



FORBES GROUP

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FORBES GOKAK LTD.

84TH ANNUAL REPORT 2002-03

CAMPBELL KNITWEAR LIMITED

(a wholly owned Subsidiary Company)

Annual Report and Accounts
for the year ended 31st March, 2003

DIRECTORS:

B. G. JAIN

Chairman

C. G. SHAH

THE HON. R. D. CAMPBELL

C. A. KARNIK

Alternate to The Hon. R. D. Campbell

R. T. DOSHI

BANKERS:

STANDARD CHARTERED BANK
PUNJAB NATIONAL BANK

AUDITORS:

Messrs. MURUGESH & CO.

REGISTERED OFFICE:

FORBES BUILDING,
CHARANJIT RAI MARG,
FORT, MUMBAI 400 001.

IN YOUR OWN INTEREST

1. Dematerialisation of Shares of the Company :

The shares of the Company are eligible for dematerialisation. The Company has entered into an agreement for dematerialisation of securities with both National Securities Depository Ltd and Central Depository Services (India) Ltd. The ISIN is INE518A01013

2. Permanent Details of your Account:

All communications to the Company or its Registrars and Share Transfer Agents which would have the effect of amending the permanent details of your ledger account viz. change of address, advising details of bank account etc. should be signed by all the Shareholders.

3. Ledger Folio Number:

Please quote your ledger folio number in all your communications with the Company or its Registrars and Share Transfer Agents.

4. Multiple Accounts:

Please advise us all folio numbers for combining into one. Please also forward your respective Share Certificates to enable us to change folio number.

5. Change of Address:

Please intimate us change in address, as soon as possible.

6. Unclaimed Dividend:

Please claim your previous dividends, if any, not encashed. If the dividend warrants have been lost, please apply for duplicate warrants.

Dividends which remain unclaimed/unencashed for a period of 7 years will be transferred by the Company to Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956 no claim by the Shareholders shall lie for the unclaimed dividend transferred to IEPF.

7. Transmission of Shares:

In case of deceased Shareholders, their relatives are requested to file death certificates, probate and other relevant documents for transmission of shares. Kindly contact our Registrars and Share Transfer Agents for necessary formalities.

SHAREHOLDERS ARE REQUESTED TO NOTE THAT HANDBAGS/ PARCELS OF ANY KIND WILL NOT BE ALLOWED INSIDE THE AUDITORIUM. THE SAME WILL HAVE TO BE DEPOSITED, AT THE SHAREHOLDER'S OWN RISK, AT THE COUNTER OUTSIDE THE AUDITORIUM. ENTRANTS WILL HAVE TO COLLECT AUDITORIUM ENTRY PASS FROM THE RECEPTION COUNTER AND HAND OVER THE SAME AT THE ENTRANCE OF THE AUDITORIUM.



**CONSOLIDATED FINANCIAL STATEMENTS FORMING PART OF
ANNUAL REPORT OF FORBES GOKAK LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2003**





AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF FORBES GOKAK LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FORBES GOKAK LIMITED AND ITS SUBSIDIARIES.

1. We have examined the attached Consolidated Balance Sheet of FORBES GOKAK LIMITED ("the Company") and its subsidiaries, associates and a joint venture (collectively referred to as "the Group") as at 31st March, 2003 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements also include investments in associates accounted for on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and a jointly controlled entity accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures). The 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.
2. 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 an identified financial reporting framework and are free of any 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of Rs. 328,54,39,598 as at 31st March, 2003 and total revenues of Rs. 622,26,69,978 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
4. The Consolidated Balance Sheet includes assets aggregating Rs. 74,17,673 and liabilities aggregating Rs. 9,12,51,141 relating to a subsidiary whose accounts have been prepared on a "going concern" basis although the accumulated losses exceed its paid-up capital. On the basis of the information available to us, we are unable to form an opinion on the appropriateness of the "going concern" assumption in the preparation of the subsidiary's accounts.
5. (i) An amount of Rs. 43,90,71,419 is due from The Svadeshi Mills Company Limited, a company which had been referred to the Board for Industrial and Financial Reconstruction, in respect of which the current status is explained in Note 2 of Schedule 10. A provision of Rs. 22,42,77,124 has been made in respect of the aforesaid amount.
 (ii) Sundry Debtors include Rs. 8,47,50,000 due since 1994-1995, in respect of which a Court has given an ad interim injunction restraining the Group from invoking the bank guarantee as explained in Note 3 of Schedule 10.

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- (iii) We are unable to comment on the eventual outcome of the appeal in respect of penalty of Rs. 53,00,000 levied by the Excise Authorities referred to in Note 5(i) of Schedule 10.
 - (iv) As indicated in the Note 5(v) of Schedule 10, loans and advances include an overdue amount of Rs. 83,27,944 in respect of which a suit has been filed. No provision has been made in the accounts in respect of this amount.
 - (v) On the the basis of the information available to us, we are unable to form an opinion on the loss that may arise in respect of the matters referred in paragraphs (5)(i) to (5)(iv) above.
6. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Accounting Standard 23 and Accounting Standard 27 issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of the Company, its subsidiaries, associates and the jointly controlled entity included in the Consolidated Financial Statements.
7. Subject to our comments in paragraphs 4 to 5 above, and their consequential effect on the profits and reserves, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its aforesaid subsidiaries, associates and the jointly controlled entity, we are of the opinion that, the 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 state of affairs of the Group as at 31st March, 2003;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated result of operations of the Group for the year then ended.
 - (c) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flow of the Group for the year then ended.

For A.F. FERGUSON & CO.
Chartered Accountants

For S.B. BILLIMORIA & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

NALIN M. SHAH
Partner

MUMBAI, 28th July, 2003



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule No.	Rupees	As at 31st March, 2003 Rupees	As at 31st March, 2002 Rupees
FUNDS EMPLOYED:				
1. SHARE CAPITAL	"1"	12,30,14,620		12,30,14,620
2. RESERVES AND SURPLUS	"2"	248,27,12,264		218,49,21,886
3. TOTAL SHAREHOLDERS' FUNDS			260,57,27,284	230,79,36,506
4. MINORITY INTEREST			36,41,78,732	28,77,84,377
5. LOANS:				
(a) Secured	"3"	71,24,11,587		66,61,75,019
(b) Unsecured	"4"	38,62,95,432		45,49,02,531
			109,87,07,019	112,10,77,550
6. DEFERRED TAX LIABILITY			14,32,59,273	17,45,15,961
7. TOTAL FUNDS EMPLOYED			421,18,72,308	389,13,14,394
APPLICATION OF FUNDS:				
8. GOODWILL			6,97,112	3,37,386
9. FIXED ASSETS:				
(a) Gross Block		368,67,43,979		356,38,64,177
(b) Less: Total Depreciation		222,36,08,635		202,81,49,847
(c) Net Block	"5"	146,31,35,344		153,57,14,330
Advances for capital expenditure		2,13,51,378		1,25,79,172
			148,44,86,722	154,82,93,502
10. INVESTMENTS	"6"		140,03,91,534	95,80,57,512
11. DEFERRED TAX ASSET			1,73,33,760	1,39,79,142
12. CURRENT ASSETS, LOANS AND ADVANCES	"7"			
(a) Inventories		175,49,45,994		129,26,69,146
(b) Sundry Debtors		95,26,56,373		87,30,25,474
(c) Cash and Bank Balances		41,05,93,832		37,40,02,721
(d) Other Current Assets		48,978		15,68,528
(e) Loans and Advances		75,56,35,257		89,83,35,307
		387,38,80,434		343,96,01,176
13. Less: CURRENT LIABILITIES AND PROVISIONS	"8"			
(a) Liabilities		255,26,92,614		210,18,70,805
(b) Provisions		11,96,92,831		10,29,14,282
		267,23,84,445		220,47,85,087
14. NET CURRENT ASSETS			120,14,94,989	123,48,16,089
			410,44,04,717	375,54,83,631
15. MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF				
Deferred Revenue Expenditure				
- Voluntary Retirement Compensation			10,71,03,750	13,51,83,595
- Others			3,64,441	6,47,168
16. TOTAL ASSETS (NET)			421,18,72,308	389,13,14,394

Notes to the Accounts per Schedule "10"

For A.F. FERGUSON & CO.
Chartered AccountantsR. K. HIRANANDANI
Partner

Mumbai, 28th July, 2003

For S.B. BILLIMORIA & CO.
Chartered AccountantsNALIN M. SHAH
Partner

For and on behalf of the Board

K.C. MEHRA

C.G. SHAH

A.T. SHAH

Deputy Chairman & Managing Director

Executive Director (Finance)

Company Secretary

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Rupees	Rupees	For the year ended 31.03.2003 Rupees	For the year ended 31.03.2002 Rupees
1. INCOME:				
(a) SALES (net of excise duty Rs. 52,01,66,341; Previous year Rs. 45,47,59,106)			690,64,43,172	631,50,96,053
(b) SERVICES AND OTHER INCOME:				
(i) Income from Services rendered-(Gross)		84,73,82,361		74,79,49,652
(ii) Interest on Long Term Investments	4,067			5,415
(iii) Dividend on Long Term Investments:				
- Other than Trade	4,19,04,737			10,45,53,705
(iv) Dividend on Current Investments				4,88,416
- Other than Trade	600			
(v) Rent		4,19,09,404		10,50,47,536
(vi) Miscellaneous Income		84,83,955		53,68,188
(vii) Profit on Sale of Fixed Assets (net)		13,61,92,197		15,39,19,679
(viii) Bad Debts previously written off now recovered		49,66,147		54,45,452
(ix) Profit on sale of Long Term Investments		5,39,019		26,07,189
		5,07,75,662		1,06,07,455
			109,02,48,745	103,11,45,151
2. EXPENDITURE:			799,66,91,917	734,62,41,204
Manufacturing, Trading and Other Expenses		717,80,79,850		677,30,29,536
(Per Schedule 9)		5,34,32,593		10,62,21,509
Interest (see Note 12)				-
Loss on Sale of Long Term Investments	2,16,82,561			-
Less: Provisions held	2,16,82,557			-
		4		-
			723,35,12,447	687,92,51,045
Voluntary Retirement Compensation amortised			76,31,79,470	46,69,90,159
			5,18,20,494	4,29,92,519
DEPRECIATION (Per Schedule 5 and Schedule 6 item 6(a))			71,13,58,976	42,39,97,640
[Net of excess charged in earlier years Rs.Nil; (Previous year Rs.90,75,126)]			25,16,71,796	23,79,59,632
EXTRAORDINARY EXPENDITURE (See Note 12)			-	75,00,000
PROVISION FOR DOUBTFUL LOANS & ADVANCES AND DIMINUTION IN THE VALUE OF INVESTMENTS			45,96,87,180	17,85,38,008
Doubtful Loans & Advances		42,25,156		26,32,215
Diminution in the value of Investments		1,81,52,118		3,26,43,051
			2,23,77,274	3,52,75,266
3. PROFIT BEFORE TAXATION			43,73,09,906	14,32,62,742
4. Less:				
PROVISION FOR TAXATION		9,35,000		6,55,000
- for Wealth-tax				(2,93,74,923)
- for Deferred tax	(3,46,69,860)			9,69,53,389
- for Income-tax	14,45,18,785			
		10,98,48,925		6,75,78,466
			11,07,83,925	6,82,33,466
5. PROFIT AFTER TAXATION			32,65,25,981	7,50,29,276
6. NET SHARE OF LOSS IN ASSOCIATES (Equity method)			(11,72,511)	-
7. MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES			(7,63,94,355)	(2,26,35,337)
8. PROFIT AFTER SHARE OF ASSOCIATES AND MINORITY INTEREST			24,89,59,115	5,23,93,939
9. BALANCE BROUGHT FORWARD FROM LAST YEAR			8,10,56,346	16,87,92,080
Add : Opening Adjustment [See Note 1B(viii)]			7,23,885	-
Less: Minority interest pertaining to opening profits			-	4,41,13,347
Add : Amount transferred from Debenture Redemption Reserve			2,50,47,350	2,50,25,200
			10,68,27,581	14,97,03,933
10. TOTAL AMOUNT AVAILABLE FOR APPROPRIATION			35,57,86,696	20,20,97,872
11. Less: APPROPRIATIONS:				
(a) Interim Dividend to minority interest in a subsidiary				3,96,00,000
(b) Proposed Dividend		3,07,53,655		2,46,02,924
(c) Additional Income Tax on Distributed Profits		39,88,980		1,16,07,641
(d) General Reserve		8,13,55,222		4,52,30,961
			11,60,97,857	12,10,41,526
12. BALANCE CARRIED TO BALANCE SHEET			23,96,88,839	8,10,56,346
Basic and diluted earnings per share of face value of Rs.10 each			20.24	4.26

Notes to the Accounts per Schedule "10"

For A.F. FERGUSON & CO.
Chartered AccountantsR. K. HIRANANDANI
Partner

Mumbai, 28th July, 2003

For S.B. BILLIMORIA & CO.
Chartered AccountantsNALIN M. SHAH
Partner

For and on behalf of the Board

K.C. MEHRA

C.G. SHAH

A.T. SHAH

Deputy Chairman & Managing Director

Executive Director (Finance)

Company Secretary



SCHEDULE "1" TO "11" ANNEXED TO AND FORMING PART OF THE ACCOUNTS
SCHEDULE "1" - SHARE CAPITAL

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1 AUTHORISED:		
Equity Shares		
1,50,00,000 Shares of Rs.10 each	<u>15,00,00,000</u>	<u>15,00,00,000</u>
2 ISSUED AND SUBSCRIBED:		
1,23,01,462 Equity Shares of Rs.10 each fully paid-up	<u>12,30,14,620</u>	<u>12,30,14,620</u>
TOTAL RUPEES	<u>12,30,14,620</u>	<u>12,30,14,620</u>

(Of the above 78,36,127; (Previous year 76,97,600) shares are held by the Holding Company, Sterling Investment Corporation Private Limited. The ultimate Holding Company is Shapoorji Pallonji and Company Limited).

SCHEDULE "2" - RESERVES AND SURPLUS

	Rupees	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1. INVESTMENT ALLOWANCE RESERVE			
UTILISED ACCOUNT:			
Opening Balance		1,37,710	1,37,710
2. EXPORT PROFIT RESERVE:			
Opening Balance		70,64,500	70,64,500
3. DEBENTURE REDEMPTION RESERVE:			
Opening Balance	2,51,21,950		5,01,47,150
Less: Transferred to Profit and Loss Account	<u>2,50,47,350</u>		<u>2,50,25,200</u>
		74,600	2,51,21,950
4. CAPITAL RESERVE:			
Opening Balance		86,19,390	86,19,390
5. RESERVE ON CONSOLIDATION:			
Opening Balance		3,46,03,826	3,46,03,826
6. SHARE PREMIUM:			
Opening Balance		30,41,49,070	30,41,49,070
7. AMALGAMATION RESERVE:			
Opening Balance		16,19,03,686	16,19,03,686
8. FOREIGN PROJECT RESERVE		2,85,933	2,85,933
9. GENERAL RESERVE:			
Opening Balance	156,19,79,475		161,09,58,875
Add: Opening Adjustments [See Note 1B(viii)]	4,73,165		-
Add/Less: Share of Profits in Associates upto 1.4.2002	8,23,77,248		-
Add/Less: Transitional Deferred Tax Liability as on 1.4.2001	-		9,42,10,361
Add: Transferred from Profit and Loss Account	<u>8,13,55,222</u>		<u>4,52,30,961</u>
		172,61,85,110	156,19,79,475
10. BALANCE IN PROFIT AND LOSS ACCOUNT		<u>23,96,88,839</u>	<u>8,10,56,346</u>
TOTAL RUPEES		<u>248,27,12,664</u>	<u>218,49,21,886</u>

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SCHEDULE "3" - SECURED LOANS

		As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1. Debentures		—	49,999,000
2. Term Loans from Export - Import Bank of India (EXIM Bank)		41,66,665	1,24,99,999
3. Term Loans from Indian Renewable Energy Development Agency Limited		2,61,89,018	3,71,89,018
4. Term Loans from New India Co-operative Bank Limited		—	1,99,99,999
5. Bank (Short Term):			
(a) Cash Credit and Packing Credit	30,91,67,734		36,69,10,983
(b) Interest accrued and due	—		34,258
(c) Demand Loan	6,95,39,050		4,98,00,000
(d) Overdraft	1,55,32,259		—
		39,42,39,043	41,67,45,241
6. Loan from EXIM Bank under Technology Upgradation Fund Scheme		8,61,92,000	12,92,88,000
7. Loans from Companies		91,494	4,53,762
8. Loans from Banks		5,93,168	—
9. Term Loan from The Federal Bank Ltd		5,00,00,000	—
10. Long Term Working Capital Foreign Currency Loan from EXIM Bank..		14,57,89,055	—
11. Finance Lease		51,51,144	—
TOTAL RUPEES		71,24,11,587	66,61,75,019

SCHEDULE "4" - UNSECURED LOANS

		As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1. FIXED DEPOSITS		9,88,57,000	10,62,44,000
2. OTHER LOANS:			
(i) Temporary overdraft from banks	2,49,24,757		62,21,932
Interest accrued and due	43,26,849		—
	2,92,51,606		62,21,932
(ii) From Others:			
(a) Inter-corporate deposits	10,64,85,000		10,44,25,000
Interest accrued and due	5,25,821		2,85,490
	10,70,10,821		10,47,10,490
(b) Call Deposits	3,48,50,000		3,37,50,000
Interest accrued and due	—		2,47,397
	3,48,50,000		3,39,97,397
(c) Sales tax deferment loan	11,63,26,005		10,61,28,768
(d) Export-Import Bank of India Foreign Currency Loan	—		9,75,99,944
	25,81,86,826		34,24,36,599
		28,74,38,432	34,86,58,531
TOTAL RUPEES		38,62,95,432	45,49,02,531