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14th
ANNUAL REPORT
2006

EURO LEDER FASHION LIMITED

FOR THE ATTENTION OF THE MEMBERS

1. Register of Members and Share transfer books of the Company will remain closed from 25th September, 2006 to 28th September , 2006 (both days inclusive).
2. Members are requested to notify immediately any change in their address to the Company specifying the full address in block capitals with pin code of the Post office etc;
3. Members are requested to quote their Folio Number in the correspondence.
4. Members are requested to quote their queries relating to the accounts at least 10 Days before the date of the Meeting. So that the information can be made available at the meeting.
5. Members are requested to bring a copy of the Annual report along with them to the Annual General Meeting, Since extra Copies will not be supplied.
6. Members are requested to hand over the attendance slip duly signed at entrance of the meeting Hall.
7. Registration starts at 10.30 a.m. at Maharaja Restaurant 122,G.S.T.Road, Chrompet, Chennai – 600 044 on 28th September,2006.

EURO LEDER FASHION LIMITED

Board of Directors	1. Shri. AR.Ramanathan	Managing Director
	2. Shri. RM. Lakshmanan	Wholetime Director
	3. Shri. AR.Arunachalam	Director
	4. Shri. P.S.Nathan	Director
	5. Shri. S.Narayan	- Director
	6. Shri. S.Jambunath	- Director
	7. Shri. N.Meenakshi Sundaram	- Director

Auditors - M/s.N.Venkatesan Associates,
Chartered Accountants,
20 (Old No 8) Dr. Natesan Salai,
Ashok Nagar. Chennai.
Tel.24896897

Registered Office &
Factory - No.99.G.S.T.Road
Pallavaram,Chennai. 600 043.
Tel.22642923/22643437
Fax:22643043

Bankers - 1. Canara Bank Overseas Branch
2. ICICI Bank Ltd. Nungambakkam

NOTICE OF 14TH ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the Company will be held on Thursday the 28th September, 2006 at 11.00 a.m. at Maharaja Restaurant, 122.G.S.T.Road, Chromepet, Chennai – 600 044, to transact the following business.

Ordinary Business :

1. To receive, consider and adopt the audited Balance sheet of the company as at 31st March 2006 and the Profit and Loss Account for the year ended on that date, together with the notes thereon and the schedules there to and reports of the Auditors and the Directors.
2. To appoint a Director in the place of Shri.S.Jambunath who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri.N.Meenakshi Sundaram who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company and fix their remuneration M/s. N.Venkatesan Associates, Chartered Accountants, Chennai the retiring auditors are eligible for reappointment

By order of the Board
AR. RAMANATHAN
Managing Director

Place : Chennai
Date : 28.7.2006

NOTE:

A Member Entitled To Attend And Vote Is Entitled To Appoint A Proxy To Attend And Vote Instead Of Himself And The Proxy Need Not Be A Member Of The Company. Proxy Forms Duly Completed Shall Be Deposited With The Company At Its Registered Office Not Less Than 48 Hours Before The Meeting.

The Register of Members And Share Transfer Books Will Remain Closed From 25th September, 2006 To 28th September, 2006 (Both Days Inclusive).

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in submitting their Fourteenth Annual Report and that of the Auditors' together with the audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date.

Financial Performance

(Rs. in lakhs)

Particulars	2005	2006
Income from Operations	1871.45	1872.52
Profit before Depreciation Taxation	35.66	34.45
Less:		
Depreciation	3.94	3.27
Profit before Tax	31.72	31.38
Provision for Tax	11.69	11.86
Profit after Tax	20.03	19.52
Profit Brought Forward	72.65	53.13
Profit available for appropriation	92.68	72.65
Proposed Dividend(including dividend tax)	—	—
Profit/loss carried to the Balance sheet	92.68	72.65

DIVIDEND

Your Directors of the Company wish to plough back the profit for the year and hence do not recommend any dividend for the year.

PERFORMANCE

The company has achieved a record turnover of Rs.1697.11 lacs in 2005-2006 and earned a profit of Rs.31.72 lacs before tax during the year. The profit after tax has been Rs.20.03 lacs.

PROSPECTS

The Order position is healthy and barring unforeseen circumstances the company should register a further improvement in its performance in the current year.

DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217 (2AA) of the Companies Act, 1956, your Directors Subscribe to the 'Directors' Responsibility Statement' and confirm that:

1. The Directors have followed, in the preparation of the annual accounts, the applicable accounting standards along with proper explanation relating to material departures if any:

2. 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 the affairs of the company at the end of the financial year and of the profit or loss of the company for the year.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing or detecting fraud or other irregularities.
4. The Directors have prepared the annual accounts on going concern basis.

CORPORATE GOVERNANCE

The Report on Corporate Governance and Management Discussion and Analysis as well as Auditors Compliance certificate on Corporate Governance are provided in separate Annexure to this report.

DIRECTORS

Shri.S.Jambunath and Shri.N.Meenakshi Sundaram retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s. N. Venkatesan Associates Chartered Accountants, Chennai the retiring auditors are eligible for reappointment and have given their consent for re-appointment.

PERSONNEL

None of the employees of the company was in receipt of remuneration which comes under the provisions of the Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules 1975, as amended.

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.

Information as per clause (e) of Section 217 (1) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31st March 2006 is given below.

CONSERVATION OF ENERGY

	2006	2005
Electricity consumed - Units	32904	72902
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Total Cost	Rs. 1,45,369/-	Rs.3,32,782/-
Generator Fuel	Rs. 30,878/-	Rs. 8,468/-
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Average Cost per Unit	Rs. 4.42	Rs. 4.56
Average Consumption per		
Unit of production	N.A.	N.A.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Manufacturing activity is confined to simple cutting and stitching of leather garments and hence absorption, adaptation and innovation of technology do not arise.

RESEARCH AND DEVELOPMENT

Though the company does not have separate R & D establishment activities are carried out by the design and quality control departments.

Expenditure of R & D : Nil

FOREIGN EXCHANGE EARNINGS AND OUTGO**EARNINGS:**

F O B Value of Exports : Rs.1545.55 lacs

OUTGO :

Selling Expenses in Foreign Countries : Rs. 27.14 lacs

Foreign Travels : NIL

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their thanks to the Government of India, Banks and Customers and suppliers for their valuable assistance and support.

Your Directors wish to place on record their appreciation of the sincere efforts put in by the employees of the company at all levels.

On behalf of the Board

Place : Chennai

AR. Ramanathan

RM.Lakshmanan

Date : 28.07.2006

Managing Director

Whole Time Director



ANNEXURE TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

The Board has adopted the principles of good corporate governance and emphasis transparency, integrity and accountability. The Board believes that good governance is voluntary and reflects self-discipline with the strongest impetus coming from the Directors and the Management. The Organization of the Company endeavours to be progressive, competent and trustworthy, creating value for customers and shareholders while reflecting the best of Indian values in its conduct.

All the Directors have complied with the company's code of conduct for prevention of insider trading in its shares.

BOARD OF DIRECTORS

COMPOSITION

The Board presently consists of 7 Directors, 2 of whom are Executive. The management of the affairs of the company is vested in Shri.AR. Ramanathan, Managing Director and Shri. RM.Lakshmanan, Whole-time Director, subject to the general supervision, control and direction of the Board. Shri. AR. Ramanathan heads the management team, holds operational responsibility for the day-to-day activities of the company and has been entrusted with ensuring that all management functions are carried out professionally and is accountable to the Board for actions and results. Of the 7 Directors, 5 are independent and 2 represent the promoters. The independent Directors play an important role in the deliberations of the Board level and bring to the company their wide experience in the fields of industry, banking and administration and contribute significantly to Board Committees. Their independent role vis-à-vis the company means that they add a broader perspective, help to ensure that the interests of the shareholders are kept in acceptable balance and can also provide an objective view in all matters under the consideration of the Board.

BOARD MEETINGS AND COMMITTEES

Board meetings are held and are usually scheduled reasonably in advance. The Board generally meets at least once a quarter, to inter-alia, review the quarterly financial results. In order to ensure greater attention of the Directors to the affairs of the company. The Board delegates specified matters to its committees which also prepare the groundwork for decision making and report to the Board.

The Board met 4 times during the year. The attendance of the Directors at the meetings of the Board and the Annual General Meeting are as follows:-

	No. of meetings of the Company		Membership of other Boards	Whether present at the AGM
Held	attended			
			Sournam Plantations (P) Ltd	Yes
Shri. AR. Ramanathan	4	4	Rich Herbal Product (P) Ltd	
Shri. RM. Lakshmanan	4	4	Rich Herbal Product (P) Ltd	Yes
Shri. AR. Arunachalam	4	4	Gudang Garam Tabak Industries (P) Ltd	
			Suryabarath Industries P Ltd	Yes
Shri. N.Meenakshi Sundaram	4	2		No
Shri. P.S. Nathan	4	2		Yes
Shri. S. Jambunath	4	4		Yes
Shri. S. Narayan	4	2		No

During the year there was no pecuniary relationship or business transaction by the Company with any non-executive director (Other than sitting fee for attending Board-Committee meetings)

Board meetings were held during the year on 28th June 2005, 29th July 2005, 26th October 2005 and 28th January 2006..