

FIBERWEB (INDIA) LIMITED

NOTES FORMING PARTS OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTE NO. 1

A. SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL :

- (a) The Accounts are prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provision of the Companies Act, 1956 as adopted consistently by the company.
- (b) Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.

2. FIXED ASSETS :

Fixed Assets are shown at Original cost of acquisition less accumulated depreciation.

Fixed Assets are revalued as on 31.03.2012. The surplus arising from the revaluation has been transferred to "Revaluation Reserve" and shown under the head "Reserves & Surplus". As the Fixed Assets were revalued on the last day of the Balance sheet, no depreciation has been provided on Revalued Figures.

3. DEPRECIATION :

Depreciation is provided on straight line basis applying the rates specified in Schedule XIV of the Companies Act 1956 under straight line method:

- (i) In respect of assets acquired on 01.01.1994 and thereafter at revised rates specified in the said Schedule vide Notification No 756 E dated 16.12.93 and as clarified in Circular No. 14 dated 20.12.1993 issued by the Department of the Company Affairs.
- (ii) In respect of assets on hand as on 31.12.93 at the rates in force prior to the abovementioned notification.

4. INVENTORIES :

Raw materials and consumable Stores are valued at cost. Finished and Semi Finished goods are valued at lower of cost or market value.

5. REVENUE RECOGNITION :

In case of Sales of Goods – When the property and all significant risk and rewards of ownership are transferred to the buyer or no significant uncertainty exists regarding the amount of consideration that is derived from the sale of goods. It excludes amounts recovered towards Sales Tax and includes amount received towards processing activities done for other, if any.

6. TREATMENT OF EXPENDITURE DURING CONSTRUCTION PERIOD:

All normal pre-production revenue expenditure including interest on borrowed funds till the commencement of commercial production are capitalized.

7. TREATMENT OF EMPLOYEES BENEFITS :

Benefits payable to employees during their tenure of employment viz. Bonus, Leave Encashment etc are accounted on cash basis. Retirement benefits are accounted as and when the same become due for payment.

8. CURRENCY TRANSACTION :

(i) Import and Export of goods in foreign currency are accounted at exchange rates prevailing on the date of payment, whenever made.

(ii) Term loans in foreign currency for financing capital expenditure were accounted at rupee equivalent values on the date of loans disbursement. Till 31.12.2001 year-end outstanding loans were reconverted at the rate prevailing on Balance Sheet Date.

9. MISCELLANEOUS EXPENDITURE:

The balance amount of Expenses on Exhibition Index-II would have been amortised in the two financial years.

10. TREATMENT OF CONTINGENT LIABILITIES/GAINS

The amount of contingent losses are charged to the Profit & Loss Account on a reasonable estimated basis that probable future event confirm that an asset has been impaired or a liability has been incurred as at the Balance Sheet Date and contingent gains are not recognized in the accounts.

B. OTHER NOTES ON ACCOUNTS:

- 1 Pursuant to a reference made by the Company, the Hon'ble Bench of the BIFR, New Delhi, has by their Order dated 18th January 2007, declared the Company as a "SICK INDUSTRY". Rehabilitation Scheme (DRS) is under final stage of acceptance as all other creditors are settled except Canara Bank Lease rent dues.

- 2 The Company has revalued Fixed Assets, Investments and Loans & Advances for the year ended 31.12.2007; Fixed Assets & Investments for the year ended 31.03.2009 and Fixed Assets for the year ended 31.03.2012. The Revaluation of the year ended 31.012.2007 has resulted into a Loss of Rs.47,74,58,372/- and the same has been debited to Profit & Loss Account and shown below the line as “Extra Ordinary Items”. Similarly, the Revaluation of the year ended 31.03.2009 has resulted into a Profit of Rs.22,25,50,613/- and the same has been credited to Profit & Loss Account as “Profit on Revaluation of Assets” and shown below the line. So also, the Revaluation of the year ended 31.03.2012 has resulted into a Profit of Rs.27,68,87,178/- and the same has been credited to the Revaluation Reserve Account and shown in the Balance Sheet as at 31.03.2012 under the head, Reserves & Surplus. At the time of earlier revaluations carried out as on 31.12.2007 & 31.03.2009, the Gross Block was shown at Revalued Figures instead of Cost. Hence the same has been rectified in the year under consideration i.e. as at 31.03.2012 by replacing the Gross Cost of the Assets deducting the loss on revaluation and adding the profit on revaluation carried out as at 31.12.2007 & 31.03.2009 respectively. The difference of Rs.12,23,51,108/- between the under depreciation provided on reduced value of the said assets for the year commencing from 01.01.2008 to 31.03.2009 (i.e. for a period of 15 months) and the over depreciation provided on the increased value of the said assets has been debited to the Revaluation Reserve Account of the year under consideration viz. 31.03.2012.
- 3 The Company has availed non funding facilities from its bankers. In this connection Rs.25,67,030/- (previous year Rs. 15,68,837/-) are kept with Banks as lien / margin money against guarantees opened by the bankers and guarantees issued by them. Contingent liability for bills discounted with Dena Bank is NIL.
- 4 Regarding leased assets taken from Canara Bank, Bangalore, the matter is pending before the Karnataka High Court against the Arbitrator’s Award. Also this matter is before BIFR .In view of this no provision is made for lease rent in the accounts.
- 5 Debtors and Creditors balances are subject to confirmations from the parties.
- 6 The company has not ascertained liability towards payment of gratuity and hence no provision has been made in accounts. It is accounted for on the basis of payment.
- 7 In the opinion of the Board of Directors the Current Assets, Loans & Advances except those shown as doubtful have a value on realization in the ordinary course of business at least equal to the amount at which items are stated in the Balance Sheet.
- 8 The company operates in a single segment namely “Polymer Processing”. Hence segment wise reporting as defined in AS 17 of ICAI is not applicable.

9 Modvat credit of Excise duty taken on purchase of Raw Materials is not included in the value of inventory of Raw Material. Also value of inventory of finished goods does not include excise duty payable on manufacture. This has no effect on the profit of the Company.

10 Figures of the previous year have been re-grouped / rearranged /reclassified wherever necessary.

As per our Report of Even Date

In terms of our report attached.

For P.M.TURAKHIA & NASSOCIATES

Firm Registration NO 111086w

For P.M.TURAKHIA & ASSOCIATES

CHARTERED ACCOUNTANTS

(M.D.TURAKHIA)

Membership No. 017399

PLACE:

DAMAN

DATE ; 30.07.2012

For FIBERWEB (INDIA) LIMITED

PRAVIN V SHETH - Chairman & Managing Director

P.S.KRISHNAN - Executive Director

G.RAVINDRAN - Executive Director

SUNITA AGARWAL - Company Secretary

PLACE: DAMAN

DATE ; 30.07.2012