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## INTERNATIONAL LIMITED

Regd. Off.: 3rd /4th FLOOR, GOPALA TOWER, 25, RAJENDRA PLACE, NEW DELHI 110008 (INDIA)  
 TEL.: (91-11) 2574 7696, 2575 1934/35/36, FAX: (91-11) 2575 1937/38  
 E-mail: gopala@phoenixindia.com

### DIRECTOR'S REPORT

**Dear Shareholder,**

The Directors of your company present the 19<sup>th</sup> Annual Report along with the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March 2006.

### FINANCIAL RESULTS

	YEAR ENDED 31.03.2006	(Rs. In Lacs) PERIOD FROM 01.07.2004 TO 31.03.2005
Sales & Other Income	1062.09	676.04
Profit /(Loss) before depreciation	192.00	144.00
Less: Depreciation	159.12	162.26
Profit / (loss) after Depreciation but before Extra Ordinary Items	32.88	(18.26)
Add: Extra Ordinary Items	3,247.93	-
Profit / (loss) after Extra Ordinary Items - but before Tax	3280.81	(18.26)
Less: Prov. For Wealth Tax/Fringe benefit Tax	0.81	-
Profit / (Loss) After Tax	3,280.00	(18.26)

### OPERATIONAL PERFORMANCE / FUTURE PLANS

Due to labour problem, the company was forced to declare lockout at its manufacturing Unit located at A-37, Sector – 60 Noida, in the year 2000 and the commercial production at the Unit has been discontinued since then. But the company kept on carrying trading exports of shoe uppers. During the period from 2000 to 2006, the company has paid almost all the outstanding dues of the workers and made full and final payment to the banks and financial institutions.

During the year under review the company has taken a premise on rent at Chennai and started manufacturing of shoe uppers and achieved a turn over of Rs.719.42 lacs and availed exports benefits of Rs. 108.62 lacs.



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**Company Secretary**

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During the current year, the company plans to undertake the renovations /repairs of the Unit at Noida to start the manufacturing activities. The company also plans to expand the business activities at Chennai.

### **FIXED DEPOSITS**

The Company has not accepted or invited deposits from public covered under the provision of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975.

### **DIVIDEND**

To implement the plans and to expand the business activities, your Directors do not recommend any dividend for the year ended 31.03.2006.

### **PARTICULARS OF EMPLOYEES**

During the year under review, the Company had no employees in respect of whom information's as per Section 217 (2A) of the Companies Act, 1956 is required to be given in the directors report.

### **DIRECTORS**

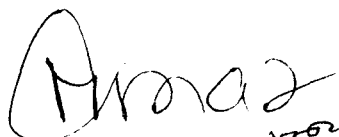
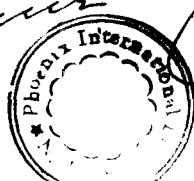
During the year under review, Mr. Arun K. Sinha and Mr. Ajay Kalsi were appointed as Additional Directors. Additional Directors ceases to be a Director at the commencement of the Annual General Meeting. In accordance with the provisions of Section 257 of the Companies Act, 1956, the Board proposed to re-appoint them as Director of the company.

Mr. Narendra Aggarwal, Director of the Company retires by rotation and being eligible offer himself for re-appointment.

### **DIRECTOR'S RESPONSIBILITY**

To the best of their knowledge and belief and according to information and explanation obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956.

- a) That in preparation of Annual Accounts for the year ended March 31, 2006 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- b) That selected accounting policies were applied consistently and the Directors have made judgment and estimate 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 31 March, 2006 and of the Profit of the Company for the year ended on that date.

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- c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) That the Annual Accounts for the year ended March 31, 2006 have been prepared on a going concern basis.

### **AUDITORS**

The Auditors, M/s Gupta Mahesh & Associates, Chartered Accountants, retires at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A certificate as required under Section 224(1B) of the Companies Act, 1956 to the effect that their appointment if made, shall be within the limits as specified in the said section, has been obtained from them.

### **SUBSIDIARY COMPANIES**

Statement regarding subsidiary companies pursuant to provision of Section 212 of the Companies Act, 1956 forming part of the Balance Sheet is attached.

### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

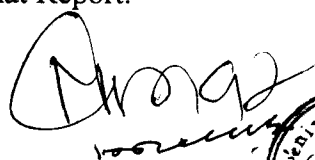
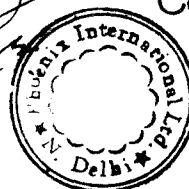
Annexure "A" to this report gives information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange earning and outgo, required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forms a part of the Directors Report.

### **CORPORATE GOVERNANCE**

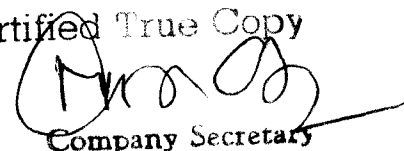
Your company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices and have implemented all the stipulations prescribed. Over and above the statutory requirements, your Company has implemented several best corporate governance practices.

Report on Corporate Governance stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

Certification from Chairman and Whole Time Director and Certificate from the Auditors of the Company, M/s Gupta Mahesh & Co., Chartered Accountants confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, are annexed to that Report.

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### **ACKNOWLEDGMENT**

Your Directors place on record their appreciation for the assistance and support extended by all Government Authorities, Financial Institution, Banks, Solicitors and Shareholders of the Company. Your Directors express their appreciation for the dedicated and sincere service rendered by employees of the Company.

**for and on behalf of the Board  
PHOENIX INTERNATIONAL LIMITED**

Place: New Delhi  
Date : 27/05/2006

  
**Narender Makkar**  
Director

  
**V.B. Oberoi**  
Director



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**Company Secretary**

A circular stamp of Phoenix International Ltd. with the text "Phoenix International Ltd." around the perimeter and a star in the center.



### ANNEXURE "A" FORMING PART OF THE DIRECTOR'S REPORT

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Director's) Rules 1988 in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo.

		Current Year	Previous Period
A.	<b>CONSERVATION OF ENERGY</b>		
	1. (a) Energy conservation measures undertaken	Nil	Nil
	(b) Proposed energy conservation measures	Nil	Nil
	2. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods	Nil	Nil
	3. The details of energy consumption:	Nil	Nil
	(a) Power and Fuel consumption	Nil	Nil
	(b) Consumption per unit of production		
B.	<b>TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION</b>		
	1. Specific area in which R & D was carried out by the Company	Nil	Nil
	2. Benefits derived as a result of the above R&D	Nil	Nil
	3. Future plan of Action	Nil	Nil
	4. Expenditure on R & D	Nil	Nil
C.	<b>FOREIGN EXCHANGE EARNING &amp; OUTGO</b>		
	a) <i>Activities relating to exports: Initiatives taken to increase exports: Development of new export methods for products and services and export plans</i>		
	The Foreign exchange earning through exports were Rs. 51.51 lacs during the year to UK. The efforts to broaden the export base to other countries are continuing.		
	b) The foreign Exchange Earning & Outgo during the period are as under:		
	Foreign Exchange Earning	51.51 lacs	161.95 lacs
	Foreign Exchange Outgo	407.01 lacs	387.28 lacs



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### CHAIRMAN AND WHOLE TIME DIRECTOR CERTIFICATION

We, V.B. Oberoi, Chairman, and Narender Makkar, Whole Time Director certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the financial year ended on 31<sup>st</sup> March, 2006, and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements 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) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and Audit Committee, deficiencies in the design or operation of such 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 to the auditors and the Audit committee:-
  - (i) significant changes, if any, in internal control over financial reporting during the year:

*(Signature)*  
Narender Makkar

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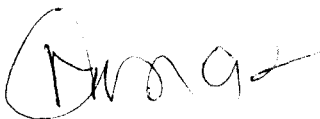
*(Signature)*  
Company Secretary



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- (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements:
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

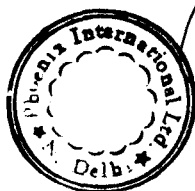
  
**V.B. Oberoi**  
Chairman

  
**Narender Makkar**  
Whole Time Director

Date : 27/05/2006

Place: New Delhi

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### REPORT ON CORPORATE GOVERNANCE

#### (1) Company's Philosophy

Phoenix International Limited believes that efficient Corporate Governance requires a clear understanding of the respective roles of the Board and of the Senior Management and their relationships with others in the corporate structure. The relationships of the Board and the Management shall be characterized by sincerity; their relationships with employees shall be characterized by fairness; their relationship with the communities in which they operate shall be characterized by good citizenship; and their relationships with Government shall be characterized by commitment to compliance.

We believe that the essence of Corporate Governance lies in the phrase "Your Company". It is "Your Company" because it belongs to you – the shareholders. The Chairman and Directors are "Your" fiduciaries and trustees. Their objective is to take the business forward to maximize "Your" long-term values.

Phoenix International Limited is committed to meet the highest standards of corporate governance and disclosures. Phoenix International Limited belongs to a group, which has a reputation for integrity, fair play and sound business practices. Phoenix International Limited believes that corporate governance is not just about complying with a set of norms and regulations but is an article of faith and an integral part of core value.

A brief report on Corporate Governance for the year ended on 31<sup>st</sup> March 2006 is given below:

#### (2) Board of Directors

##### (A) Composition of Category of Directors

The Board of Directors comprises of 5 Directors, which includes one executive director, one promoter director and three non-executive directors.



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The composition of Board of Directors, their attendance at Board Meetings during the year ended on 31<sup>st</sup> March 2006, the last Annual General Meeting and their Directorships/Committee Memberships in other Companies as on 31<sup>st</sup> March 2006 are as follows:

**(B) Details of Meeting of Board of Directors held during the year ended on 31.03.2006**

Name of the Directors	Category	No. of Board Meeting Attended	Attendance at last AGM	No. of other Directorships in other Companies	As Member in Committees of other Companies	As Chairman in Committees of Other Companies
Mr. Ajay Kalsi*	Promoter – Director	-*	N.A.	2	1	Nil
Mr. V.B. Oberoi	Non Executive and Independent Director	5	Yes	13**	3	3
Mr. Narendra Aggarwal	Non Executive and Independent Director	5	Yes	10***	3	Nil
Mr. Narender Makkar	Executive Director	5	Yes	13****	1	Nil
Mr. Arun K. Sinha *****	Non Executive and Independent Director	1*****	N.A.	3	1	Nil

\* Mr. Ajay Kalsi was appointed as an additional Director on 29.04.2006.

\*\* Out of them 2 Directorships are in Private Limited Companies

\*\*\* Out of them 5 Directorships are in Private Limited Companies

\*\*\*\* Out of them 4 Directorships are in Private Limited Companies

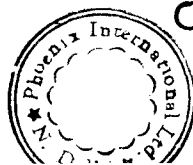
\*\*\*\*\* Mr. Arun K.Sinha was appointed as an additional Director on 30.12.2005

None of the Directors on the Board is a member on more than 10 Committee and Chairman of more than 5 Committees (as specified in clause 49 of the Listing Agreement with the Stock Exchanges) across the Companies in which he is a Director.

**(C) Details of Meetings of Board of Directors held during the year**

Date	No of Directors Present
30.05.2005	3
26.08.2005	3
26.09.2005	3
30.12.2005	3
30.01.2006	4

The maximum time gap between any two meetings did not exceed four calendar months.



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#### (D) Remuneration to Directors

The Remuneration Committee of the Board has been constituted during the year 2005-2006. It comprises of three members Mr.V.B. Oberoi, Mr. Arun K. Sinha and Mr. Narendra Aggarwal, Mr. Narender Makkar, Company Secretary, acts as Secretary of the Committee.

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges. It determines the Company's policy on all elements of remuneration packages of directors and employees of the Company.

Two meeting of the Remuneration Committee were held during the year. Attendance at meeting during the year is as under;

DIRECTOR	NO. OF MEETINGS ATTENDED
1. Mr. V.B. Oberoi	2
2. Mr. Arun K.Sinha	1
3. Mr. Narendra Aggarwal	2

Remuneration to Directors for the year 2005 – 2006;

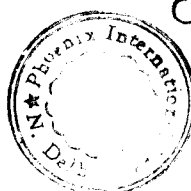
a)	Name	Designation	All elements of Remuneration package i.e. Salary benefits bonus, pension etc
1.	Mr. Narender Makkar	Director & Company Secretary	3,65,400

b)	Name	Particulars	Sitting Fees
	Mr. V.B. Oberoi / Mr. Arun K.Sinha	Non Executive Directors	14,000/-
	<b>Total</b>		<b>14,000/-</b>

**Notes:** (a) The Whole Time Director is appointed for a period of 5 years with effect from 01/10/2005.

(b) Presently the company does not have a scheme for grant of stock options to its employees.

*Mr. Aggarwal*



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*Mr. Aggarwal*  
Company Secretary