods	9	(214.87)	(412.20)
		148,449.61	88,098.33
EXPENDITURE :			
Raw Materials consumed	10	44,838.53	27,258.22
Inter-Divisional Transfers (as per contra)		58,053.95	34,232.31
Manufacturing & other expenses	11	30,404.41	18,188.22
Interest & Financial charges (Refer Note No. 11 in Schedule 12B)		7,912.20	4,726.87
		141,209.09	84,405.62
Profit before Depreciation and Tax		7,240.52	3,692.71
Depreciation		4,914.98	3,117.50
Profit before Tax		2,325.54	575.21
Less : Provision for Taxation			
Deferred Tax		430.60	182.96
Current Tax		209.19	48.13
Fringe Benefit Tax		94.00	64.51
Wealth Tax		9.13	3.81
Profit after Tax		1,582.62	275.80
Less : Extra Ordinary Items (Refer Note No. 7 (iv) in Schedule 12B)		616.00	0.00
Net Profit		966.62	275.80
Add : Balance brought forward from previous year		5,282.17	5,006.37
Profit available for appropriations		6,248.79	5,282.17
Balance carried to Balance sheet		6,248.79	5,282.17
Earning per Share {(Basic / Diluted) (Rupees) (Face value of Rs. 10/- each)}		7.05	1.26
Before Extra Ordinary Items (Not Annualised)			
Earning per Share {(Basic / Diluted) (Rupees) (Face value of Rs. 10/- each)}		4.30	1.26
After Extra Ordinary Items (Not Annualised)			
(Refer Note No. 15 in Schedule 12B)			

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit & Loss Account

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

ANNUAL REPORT 2007-2008

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-1		
SHARE CAPITAL		
Authorised:		
4,00,00,000 Equity Shares of Rs. 10/- each (Previous year 2,50,00,000)	4,000.00	2,500.00
60,00,000 Preference Shares of Rs. 100/- each raised during the period (Refer Note A below) (Previous year Nil)	<u>6,000.00</u>	<u>0.00</u>
	<u>10,000.00</u>	<u>2,500.00</u>
Issued,Subscribed and Paid-up:		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14
10,19,022 Equity Shares of Rs. 10/- each issued during the period. (Refer Note A (i) below)	<u>101.90</u>	<u>0.00</u>
	<u>2,286.04</u>	<u>2,184.14</u>
Less : Unpaid allotment call money (from others)	<u>6.21</u>	<u>6.21</u>
	<u>2,279.83</u>	<u>2,177.93</u>
54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs. 100/- each issued during the period. (Refer Note A (ii) below)	<u>5,446.00</u>	<u>0.00</u>
	<u>7,725.83</u>	<u>2,177.93</u>
Out of the above :		
(i) 16,50,600 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves.		
(ii) 6,60,000 Equity Shares of Rs. 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
(iii) 64,860 Equity Shares of Rs. 10/- each were allotted as fully paid up to Industrial Development Bank of India (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs.		
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants.		
Note (A) :		
Pursuant to the Shareholders resolutions passed in the Extra Ordinary General Meetings held on 07.11.2007 and 19.06.2008, the Company has increase its Authorised Share Capital from Rs. 2,500 Lakhs to Rs.10,000 Lakhs out of which the company has issued and allotted Equity and Preference shares as follows to Industrial Development Bank of India Ltd (IDBI) as per one time settlement (OTS) without payment being received in cash.		
(i) 10,19,022 Equity shares of Rs.10/- each at a Premium of Rs. 48.88 per share.		
(ii) 54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each. The preference shares amounting to Rs. 4,954.00 Lakhs shall be redeemed in 3 equal installments during 1st April, 2014 to 1st April, 2016 and Rs. 492.00 Lakhs shall be redeemed in one installment on 1st April, 2016. (Refer Note No. 7 (iv) (b&c) in Schedule 12 B)		
SCHEDULE-2		
RESERVES AND SURPLUS		
Share Premium :		
Balance as per last Balance Sheet	48.70	48.70
Add : Premium on equity share issued to Industrial Development Bank of India Ltd. (IDBI) (Refer Note No. A (i) in Schedule 1 and Note No. 7 (iv) b in Schedule 12B)	<u>498.10</u>	<u>0.00</u>
	<u>546.80</u>	<u>48.70</u>
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Revaluation Reserve :		
Balance as per last Balance Sheet	4,584.49	4,584.49
General Reserve :		
Balance as per last Balance Sheet	4,024.84	3,672.05
Add : Waiver of Principal loan amount from a bank (OTS)	<u>0.00</u>	<u>352.79</u>
	<u>4,024.84</u>	<u>4,024.84</u>
Less : Provision for Leave encashment as of 01.04.2007	<u>711.60</u>	<u>0.00</u>
	<u>3,313.24</u>	<u>4,024.84</u>
Foreign Currency Translation Reserve		
Balance as per last Balance Sheet	185.86	143.22
Addition / (deduction) during the period	<u>0.72</u>	<u>42.64</u>
	<u>186.58</u>	<u>185.86</u>
Profit & Loss Account	<u>6,248.79</u>	<u>5,282.17</u>
TOTAL	<u>16,235.95</u>	<u>15,482.11</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	Notes		As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-3				
A SECURED LOANS				
I. Debentures / Bonds				
(i) 12.5% Non Convertible / Privately Placed Debentures	A TO D	6,619.44	6,735.16	
Less : Redeemed during the period		<u>6,416.94</u>	<u>115.72</u>	
		202.50		6,619.44
(ii) Zero Coupon Bonds / Debentures	E	3,253.16	3,662.51	
Less : Redeemed during the period		<u>2,467.32</u>	<u>409.35</u>	
		785.84		3,253.16
(iii) Interest accrued and due		<u>21.15</u>	<u>310.35</u>	
				1,009.49
II. From Banks				
Cash / Packing Credit Accounts (Refer Note No. 7 (vi) in Schedule 12B)	F	3,426.89	6,880.65	
Working Capital Demand Loan		<u>15,915.78</u>	<u>11,632.53</u>	
				19,342.67
III. Term Loans				
(i) Financial Institutions (Foreign Currency)	G	3,700.87	7,106.19	
(ii) Bank (Rs.)	H	13,886.41	4,053.83	
(iii) Banks (Foreign Currency)	H	1,900.32	3,535.16	
(iv) Interest accrued & due		0.00	112.10	
(v) Vehicle Finance	I	<u>37.36</u>	<u>14.73</u>	
				19,524.96
IV. Deferred Interest	J	<u>869.93</u>		8032.38
Total		<u>40,747.05</u>		<u>51,550.52</u>
(Refer Note No. 7 and 8 in schedule 12B)				

- Notes :**
- (A) 12.5% Non-Convertible Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 589.27 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 202.50 Lakhs (Previous year Rs. 911.26 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 4,893.27 Lakhs) are secured by first charge/mortgage ranking pari-passu with mortgage/charge created/to be created on company's movable/immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Nil (Previous year Rs. 225.64 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) Zero Coupon Bonds / Debentures of Rs.100/- each aggregating Rs.785.84 Lakhs (Previous year Rs. 3,253.16 Lakhs). Of this, Zero Coupon Bonds/ Debentures of Rs. 61.86 Lakhs (Previous year Rs.1,947.62 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.723.98 Lakhs (Previous year Rs.1,305.54 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad and Nasik.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 3,700.87 Lakhs (Previous year Rs. 7,106.19 Lakhs) are secured / to be secured as under:
- (1) An amount of Rs. 592.86 Lakhs (Previous year Rs. 2,637.37 Lakhs) is secured by:
 - a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of ICICI Bank Limited and EXIM Bank for their Term Loans.
 - b) Hypothecation charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools & Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and/or to be created in favour of the Company's bankers on:
 - (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
 - (2) Advance against export of Rs. 1,346.82 Lakhs (Previous year Rs. 2,829.69 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
 - (3) EXIM Bank Working Capital Loan of Rs. 1,761.19 Lakhs (Previous year Rs. 1,639.13 Lakhs) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials & stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 15,786.73 Lakhs (Previous year Rs. 7,588.99 Lakhs) from Banks are secured as under :

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

- (1) Term Loans of Rs. 11,082.00 Lakhs (Previous year Nil) is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (2) Term Loans of Rs. 656.51 Lakhs out of Rs. 669.38 Lakhs (Previous year Rs. 1,355.88 Lakhs out of Rs. 1,384.19 Lakhs) is a foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (3) Term Loan of Rs. 704.47 Lakhs out of Rs. 3,496.02 Lakhs (Previous year Rs. 874.20 Lakhs out of Rs. 4,899.72 Lakhs) is a foreign currency loan. The said loan is secured by charge on the project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
- (4) Term loan of Rs. 539.33 Lakhs (Previous year Rs. 1,305.08 Lakhs) is a foreign currency loan. The same is secured by:
- a) A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of ICICI Bank Limited and EXIM Bank for their Term Loans.
- b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Vehicle Finance is secured by hypothecation of specific assets.
- (J) Funded interest outstanding as on 30th September, 2008 has been deferred on interest free basis and is secured by charge/ mortgage on the same lines as referred to the loans / debentures above.

		As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
B UNSECURED LOANS			
(i)	Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units (Amount repayable with in one year Rs. 112.93 Lakhs)	205.48	333.76
(ii)	Short Term Loan from others (Amount repayable with in one year Rs. 300.20 Lakhs)	300.20	650.00
TOTAL		<u>505.68</u>	<u>983.76</u>

SCHEDULE -4

FIXED ASSETS

		GROSS BLOCK					DEPRE- CIATION	NET BLOCK	
Sr. No.	Description of Assets	Cost/ Revaluation As at 01.04.2007	Additions during the period	Additions due to Revaluation	Sales/Transfer Adjustment during the period	Cost/ Revaluation As at 30.09.2008	Up to 30.09.2008	As at 30.09.2008	As at 31.03.2007
1.	Land (Freehold)	11,576.62	0.00		0.00	11,576.62	0.00	11,576.62	11,576.62
2.	Land (Leasehold)	1,872.79	0.00		5.29	1,867.50	0.00	1,867.50	1,872.79
3.	Buildings	7,746.24	15.66		18.00	7,743.90	4,620.09	3,123.81	3,622.88
4.	Plant & Machinery	55,146.01	867.85		12.75	56,001.11	32,549.79	23,451.32	26,604.38
5.	Electrical Installations	2,994.65	11.35		0.00	3,006.00	2,391.90	614.10	753.92
6.	Moulds	287.54	0.00		0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	330.80	19.58		0.00	350.38	190.53	159.85	175.78
8.	Furniture & Fixtures	517.30	15.35		0.44	532.21	431.77	100.44	116.01
9.	Office Equipments	485.62	23.13		0.00	508.75	371.66	137.09	146.94
10.	Vehicles	326.33	80.45		61.71	345.07	254.96	90.11	55.54
11.	Capital Expenditure On Research & Development	216.41	2.19		0.00	218.60	206.45	12.15	17.39
12.	Data Processing Equipments	1,156.53	46.03		0.00	1,202.56	1,089.77	112.79	162.52
13.	Expenditure On Tech. know-how/Product Development	1,430.76	0.00		0.00	1,430.76	1,404.87	25.89	43.60
14.	Copyrights	157.46	0.00		0.00	157.46	157.46	0.00	0.00
	Total	84,245.06	1,081.59	0.00	98.19	85,228.46	43,956.79	41,271.67	45,148.37
	Previous Year	73,069.74	6,643.26	4,584.49	52.43	84,245.06	39,096.69	45,148.37	37,051.59
	Capital Work-in-Progress							312.93	464.75

NOTES :

- The Free hold land includes Rs. 4,584.49 Lakhs on account of revaluation of land at Vile Parle, Mumbai as at 31st March, 2007.
- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
 - on Capital Expenditure on R & D and Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to lease hold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
SCHEDULE-5		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENT		
A. In Government Securities (Unquoted) :		
1. 10 Years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	-	-
2. 7 Years National Savings Certificates of the face value of Rs. 0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-	-
	-	-
B. In Shares :		
I. Quoted		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01
2. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up.	-	-
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
	56.81	56.81
II. Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs.10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd. of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 20,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	5.00	5.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi Co-op. Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. (a) 2,97,76,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.	2,277.19	2,277.19
(b) 5,60,000 Equity shares (Previous year Nil) of Garware Chemicals Ltd. of the face value of Rs. 10/- each fully paid up. Acquired during the period as per agreement for purchases of shares with Industrial Development Bank of India Ltd.	30.00	0.00
9. 1,29,69,000 0.01% Optional Convertible Cumulative Redeemable Preference shares (Previous year 1,29,69,000 OCCRP shares) of Garware Chemicals Ltd., of the face value of Rs. 10/- each, fully paid up.	1,296.90	1,296.90
	3,619.64	3,589.64
TOTAL	3,676.45	3,646.45
	Market Value	Market Value
NOTE : Aggregate amount of company's investments.	56.81	56.81
	303.80	386.96
	3,619.64	3,589.64
TOTAL	3,676.45	3,646.45

SCHEDULE-6
CURRENT ASSETS, LOANS & ADVANCES
A) CURRENT ASSETS:
I. Inventories :

(As taken, valued & certified by the Management)

a) Stores, Spare parts & Packing materials (At Cost)	2,385.98	2,203.14
b) Stock-in-trade		
(i) Raw Materials (At cost)	1,384.15	990.15
(ii) Finished goods (At cost or market value whichever is lower)	1,753.99	1,892.91
(iii) Semi-finished goods (At cost)	2,883.94	3,057.39
(iv) Stock in Transit	219.22	121.72
	8,627.28	8,265.31

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

Schedule-6 (Contd.)	As at 30.09.2008 (Rs. in Lakhs)	As at 31.03.2007 (Rs. in Lakhs)
II. Sundry Debtors :		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted) (Refer Note No. 6 in Schedule 12B)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	2.31	6.37
(ii) Considered Doubtful	<u>538.61</u>	<u>504.43</u>
	540.92	510.80
Less : Provision for Doubtful Debts	<u>538.61</u>	<u>504.43</u>
	2.31	6.37
(b) Other Debts (Including Rs. 6,010.42 Lakhs due from Associate Companies, Previous year Rs. 4,237.93 Lakhs)	<u>11,079.57</u>	<u>8,988.64</u>
	11,081.88	8,995.01
III. Cash and Bank Balances :		
(a) Cash on hand	19.31	23.63
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	981.44	854.27
In Margin Account	97.17	144.14
In Deposit Accounts	57.64	0.00
In Unclaimed Dividend Account	<u>9.37</u>	<u>9.51</u>
	1,164.93	1,031.55
IV. Other Current Assets:		
(a) Export benefits / Incentives receivable	840.79	1,080.04
(b) Other receivables	<u>1,418.12</u>	<u>2,729.54</u>
	2,258.91	3,809.58
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs. Nil due from Associate Company, Previous year Rs. 150.00 Lakhs)	1,013.08	919.87
(ii) Short Term Deposit (Earmarked for Specific Project)	0.00	2,022.33
(iii) Sacrifice / Premium on restructured Term loans	0.00	224.00
(iv) Advance against Capital Expenditure	10.82	24.74
(v) Deposits with Customs & Excise authorities	151.10	261.00
(vi) Deposits with others	95.33	305.22
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	<u>1,320.36</u>	<u>1,020.49</u>
	2,590.69	4,777.65
TOTAL	<u>25,723.69</u>	<u>26,879.10</u>

SCHEDULE -7

CURRENT LIABILITIES AND PROVISIONS :

A) Current Liabilities :		
(i) Sundry Creditors (Including Rs. Nil, Previous year Rs. 52.98 Lakhs due to Associate Company)	2,060.07	4,344.60
(ii) Other Liabilities (Including Rs. 18.65 Lakhs due to Directors, Previous year Rs. 2.33 Lakhs)	930.54	714.99
(iii) Deposits and advances from customers & others	491.66	142.11
(iv) Unclaimed Dividend	9.79	9.84
(v) Unclaimed Debenture & Interest	<u>2.14</u>	<u>2.14</u>
	3,494.20	5,213.68
B) Provision		
(i) Provision for Taxation (MAT)	962.98	745.27
(ii) Provision for Fringe Benefit Tax (FBT)	259.51	165.51
(iii) Provision for Leave encashment / Gratuity	<u>835.63</u>	<u>0.00</u>
	2,058.12	910.78
TOTAL	<u>5,552.32</u>	<u>6,124.46</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2007-2008 18 Months (Rs. in Lakhs)	2006-2007 12 Months (Rs. in Lakhs)
SCHEDULE-8		
OTHER INCOME		
Insurance claims	7.93	20.14
Income from Investments (Gross)	20.42	28.70
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs. 4.84 Lakhs, Previous year Rs. 4.54 Lakhs)	21.67	21.22
Miscellaneous income	95.47	72.71
Other income	1.16	0.00
Profit on sale of fixed assets (Net)	4.16	2.14
Provision for doubtful debts no longer required	14.80	0.00
Less : Bad Debts written off	<u>0.80</u>	<u>0.00</u>
	14.00	0.00
Excess Provision / Sundry Credit Balances written back	27.84	44.79
Rent (Tax deducted at source Rs. 0.61 Lakh Previous year Rs. 0.40 Lakh)	6.30	4.20
Sales Tax / Excise refund	11.95	0.23
Gain on Exchange Rate Fluctuations	0.00	160.11
TOTAL	<u>210.90</u>	<u>354.24</u>
SCHEDULE-9		
INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS		
Opening Stock:		
Finished goods	2,014.63	2,221.55
Semi finished goods	<u>3,057.39</u>	<u>3,262.67</u>
	5,072.02	5,484.22
Closing Stock:		
Finished goods	1,973.21	2,014.63
Semi finished goods	<u>2,883.94</u>	<u>3,057.39</u>
	4,857.15	5,072.02
Increase / (Decrease)	<u>(214.87)</u>	<u>(412.20)</u>
SCHEDULE-10		
RAW MATERIALS CONSUMED		
Opening Stock	990.15	1,265.95
Add: Purchases and Expenses	<u>45,232.53</u>	<u>26,982.42</u>
	46,222.68	28,248.37
Less: Closing Stock	<u>1,384.15</u>	<u>990.15</u>
TOTAL	<u>44,838.53</u>	<u>27,258.22</u>
(Refer Note No. 20 in Schedule 12B)		
SCHEDULE-11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses :		
Stores, Spares and Packing Materials Consumed (Net)	4,235.75	2,557.48
Power and Fuel	8,434.06	5,002.65
Processing Charges	2,427.22	1,265.14
Water Charges	<u>162.36</u>	<u>77.63</u>
	15,259.39	8,902.90
B. Employees' Remuneration & Benefits :		
Salaries, Wages and Bonus	3,816.15	2,175.62
Contribution to Provident and Other Funds	828.41	398.84
Staff Welfare Expenses	<u>340.97</u>	<u>235.54</u>
	4,985.53	2,810.00
Less : Surrender value of Key man insurance	<u>0.00</u>	<u>106.25</u>
	4,985.53	2,703.75
C. Administrative, Selling and General Expenses :		
Rent, Hire charges and Compensation (Net)	107.66	85.76
Rates, Taxes and Licence Fees	74.29	46.07
Insurance (Net)	346.95	432.50
Freight and Forwarding (Net)	2,623.33	1,733.37
Research and Development Expenses	210.67	251.18
Repairs and Maintenance of :		
(i) Plant and Machinery	773.22	511.15
(i) Buildings	321.81	256.55
(iii) Other Assets	<u>643.85</u>	<u>448.28</u>
	1,738.88	1,215.98

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd.)

	2007-2008 18 Months (Rs. in Lakhs)	2006-2007 12 Months (Rs. in Lakhs)
Schedule-11 (Contd.)		
Advertisement Expenses	366.44	194.06
Sales Tax / VAT	86.90	117.45
Travelling & Conveyance	770.64	488.50
Postage, Telegrams & Telephones	204.57	160.62
Lease Rentals	55.37	55.49
Commission on Sales	153.78	131.21
Donations	25.61	45.77
Legal and Professional Charges (Refer Note No.10 in Schedule 12 B)	1,118.06	497.63
Auditors' Remuneration		
(i) Audit fees	20.10	21.82
(ii) Tax Audit fees	6.00	3.60
(iii) For Certification / Others	5.15	4.10
(iv) Reimbursement of out of pocket Expenses	0.35	0.24
	<u>31.60</u>	29.76
Miscellaneous Expenses	1,410.90	913.33
Provision for doubtful debts	48.98	1.38
Loss on Swap / Exchange Rate Fluctuations	46.70	0.00
	<u>9,421.33</u>	6,400.06
D. Managerial Remuneration :		
(a) To Managing Director & Joint Managing Directors :		
(i) Salary	360.00	328.00
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	111.60	101.68
(iii) Other Perquisites	107.05	104.56
(iv) Leave salary	13.22	0.00
	<u>591.87</u>	534.24
(b) To Whole Time Director :		
(i) Salary	122.32	87.29
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	5.05	5.15
(iii) Other Perquisites	9.74	4.73
(iv) Leave salary / Encashment	7.18	0.00
	<u>144.29</u>	97.17
	<u>736.16</u>	631.41
Less : Surrender value of Key man insurance	0.00	451.38
	<u>736.16</u>	180.03
(c) Directors' sitting fees	2.00	1.48
	<u>738.16</u>	181.51
TOTAL	<u><u>30,404.41</u></u>	<u><u>18,188.22</u></u>

SCHEDULE-12:
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS :
A. SIGNIFICANT ACCOUNTING POLICIES
1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation Reserve Account.

Depreciation / Amortisation is provided as follows:

- On Technical Know-how / Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum.
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.

Schedule-12 (Contd.)

In respect of subsidiaries :

– **Garware Polyester International Ltd.(GPIL)**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each assets over its expected useful life, as follows :

Land and buildings leasehold	-	Straight line over the life of the lease
Furniture, fittings and equipment	-	25% Reducing balance

– **Global Pet Films, Inc. (GPF)**

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using Straight Line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost for organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on straight line basis over the economic useful life of 5 years.

3. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

4. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

In respect of subsidiary Garware Polyester International Ltd, stock is valued at the lower of cost and net realisable value.

In respect of ultimate subsidiary Global Pet films Inc. inventories are stated at the lower of cost (determined by FIFO method) or market (net realizable) value.

5. Foreign Currency Transactions

– During the year, foreign currency transactions relating to purchases of goods and services are translated at the rate prevailing at the time of settlement of the transactions.

– Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss / gain, arising from such transaction, is charged to the relevant revenue heads in the Profit and Loss Account.

– a) Hitherto Foreign Currency loans for financing fixed assets outstanding at the close of the financial year were recognized at the contracted and / or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.

– b) Pursuant to the adoption of accounting standard as prescribed by the Companies (Accounting Standards) Rules 2006 issued by Ministry of Corporate Affairs vide Notification No. G.S.R. 739 (E) dated 07.12.2006 and as required by Accounting Standard 11 (Revised 2003) "The effect of changes in Foreign Exchange Rates", the gain or loss due to fluctuations in exchange rates resulting in decrease / increase in foreign currency loan liability is charged to profit and loss account with effect from 1st April 2007. Due to this change in method of accounting, the net profit for the period is lower by Rs. 50.76 Lakhs.

– Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.

– Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

– In case of Garware Polyester International Ltd., monetary assets and liabilities denominated in foreign currencies are translated in to sterling at the rates of exchange ruling at the balance sheet date. The transactions in foreign currencies are recorded at the rate ruling at the date of transactions. All differences are taken to Profit and Loss accounts.

6. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.

7. Duties

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

8. Employment Benefits

a) Short Term Employment Benefits :-

All employee benefits paid / payable wholly within 12 months of rendering the service are classified as Short Term Employee Benefits. Benefits such as salaries, wages, short term compensated absences, etc and the expected cost of bonus, Ex-gratia, Medical, LTA are recognized in the period in which the employee renders the related service and charged to profit & loss account.

b) Defined Contribution Plans:

Company's Contributory Plans with Employee Provident Fund in accordance with EPF Act 1952 & ESIC Schemes in accordance with ESIC Act 1948 under Government Administer Schemes and for certain employees are covered under the Contributory plans with the trust "Garware Polyester Limited Office Staff & Officers Provident Fund" Contributions are accounted on accrual / paid basis and charged to Profit & Loss Account.

c) Defined Benefit Plans:

1) Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India on accrual basis. Gratuity plans are determined by actuarial valuation by using the projected unit credit method.

2) Leave encashment benefits are accounted for on accrual / paid basis.

9. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

In case of GPIL rentals payable under operating leases are charged against income on a straight line basis over the lease term.

10. Contingent Liabilities

No provision is made for liabilities, which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

11. Research and Development

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

Schedule-12 (Contd.)

12. Revenue Recognition

a) Sales:

Sales are accounted for inclusive of excise duty and VAT / sales tax (wherever not charged separately), and are net of discounts and returns.

In respect of subsidiaries turnover represents amount receivable for goods and services net of VAT and trade discounts.

In respect of Global Pet Films Inc., revenues from product sales to customers are recognized when products are shipped to customers.

b) Export Benefits:

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme / other benefits are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

13. Taxation

a) Deferred Tax is recognized considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.

b) Current Taxes are provided based on taxable income as per the provisions of Income Tax Act, 1961.

c) Provision for fringe benefit tax (FBT) is computed as per the provisions of Income Tax Act, 1961.

d) In respect of subsidiary GPIL, the accounting policy in respect of deferred tax has been charged to reflect the requirements of FRS19-Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

14. Borrowing Cost:

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalised as part of the cost of fixed assets, other borrowing costs are charged to revenue.

15. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

16. Purchases :

In case Global Pet Films Inc., purchases are recorded in books only when received in company warehouse and or received at Customs warehouse located at the port of destination.

17. Use of Estimates :

In case of Global Pet Films Inc, the preparation of financial statements in conformity with generally accepted accounting principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

18. Accounts Receivable :

In case of Global Pet Films Inc, the accounts receivable balance (Gross) as of 30th September, 2008 was \$ 967,993.40 (Rs. 454.38 Lakhs) and Coface Factoring receivable balance as of 30th September, 2008 was \$48,239.59 (Rs. 22.64 Lakhs). The company has created appropriate provision in the amount of \$ 96,414.77 (Rs. 45.28 Lakhs) for doubtful and bad accounts.

As of February 2008, the Company has entered into factoring arrangement with Coface for some of its customers. The company collects 84% of customer invoices within 5 days from the date of those customer accounts are assigned to Coface and the remainder of balances are paid by Coface on due date of those invoices after deducting interest and bank charges.

19. In case of Global Pet Film Inc. cash and cash equivalents include money market instruments.

B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT :-

1. The subsidiary companies considered in the consolidated financial statements are:

Name of the company	Country of Incorporation	Percentage of voting Power	Financial Year
Direct Subsidiary Garware Polyester International Ltd.	United Kingdom	100%	April 07-March 08
Indirect Subsidiary Subsidiary of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100%	April 07-March 08

2. Principles of Consolidation :

(i) Consolidated financial statements are done in accordance with the AS-21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statement of Garware Polyester International Ltd. for the period ended 31st March, 2008 and necessary adjustments / additions that have been incorporated to give effect to all transaction occurred between the period from 01/04/2008 to 30/09/2008 as per the reporting period of the parent company.

(ii) The financial statements of the company and the subsidiaries have been combined to the extent possible on a line-by-line basis, by adding together like items of assets, liabilities, income and expenses. All significant intra group balances and transactions have been eliminated on consolidation.

(iii) In respect of subsidiaries, transactions of Profit and Loss account and items of the Balance Sheet have been translated into Indian Rupees at the closing exchange rate of respective currencies prevailing as at 30th September, 2008 except for subsidiary's share capital.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1,003.07 Lakhs (Previous year Rs. 473.35 Lakhs) against which an advance of Rs. 10.82 Lakhs (Previous year Rs. 24.74 Lakhs) has been paid.

4. The Company has given counter-guarantees for Rs. 1,004.56 Lakhs (Previous year Rs. 952.97 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.

Schedule-12 (Contd.)

5. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs. 13,815.28 Lakhs (Previous year Rs. 9,564.97 Lakhs).
6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 3,408.16 Lakhs (Previous year Rs. 5,294.41 Lakhs).
7. Secured Loans :
- (i) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 10,653.88 Lakhs was redeemed up to the period ended 30.9.2008 including of Rs. 6,416.94 Lakhs redeemed during the current accounting period. (Previous year Rs. 115.72 Lakhs).
- (ii) Zero Coupon Bonds of Rs. 785.84 Lakhs are repayable as under:
Rs. 440.98 Lakhs is repayable to EXIM Bank in quarterly installments till 1st January, 2010 and balance Rs. 344.86 Lakhs is repayable in quarterly installments with premium of Rs. 310.64 Lakhs till 1st January, 2012.
- (iii) Amount of Term Loans / Debentures/ Zero Coupon Bond repayable within one year is Rs. 4,848.17 Lakhs (Previous year Rs. 8,120.08 Lakhs).
- (iv) The company has done one time settlement (OTS) with Industrial Development Bank of India Limited (IDBI) against their outstanding loans of Rs. 13,585.82 Lakhs including deferred interest. Further Rs. 616 Lakhs was payable to IDBI by way of sacrifice. However it was agreed to pay Rs. 13,977.82 Lakhs as under:
(a) Rs. 7,931.82 Lakhs paid during the period.
(b) Rs. 600 Lakhs by issuing 10,19,022 Equity Shares of Rs. 10/- each at a premium of Rs. 48.88 per share and
(c) Rs. 5,446 Lakhs by way of issuing 54,46,000 0.01% cumulative redeemable preference shares of Rs. 100/- each.
Rs. 616 Lakhs sacrifice referred above has been charged to Profit and Loss Account and shown under the head "Extra Ordinary Item". This includes Rs. 224 Lakhs paid in the prior year, which was shown as Advance under Loans and Advances in Schedule 6. Balance of Rs. 392 Lakhs is included in Rs. 5,446 Lakhs under (iv)(c) above.
- (v) The company has also done one time settlement (OTS) with Unit Trust of India (UTI) against their outstanding loans of Rs. 1,672.78 Lakhs including of deferred interest and agreed to settle the dues as follows:
(a) Rs. 1,250 Lakhs by Bankers cheque
(b) Issue of 2,00,000 Equity Shares of Rs. 10/- each at the premium to be decided as per SEBI guidelines. This is subject to the approval of the members at the ensuing Annual General Meeting to be held in December, 2008.
(c) Rs. 342.78 Lakhs by waiver of accrued interest.
- (vi) Cash / Packing credit accounts includes Rs. 1,375.94 Lakhs for Bills Discounting with banks for bills raised on subsidiary and ultimate subsidiary companies.
8. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.
As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the period, as the balance in the Debenture Redemption Reserve account will meet the requirement.
9. Contingent liability not provided for:

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
a) Disputed matters in appeal / contested in respect of:		
Income Tax	13.61	13.61
Excise Duty	39.02	39.02
Sales Tax	17.13	17.13
b) Claims against the company not acknowledged as debts	0.00	0.00

10. Legal and Professional Charges include Rs. 5.15 Lakhs (Previous year Rs. 5.09 Lakhs) paid to some of the Partners of the Auditors for other services & Rs. 4.59 Lakhs paid to a firm in which one of the Director is a partner. (Previous year Rs. Nil).
11. Break up of Interest and financial charges are:

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
On Secured Loans	2,754.43	876.43
On Debentures	331.77	834.95
Other Interest (Net) #	4,421.24	2,601.35
Financial Charges	<u>898.53</u>	<u>642.47</u>
Sub Total	8,405.97	4,955.20
Less: Waiver *	<u>493.77</u>	<u>228.33</u>
Total	7,912.20	4,726.87

* Waiver of interest on one time settlement (OTS) from a Bank & financial Institution amounting to Rs. 493.77 Lakhs (Net) (Previous year Rs. 228.33 Lakhs)

Other Interest (Net) after adjusting the capitalization of interest for project amounting to Rs. NIL (Previous year Rs. 95.89 Lakhs).

12. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs.1,746.51 Lakhs (Previous year Rs. 896.42 Lakhs) against export effected during the period has been credited to Export Benefits earned account which has been included in sales.

Schedule-12 (Contd.)

13. Segment Reporting:

- a) The company is only in one line of business namely - Polyester film.
 b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-
 i) Revenue within India includes sales to customers located within India.
 ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2007-08 18 Months (Rs. in Lakhs)			2006-07 12 Months (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	47,912	48,934	96,846	30,349	27,896	58,245
Amount of Segment Assets by location of assets. (Net Value)	23,451	-	23,451	26,604	-	26,604

14. Related Party Disclosures.

a) List of Related Parties.

- Associate Companies : Garware Industries Limited & Garware Chemicals Limited
 Key Management Personnel : 1) Shri S. B.Garware
 2) Mrs. Monika Garware Modi
 3) Ms. Sarita Garware
 4) Ms. Sonia S.Garware

b) Transaction with Related Parties

	2007-08 18 Months (Rs. in Lakhs)*	2006-07 12 Months (Rs. in Lakhs)*
(i) Sale of Goods / Capital Item: Associate Company	489.86	1,481.28
(ii) Purchase of Materials and Capital items: Associate Companies	8.35	9,953.64
(iii) Services Received / Processing Charges: Associate Companies	2,388.32	1,196.89
(iv) Services Rendered: Associate Company	762.08	1,331.27
(v) Balances [Dr. / (Cr.)] Associate Company	6,010.42	4,334.95
(vi) Services Received In case of GPIL, Amount paid to Bhagani & Co. is controlled by Mr A B Bhagani. (Director)	8.26	17.56
(vii) Balances [Dr. / (Cr.)] Ms. S. Garware	(2.65)	(2.33)
(viii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

* Figures are on gross basis (Including taxes and duties)

15. Earning Per Share :

	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
Profit for the period	2,325.54	575.21
Less: Deferred Tax	430.60	182.96
Less: Current Income Tax	209.19	48.13
Less: Fringe Benefit Tax	94.00	64.51
Less: Wealth Tax	9.13	3.81
Less: Extra ordinary item	616.00	0.00
Profit attributable to equity shareholders	966.62	275.80
Weighted average number of Equity Shares of Rs.10/- each fully paid	2,24,64,100	2,18,41,364
Earning per share (Rupees) before extra ordinary item (Not Annualised)	7.05	1.26
Earning per share (Rupees) after extra ordinary item. (Not Annualised)	4.30	1.26

Schedule-12 (Contd.)

16. Deferred Tax :

- a) Deferred Tax Liability of Rs. 430.60 Lakhs is provided in the current period, (Previous year Rs.182.96 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- b) Major components of deferred tax arising as at 30th September, 2008 are given here below.

Deferred Tax Assets / (Liability)	2007-08 18 Months (Rs. in Lakhs)	2006-07 12 Months (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	356.18	2,926.74
Unabsorbed Business Losses, Depreciation & Capital Losses	4,643.21	3,322.92
Others	<u>279.63</u>	<u>222.16</u>
Deferred Tax Asset	5,279.02	6,471.82
Less: Deferred Tax Liability:		
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	(ii) 5,529.51	6,291.71
Deferred Tax Asset/ (Liability) (Net)	(i)-(ii) (250.49)	180.11

17. Disclosure as per AS-15 (Revised) on "Employee Benefit" for the period ended 30th September, 2008.

	Gratuity* (Funded) 2007-08 (18 Months) Rs. in Lakhs	Leave Encashment (Unfunded) 2007-08 (18 Months) Rs. in Lakhs
Change in the defined benefit obligations		
Defined benefit obligations as at 1 st April, 2007	759.01	711.60
Service cost	95.55	43.04
Interest cost	85.40	83.26
Actuarial Loss / (Gain)	32.24	(23.22)
Benefits paid	(106.82)	(35.42)
Defined benefit obligations as at 30 th September, 2008 (a)	865.37	779.26
Change in plan assets		
Fair Value of plan assets as at 1 st April, 2007	406.08	0.00
Expected return on plan assets	72.84	0.00
Contributions by employer	436.90	35.42
Actuarial Gain / (Loss)	0.00	0.00
Benefits paid	(106.82)	(35.42)
Fair value of plan assets as at 30 th September, 2008 (b)	809.00	0.00
Present Value of un funded obligations (a-b)	56.37	779.26
The Amount recognized in statement of Profit and Loss for the year ended 30 th September, 2008 is as follows:		
Current service cost	95.55	43.04
Interest cost	85.40	83.26
Expected return on plan assets	(72.84)	0.00
Net Actuarial Loss / (Gain) recognized	32.24	(23.22)
Net amount recognized	140.34	103.08
Actual Return on Plan Assets	0.00	0.00
The principal actuarial assumptions used as at 30 th September, 2008 are as follows:		
Discount Rate	8%	8.00%
Expected rate of return on plan assets		
Withdrawal rate	1% to 3% depending on age	Up to Age 35 : 5% 36-50 : 2% 51 & above : 1%
Rate of increase in compensation levels	5.00%	5.00%

* Figures for the period ended 30th September, 2008 has been worked out based on actuarial valuation as on 31st March, 2008.

18. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report, there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
19. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
20. Raw materials consumed includes expenses for clearing , warehousing and duty etc. on goods received from parent company by subsidiary and ultimate subsidiary.
21. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current period. Figures of the current period are for eighteen months hence not comparable with the figures of the previous year.

ANNUAL REPORT 2007-2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Period ended 30.09.2008 18 Months (Rs. in Lakhs)	Year ended 31.03.2007 12 Months (Rs. in Lakhs)
A. Cash flow from operating activities :		
Net Profit before tax and extraordinary items	2,325.54	575.21
Add: Depreciation	4,914.98	3,117.50
Interest expenses - Net	7,912.20	4,726.87
Loss on Exchange Rate Fluctuations	46.70	0.00
Extra Ordinary Item (Waiver of Principal Amount from a Bank-OTS)	0.00	352.79
Provision for leave encashment	124.03	0.00
Sub Total	<u>12,997.92</u>	<u>8,197.16</u>
Total	15,323.45	8,772.37
Less: Interest income	21.67	21.22
Gain on Exchange Rate Flutuations	0.00	160.11
Profit on sale of fixed assets	4.16	2.14
Dividend received/Income from Investment	20.42	28.70
Extra Ordinary Items (Refer Note No. 7 (iv) in Schedule 12 B)	616.00	0.00
Sundry balances Written Back (Net)	27.84	44.79
Rent	6.30	4.20
Sub Total	<u>696.39</u>	<u>261.16</u>
Operating profit before working capital changes.	14,627.06	8,511.21
Adjustments for :		
Transfer to foreign currency transaltion reserve	0.72	42.64
(Increase)/Decrease in trade/other receivable (Net)	1,950.63	1,147.75
(Increase)/Decrease in inventories	(361.97)	1,131.66
Increase /(Decrease) in trade/other payables	(1,683.07)	661.98
Cash generated from operations	14,533.37	11,495.24
Direct taxes refund/(paid)(Net)	(309.00)	(208.44)
Net cash inflow/(outflow) from operations	14,224.37	11,286.80
B. Cash flow from investing activities :		
Purchase of fixed assets	(923.84)	(5,490.40)
Purchases of Investments	(30.00)	(4.00)
Sale proceeds of fixed assets	41.54	14.73
Interest received	21.67	21.22
Loss on Exchange Rate Fluctuations	(46.70)	0.00
Gain on Exchange Rate Flutuations	0.00	160.11
Dividend received/Income from Investment	20.42	28.70
Rent	6.30	4.20
Net cash inflow/(outflow) from investing activities	(910.61)	(5,265.44)
C. Cash flow from financing activities :		
Proceeds from issue of shares	6,046.00	0.00
Interest / Financial Charges	(8,313.50)	(5,015.52)
Repayment of borrowings - secured	(11,231.66)	(1,264.05)
Proceeds/(repayments) of borrowings-unsecured	(478.08)	(35.54)
Cash credit accounts	829.49	241.82
Dividend paid (Including corporate dividend tax)	(0.05)	(0.59)
Miscellaneous expenditure (to the extent not written off)	(32.58)	0.00
Net cash inflow/(outflow) from financing activities	(13,180.38)	(6,073.88)
Net increase / (decrease) in cash and cash equivalents	133.38	(52.52)
Cash and cash equivalents as at opening		
Cash and bank balances	1,031.55	1,084.07
Cash and cash equivalents as at closing		
Cash and bank balances	<u>1,164.93</u>	<u>1,031.55</u>
	<u>133.38</u>	<u>(52.52)</u>

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

P. SUBBARAO
President - Finance

MANOJ KOUL
Company Secretary &
General Manager

Mumbai, 6th November, 2008

1

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended 31 March 2008.

Principal activities and review of the business

The principal activity of the group continued to be that of distribution of industrial polyester film.

The results for the year and the financial position at the year end were considered to be unsatisfactory by the directors. They expect increased turnover and profitability in the foreseeable future.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 April, 2007:

Mr A B Bhagani (Resigned 28 July 2008)
Mr S Garware
Ms S Garware
Mr B D Doshi
Mr V K Nair

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that MCT Partnership be reappointed as auditors of the company will be put to the Annual General Meeting.

2

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Mr V K Nair
Director

3

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements of Garware Polyester International Limited for the year ended 31 March 2008 set out on pages 5 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

4

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

MCT Partnership

17 October 2008

Chartered Accountants
Registered Auditors

1 Warner House
Harrobian Business Village
Bessborough Road,
Harrow Middlesex HA1 3EX

GARWARE POLYESTER INTERNATIONAL LIMITED

5

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Turnover	2	8,965,246	10,788,268
Cost of sales		(8,323,874)	(9,920,247)
Gross profit		641,372	868,021
Selling and distribution costs		(336,307)	(262,934)
Administrative expenses		(726,927)	(610,954)
Other operating income		39,909	250
Operating loss	3	(381,953)	(5,617)
Other interest receivable and similar income	4	8,752	21,409
(Loss)/profit on ordinary activities before taxation		(373,201)	15,792
Tax on (loss)/profit on ordinary activities	5	(8,024)	(1,036)
(Loss)/profit on ordinary activities after taxation	12	(381,225)	14,756

The profit and loss account has been prepared on the basis that all operations are continuing operations.

6

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
(Loss)/profit for the financial year		(381,225)	14,756
Currency translation differences on foreign currency net investments		86,255	(3,819)
Total recognised gains and losses relating to the year		(294,970)	10,937

7

GROUP BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 £		2007 £	
Fixed assets					
Tangible assets	6	12,754		13,657	
Current assets					
Stock	8	1,652,642	1,610,274		
Debtors	9	678,958	943,520		
Cash at bank and in hand		454,745	810,099		
		2,786,345	3,363,893		
Creditors: amounts falling due within one year	10	(2,716,907)	(3,004,207)		
Net current assets		69,438	359,686		
Total assets less current liabilities		82,192	373,343		
Capital and reserves					
Called up share capital	11	250,000	250,000		
Other reserves	12	86,255	(3,819)		
Profit and loss account	12	(254,063)	127,162		
Shareholders' funds - equity interests	14	82,192	373,343		

The financial statements were approved by the Board on 15th October, 2008

Mr V K Nair
Director

8

COMPANY BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 £		2007 £	
Fixed assets					
Tangible assets	6	11,010		13,657	
Investments	7	62,046		62,046	
		73,056		75,703	
Current assets					
Stock	8	372,997	190,626		
Debtors	9	331,617	94,906		
Cash at bank and in hand		383,354	698,123		
		1,087,968	983,655		
Creditors: amounts falling due within one year	10	(732,463)	(661,262)		
Net current assets		355,505	322,393		
Total assets less current liabilities		428,561	398,096		
Capital and reserves					
Called up share capital	11	250,000	250,000		
Profit and loss account	12	178,561	148,096		
Shareholders' funds - equity interests	13	428,561	398,096		

Approved by the Board and Authorised for issue on 15th October, 2008

Mr V K Nair
Director

9

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2008 £		2007 £	
Net cash outflow from operating activities		(360,054)		(6,234)
Returns on investments and servicing of finance				
Interest received		8,752	21,409	
Net cash inflow for returns on investments and servicing of finance		8,752	21,409	
Capital expenditure				
Payments to acquire tangible assets		(5,273)	(134)	
Net cash outflow for capital expenditure		(5,273)	(134)	
Net cash (outflow) / inflow before management of liquid resources and financing		(360,469)	16,731	
(Decrease) / increase in cash in the year		(360,469)	16,731	

10

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2008 £		2007 £	
1 Reconciliation of operating loss to net cash outflow from operating activities				
Operating loss		(381,953)	(5,617)	
Depreciation of tangible assets		6,176	6,574	
(Increase) / decrease in stock		(42,368)	34,860	
Decrease / (increase) in debtors		264,562	(133,828)	
(Decrease) / increase in creditors within one year		(296,545)	74,717	
Net effect of translation differences		90,074	17,060	
Net cash outflow from operating activities		(360,054)	(6,234)	
2 Analysis of net funds	1 April 2007	Cash flow	Other non-cash changes	31 March 2008
	£	£	£	£
Net cash:				
Cash at bank and in hand	810,099	(355,354)	-	454,745
Bank overdraft	(3,782)	(5,115)	-	(8,897)
Net funds	806,317	(360,469)	-	445,848
3 Reconciliation of net cash flow to movement in net funds			2008 £	2007 £
(Decrease) / increase in cash in the year			(360,469)	16,731
Movement in net funds in the year			(360,469)	16,731
Opening net funds			806,317	789,586
Closing net funds			445,848	806,317

11

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	Straight line over life of lease
Fixtures, fittings and equipment	25% Reducing balance

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Class of business	Turnover	
	2008	2007
	£	£
Foreign sales	8,386,883	9,831,611
UK sales	578,363	956,657
	<u>8,965,246</u>	<u>10,788,268</u>

12

3 Operating loss

	2008	2007
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	6,176	6,574
Operating lease rentals	39,037	72,163
Auditors' remuneration	6,300	6,450
	<u>51,513</u>	<u>85,187</u>

4 Investment income

	2008	2007
	£	£
Bank interest	8,752	21,335
Other interest	-	74
	<u>8,752</u>	<u>21,409</u>

5 Taxation

	2008	2007
	£	£
Domestic current year tax		
U.K. corporation tax	5,166	1,036
Adjustment for prior years	2,858	-
Current tax charge	<u>8,024</u>	<u>1,036</u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(373,201)	15,792
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2007: 19.00%)	<u>(74,640)</u>	<u>3,000</u>
Effects of:		
Depreciation add back	1,235	1,249
Capital allowances	(710)	(556)
Tax losses utilised	(3,009)	-
Adjustments to previous periods	2,858	-
Other tax adjustments	82,290	(2,657)
	<u>82,664</u>	<u>(1,964)</u>
Current tax charge	<u>8,024</u>	<u>1,036</u>

13

6 Tangible fixed assets Group

	Land and buildings leasehold	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2007	9,100	27,701	36,801
Exchange differences	-	(56)	(56)
Additions	-	5,273	5,273
At 31 March 2008	<u>9,100</u>	<u>32,918</u>	<u>42,018</u>
Depreciation			
At 1 April 2007	6,066	17,078	23,144
Exchange differences	-	(56)	(56)
Charge for the year	3,034	3,142	6,176
At 31 March 2008	<u>9,100</u>	<u>20,164</u>	<u>29,264</u>
Net book value			
At 31 March 2008	<u>-</u>	<u>12,754</u>	<u>12,754</u>
At 31 March 2007	<u>3,034</u>	<u>10,623</u>	<u>13,657</u>
Company	Land and buildings leasehold	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 April 2007	9,100	20,542	29,642
Additions	-	3,437	3,437
At 31 March 2008	<u>9,100</u>	<u>23,979</u>	<u>33,079</u>
Depreciation			
At 1 April 2007	6,066	9,919	15,985
Charge for the year	3,034	3,050	6,084
At 31 March 2008	<u>9,100</u>	<u>12,969</u>	<u>22,069</u>
Net book value			
At 31 March 2008	<u>-</u>	<u>11,010</u>	<u>11,010</u>
At 31 March 2007	<u>3,034</u>	<u>10,623</u>	<u>13,657</u>

14

7. Fixed asset investments Company

Cost
At 1 April 2007 and 31 March 2008 62,046

Holdings of more than 20%

The company holds more than 20% of the share capital of the following company;

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertaking				
Global PET Films Inc	USA	Common stock		100

8 Stock

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Finished goods and goods for resale	1,652,642	1,610,274	372,997	190,626

9 Debtors

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	658,252	921,787	182,032	75,428
Amounts owed by subsidiary undertaking	-	-	133,757	-
Other debtors	13,157	11,664	10,166	11,311
Prepayments and accrued income	7,549	10,069	5,662	8,167
	<u>678,958</u>	<u>943,520</u>	<u>331,617</u>	<u>94,906</u>

15

10 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank overdraft	8,897	3,782	8,897	3,782
Trade creditors	52,875	10,526	11,802	10,526
Amounts owed to parent undertaking	2,611,098	2,947,523	692,362	631,225
Corporation tax	5,166	1,036	5,166	1,036
Other taxes and social security costs	2,151	20,527	-	1,291
Director's loan account	1,367	2,727	1,367	2,727
Other creditors	7,096	-	7,096	-
Accruals and deferred income	28,257	18,086	5,773	10,675
	<u>2,716,907</u>	<u>3,004,207</u>	<u>732,463</u>	<u>661,262</u>

11 Share capital

	2008	2007
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

GARWARE POLYESTER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd....)

FOR THE YEAR ENDED 31 MARCH 2008

12 Statement of movements on profit and loss account

	Group Other reserves (see below) £	Profit and loss account £	Company Profit and loss account £
Balance at 1 April 2007	(3,819)	127,162	148,096
Retained profit for the year	-	(381,225)	30,465
Foreign currency translation differences	86,255	-	-
Movement during the year	3,819	-	-
Balance at 31 March 2008	<u>86,255</u>	<u>(254,063)</u>	<u>178,561</u>
Other reserves			£
Balance at 1 April 2007			(3,819)
Reversal of 2007 translation difference			3,819
2008 translation difference			86,255
Balance at 31 March 2008			<u>86,255</u>

16

13 Profit of the parent company - Garware Polyester International Limited

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the year amounted to £30,465 [2007 - £16,696]

14 Reconciliation of movements in shareholders' funds

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
(Loss)/Profit for the financial year	(381,225)	14,756	30,465	16,696
Other recognised gains and losses	86,255	(3,819)	-	-
Movements on other reserves	3,819	20,879	-	-
Net (depletion in)/addition to shareholders' funds	(291,151)	31,816	30,465	16,696
Opening shareholders' funds	373,343	341,527	398,096	381,400
Closing shareholders' funds	<u>82,192</u>	<u>373,343</u>	<u>428,561</u>	<u>398,096</u>

15 Financial commitments

At 31 March 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2009:

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Operating leases which expire:				
Between two and five years	<u>28,667</u>	<u>28,667</u>	<u>28,667</u>	<u>28,667</u>

16 Directors' emoluments

	2008 £	2007 £
Emoluments for qualifying services	<u>101,612</u>	<u>95,050</u>

17

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	Group		Company	
	2008 Number	2007 Number	2008 Number	2007 Number
Administration and management	6	6	4	4
Selling and distribution	4	3	2	2
	<u>10</u>	<u>9</u>	<u>6</u>	<u>6</u>

Employment costs

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Wages and salaries	275,001	268,643	156,970	178,794
Social security costs	14,848	21,604	14,848	21,604
	<u>289,849</u>	<u>290,247</u>	<u>171,818</u>	<u>200,398</u>

18 Ultimate parent company and control

The ultimate parent company is Garware Polyester Limited, a company registered in India.

19 Related party transactions

The following related party transactions were undertaken in the ordinary course of business:

Purchase of goods and services:	Relationship	2008	2007
		£	£
Related party			
Garware Polyester Limited	Parent company	7,546,359	8,773,572
Bhagani & Co	Common interest	9,650	20,525

Bhagani & Co is controlled by Mr A B Bhagani, a director of the company. The amounts charged represent the provision of bookkeeping and accountancy services, processing payroll and completion of VAT returns.

The following amount was owed to related parties at the balance sheet date:

Related party	Relationship	2008	2007
		£	£
Garware Polyester Limited	Parent company	2,611,098	2,947,523

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors and Stockholders of
Global Pet Films, Inc.
Pembroke Pines, Florida, USA**

We have audited the accompanying balance sheets of Global Pet Films, Inc. as of March 31, 2008 and 2007, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Pet Films, Inc. as of March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira
Certified Public Accountant
Hazel Crest, IL, USA

September 18, 2008

BALANCE SHEET March 31, 2008 and 2007

	ASSETS	
	As of March 31, 2008 \$	As of March 31, 2007 \$
CURRENT ASSETS		
Cash in First American Bank 2218	9,394.03	128.47
Cash in First American Bank 2204	43,312.76	14,337.98
Cash in Citibank 783	2,173.41	189,867.78
Cash in Citibank 796	86,519.88	16,259.81
Petty Cash	345.61	0.00
Accounts Receivable	1,178,253.90	1,667,326.28
Prepaid Taxes	3,746.00	3,746.00
Rent Deposit	5,938.15	5,938.15
Inventory :Stock at the End - Global	984,796.66	1,166,684.51
Inventory :Stock at the End - IPD	479,886.56	620,904.44
Inventory :Stock at the End - Neutral	1,076,051.51	1,009,119.07
Coface Factoring Receivable	59,702.16	0.00
Loans Receivable-GPL	0.00	289,375.55
Total Current Assets	3,930,120.63	4,983,688.04
PROPERTY AND EQUIPMENT		
Equipments:Cost	14,102.07	14,102.07
Equipments: Depreciation Accumulated	(14,102.07)	(14,102.07)
Computer Systems:Cost	3,646.11	0.00
Computer Systems: Depreciation Accumulated	(182.36)	0.00
Total Property and Equipment	3,463.75	0.00
OTHER ASSETS		
Organisation Expenses:Cost	7,373.01	7,373.01
Organisation Expenses:Accumulated Amortization	(7,373.01)	(7,373.01)
Total Other Assets	0.00	0.00
TOTAL ASSETS	3,933,584.38	4,983,688.04
	LIABILITIES AND STOCK HOLDER'S EQUITY	
	As of March 31, 2008 \$	As of March 31, 2007 \$
CURRENT LIABILITIES		
Accounts Payable	4,352,781.48	4,852,484.71
Custom Duties Payable	0.00	45,677.12
Payroll Liabilities	4,270.31	(2,540.48)
Accrued Expenses	44,642.75	14,600.00
Provison for Bad Debts	96,414.77	0.00
Total Current Liabilities	4,498,109.31	4,910,221.35
LONG-TERM LIABILITIES		
Total Long-Terre Liabilities	0.00	0.00
Total Liabilities	4,498,109.31	4,910,221.35
STOCKHOLDERS' EQUITY		
Capital Stock	100,000.00	100,000.00
Retained Earnings	(26,533.31)	(61,419.13)
Net Income (Loss)	(637,991.62)	34,885.82
Total Stockholders' Equity	(564,524.93)	73,466.69
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	3,933,584.38	4,983,688.04

GLOBAL PET FILMS, INC.

INCOME STATEMENT Twelve Months Ended March 31, 2008 and 2007

	12 Months Ended Mar. 31, 2008 \$	12 Months Ended Mar. 31, 2007 \$
Revenue		
Sales:Sales	14,906,294.47	16,610,845.51
Sales:Sales Returns	(396,525.10)	0.00
Total Revenue	14,509,769.37	16,610,845.51
Cost of Goods Sold		
Beginning Inventory	2,796,708.02	2,349,348.96
Purchases	12,175,539.77	13,882,363.08
Slitting Charges	9,718.56	17,438.01
Custom Duties & Clearance Fees	776,498.68	1,610,483.52
Freight charges	202,914.42	279,308.15
Warehouse Expenses	380,178.70	245,023.22
Ending Inventory	(2,540,734.73)	(2,796,708.02)
Total Cost of Goods Sold	13,800,823.42	15,587,256.92
Gross Profit	708,945.95	1,023,588.59
Operating Expenses		
Automobile Expense	2,404.63	0.00
Bad Debt Provision	96,468.09	0.00
Bank Service Charges	4,412.87	597.86
Credit Card Fees	123,709.45	132,466.64
Factoring fees	5,389.46	0.00
Depreciation Expense	182.36	0.00
Design Expenses	22,452.50	0.00
Dues and Subscriptions	12,500.00	12,919.95
Rental Storage	885.10	0.00
Discounts	345.36	0.00
Freight Outbound	125,326.62	0.00
Insurance Expense	71,851.36	91,789.00
Licenses and Permits	361.25	100.00
Marketing & Advertising Expense	385,311.92	310,303.22
Office Expenses	30,526.16	0.00
Office Supplies	25,202.98	0.00
Postage and Delivery	59,300.21	37,568.28
Printing and Reproduction	4,463.84	0.00
Gross Salaries and Wages	187,438.96	152,841.93
Payroll Taxes	14,243.97	11,962.59
Employee Medical Expense Reimbursement	16,500.00	0.00
Payroll Expenses:Leased Staffing	1,136.00	0.00
Taxes-State Income Tax	0.00	2,314.18
Professional Fees	5,850.00	0.00
Accounting Fees	21,000.00	21,200.00
Professional Legal Fees	113,878.25	42,021.60
Professional Consulting Fees	8,403.44	0.00
Rent Expense	22,379.80	15,046.77
Taxes-other	332.34	0.00
Telephone Expense	52,197.63	38,055.94
Training Expense	5,001.85	0.00
Travel Expense	167,433.01	121,081.04
Utilities	107.83	130.22
Total Operating Expenses	1,586,997.24	990,399.22
Operating Income (Loss)	(878,051.29)	33,189.37
Other Income		
Interest Income	1,356.66	1,696.45
Other Income:Services	160,099.50	0.00
Other Income:Claims	78,603.51	0.00
Total Other Income	240,069.67	1,696.45
Other Expenses		
Total Other Expenses	0.00	0.00
Income (Loss) Before Income Taxes	(637,991.62)	34,885.82
Net Income (Loss)	(637,991.62)	34,885.82

STATEMENT OF CASH FLOWS FOR THE 12 MONTHS PERIODS ENDED MARCH 31, 2008 AND 2007 INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS

	12 Months Ended March 31, 2008 \$	12 Months Ended March 31, 2007 \$
Cash Flows from Operating Activities		
Net Income (Loss)	(637,991.62)	34,885
Adjustments to Reconcile Cash Flow		
Depreciation	182.36	
Decrease (Increase) in Currents Assets		
Accounts Receivable-Trade	489,072.38	(373,132)
Coface Factoring Receivable	(59,702.16)	
Inventory-IPD	141,017.88	(168,208)
Inventory-Global-Sun Control	181,887.85	(232,113)
Inventory-Neutral	(66,932.44)	(47,037)
Prepaid Expense	0.00	0
Prepaid taxes	0.00	2,939
Prepaid Insurance	0.00	0
Loans Receivable-GPL	289,375.55	(289,376)
Increase (Decrease) in Current Liabilities	0.00	1,565
Accounts Payable-Trade-GPF		
Accounts Payable-Trade-Sun Control	(499,703.23)	638,802
Payroll Taxes Payable	6,810.79	(2,746)
State Withholding Payable	0.00	0
Federal Unemployment tax payable	0.00	42
Customs Duty Payable	(45,677.12)	0
Bad Debts Provision	96,414.77	0
State Unemployment tax payable	0.00	(436)
Accrued Expenses	30,042.75	6,600
Total Adjustments	562,789.38	(463,100)
Net Cash Provided by (Used in) Operating Activities	(75,202.24)	(428,215)
Cash Flow from Investing Activities		
Sales (Purchases) of Assets		
Computer systems	(3,646.11)	0
Accumulated Amortization	0.00	0
Cash Provided (Used) by Investing	(3,646.11)	0
Cash Flow From Financing Activities		
Cash (Used) or provided by :		
Net Increase (Decrease) in Cash	(78,848.35)	(428,215)
Cash at Beginning of Period	220,594.04	648,809
Cash at End of Period	141,745.69	220,594

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

(1) Description of Business:

Global Pet Films, Inc. was incorporated on December 22, 1997 under the laws of State of Illinois, USA and is also registered with State of Florida, USA. The company is engaged in the business of supply and distribution of polyester and solar control films in USA. The company has its place of business at Pembroke Pines, Florida, USA.

(2) Significant Accounting Policies:

The Significant accounting policies of Global Pet Films, Inc., which are summarized below, are consistent with accounting principles generally accepted in the United States of America and reflect practices appropriate to the business in which they operate.

(a) Cash and Cash equivalents \$141,745.69

Cash and cash equivalents include money market instruments

(b) Inventories

Inventories are stated at the lower of cost (determined by FIFO method) or market (net realizable) value.

(c) Depreciation and Amortization

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using straight line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost of organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic useful life of 5 years.

(d) Revenue Recognition

Revenues from product sales to customers are recognized when products are shipped to customers.

(e) Purchases

Purchases are recorded in books only when received in company warehouses and or received at Customs warehouses located at the port of destination.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(3) Stockholder's Equity

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of March 31, 2008, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom company in consideration of \$99,999 and 1 share of capital stock has been issued to Ashok Bhagani in consideration of \$1.

(4) Accounts Receivable

The accounts receivable balance (Gross) as of March 31, 2008 was \$1,178,253.90 and Coface Factoring Receivable balance as of March 31, 2008 was \$59,702.16. The Company has created appropriate provision in the amount of \$96,414.77 for doubtful and bad accounts.

As of February 2008, the Company has entered into factoring arrangement with Coface for some of its customers. The Company collects 84% of customer invoices within five days from the date of those customer accounts are assigned to Coface and the remainder of balances are paid by Coface on due date of those invoices after deducting interest and bank charges.

(5) Other Income:

Other Income includes income from claims made by Global Pet Films, Inc. against Garware Polyester Ltd., India, for expenses and also for claims for quality and warranty of products sold by Garware Polyester Ltd. to Global Pet Films, Inc.

(6) Accounts Payable

The Accounts payable balance of \$ 4,352,781.48 as of March 31, 2008 represents following vendors.

(a) Garware Polyester Ltd. India	\$3,809,650.68	(for trade purchases)
(b) GPIL, UK	\$461,580.61	(for trade purchases)
(c) Other vendors	\$81,550.19	(for expenses)

(7) Beginning and Ending Inventory and Inventory Variation

	Inventory Value as of March 31, 2007	Inventory Value as of March 31, 2008	Inventory Variation for the year ending March 31, 2008
Ending Inventory- Global	\$1,166,684.51	\$984,796.66	\$181,887.85
Ending Inventory-IPD	\$620,904.44	\$479,886.56	\$141,017.88
Ending Inventory- Neutral	\$1,009,119.07	\$1,076,051.51	(\$66,932.44)
Total	\$2,796,708.02	\$2,540,734.73	\$255,973.29