

ANNUAL REPORT 2005-06

Report  Junction.com



Board of Directors :

Mr. Jayesh K. Shah
Mr. Bhupendra M. Shah
Mr. Vinod D. Modha
Mr. Kamal R. Sheth
Mr. I. S. Shah

Auditors

M. M. Nissim & Co.
Chartered Accountants
Barodawala Mansion,
B-Wing, 3rd Floor,
81, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Internal Auditors

P. P. Bhandari & Co.
Chartered Accountants
Mumbai.

Bankers :

UCO Bank
D. N. Road, Mumbai.

Registered Office :

10, Laxmi Towers, 1st Floor,
G Block, C 25, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051.

Registrars and Transfer Agents

Pinnacle Shares Registry Private Limited
Near Asoka Mills,
Naroda Road,
Ahmedabad - 380 025.

DEMATERIALIZATION OF SHARES

Members are aware that shares of the Company are included in compulsory trading in dematerialised segment and hence any investor who wishes to buy or sell shares of the Company, is required to do so in electronic mode only.

In case, members have not yet dematerialised their shares, they are advised to contact a Depository Participant (DP) for dematerialising the shares held in the Company.

The Company has established connectivity with the depository Central Depository Services (India) Limited (CDSL) to enable the members to dematerialise holding in the Company, under ISIN No. INE345D01015.

For the information of members, some of the advantages of holding shares in dematerialised form are described below:

- 1) No Stamp duty is payable on dematerialisation and transfer of demat shares.
- 2) No loss in transit and consequently no postal expenses and cumbersome procedure for the issue of duplicate share certificate(s).
- 3) Eliminates chances of bad delivery due to forged signatures, signature variations, expiry of validity period of transfer deed etc.
- 4) Speedier debit/credit of shares purchased/sold in electronic form.
- 5) Eliminates litigation on account of fake certificates and disputes in respect of ownership of shares purchased.
- 6) Dematerialised shares can also be pledged for securing loan.
- 7) Holding of shares in odd lot and easy liquidity.

Procedure :

For dematerialising the shares held in physical form, members need to open an account with the Depository Participant (DP) and have to lodge their shares with the DP who will send these shares to the Company/ Registrars for dematerialisation. The credit of demat shares shall be directly given in members' demat account opened with DP.

It is hoped that members will consider the advantages of holding shares in electronic mode and opt for dematerialisation of the shares soon.

For further information in this regard, please write to the Company or Registrars at the address mentioned on page no. 7

Members may note that the requests for dematerialisation and rematerialisation of shares are to be made only to the DP with whom members have opened an account.

CONTENTS

Notice	1
Directors' Report	2
Corporate Governance Report	3
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Cash Flow Statement	14
Schedules forming part of the Balance Sheet and Profit & Loss Account	15
Balance Sheet Abstract & Company's General Profile	17

Notice

NOTICE is hereby given that the Twelfth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 28th September, 2006 at 11.00 a.m. at the Registered Office of the Company at 10, Laxmi Towers, G-Block, C 25, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 to transact the following Business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statements of Account for the financial year ended on 31st March, 2006 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Jayesh K. Shah, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. I. S. Shah, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

Registered Office:

10, Laxmi Towers,
G-Block, C 25, Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400 051
25th April, 2006

By Order of the Board

Bhupendra M. Shah
Director

Jayesh K. Shah
Director

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 18th September, 2006 to Thursday, the 28th September, 2006 (Both days inclusive).

Directors' Report

To,
**The Members,
Lifestyle Fabrics Limited**

Your Directors present their Twelfth Annual Report along with the audited Financial Statements for the year ended on 31st March, 2006.

1. FINANCIAL RESULTS

	Rs. in lacs	
	2005-2006	2004-2005
Sales & Other Income	Nil	Nil
Profit/(Loss) before Depreciation, Interest, amortised expenses and taxation	(1.12)	(1.47)
Less: Net Interest	Nil	Nil
Gross Profit / (Loss) after Interest but before Depreciation and Taxation	(1.12)	(1.47)
Less: Depreciation and amortised expenses	Nil	Nil
Profit/(Loss) before tax	(1.12)	(1.47)
Less : Short provision for Income Tax of earlier years	(0.02)	Nil
Net Profit/(Loss) for the year	(1.14)	(1.47)
Less : Prior period expenses	(0.05)	Nil
Total loss for the year	(1.19)	(1.47)

2. OPERATIONS

As reported earlier, the Company is not carrying any manufacturing operations since August, 2001 and the expenses incurred during the year were towards administration and general office purposes etc. As reported last year, your directors continue to look forward for various options in the best interest of the members, including its merger.

3. DIVIDEND

In view of the loss for the year, your directors do not recommend any dividend for the year.

4. SUBSIDIARY COMPANIES

The Company continued to be subsidiary of The Arvind Mills Limited by virtue of Clause (c) of Section 4 of the Companies Act, 1956.

5. DIRECTORS

Mr. Jayesh K. Shah and Mr. I. S. Shah, Directors of the Company, retire by rotation as required under Section 256 of the Companies Act, 1956 but being eligible, offer themselves for re-appointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Directors state that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 ended on 31st March, 2006 and loss of the Company for the year.

3. Proper and sufficient care had 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; and
4. In view of the sale of all the fixed assets and in absence of any business activity the attached annual account could not be termed as prepared on a going concern basis. However, the directors have prepared the Annual Accounts after providing for all the potential losses and expenses and as such no further adjustments were required to be made in respect thereof.

7. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

8. AUDITORS

The Auditors, M/s. M. M. Nissim & Co., Chartered Accountants, Mumbai retire and offer themselves for re-appointment. It is proposed that they may be re-appointed as Auditors of the Company. You are requested to appoint the Auditors and fix their remuneration.

9. PARTICULARS OF EMPLOYEES AND INFORMATION REGARDING CONSERVATION OF ENERGY ETC.

As the Company does not have any employee, the Particulars of employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not being given.

After the closure of the factory in August, 2001, the Company had disposed off Lease Hold Land and Factory Building during the financial year 2002-03, hence information required under Section 217(1)(e) of the Companies Act, read with Rule 2 of the Companies [Disclosure of Particulars in the Report of Board of Directors] rules 1988 are not being given.

10. ACKNOWLEDGEMENT

Your Directors record their appreciation of support and co-operation extended by all shareholders, bankers of the Company and government authorities.

For and on behalf of the Board
For Lifestyle Fabrics Limited

Bhupendra M. Shah
Director

Jayesh K. Shah
Director

Place : Ahmedabad
Date : 25th April, 2006

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of business and in meeting its obligations to shareholders. The Board supports the broad principles of corporate governance and lays strong emphasis on transparency and accountability.

BOARD OF DIRECTORS

Composition of the Board of Directors as at 31st March, 2006

Sr. No.	Name of Director	Executive/Non-executive/ Independent	No. of other Directorships in Public Ltd. Cos.	No. of other Board Committees of which Member/ Chairman
1.	Mr. Jayesh K. Shah	Non-Executive	5	Nil
2.	Mr. Bhupendra M. Shah	Non-Executive	4	Nil
3.	Mr. Vinod Modha	Non-Executive, Independent	2	1 as Chairman
4.	Mr. Kamal R. Sheth	Non-Executive, Independent	6	Nil
5.	Mr. I. S. Shah	Non- Executive, Independent	Nil	Nil

The Company as on the date of this Report, has 5 Directors all being Non-Executive of which 3 (Three) are Independent Directors.

BOARD MEETINGS

Although the Company has closed its manufacturing operations, the meetings of Board of Directors are regularly held for transacting all relevant business. During the financial year the Board of Directors met 4 (Four) times on 25.04.05; 28.07.05; 27.10.05 and 27.01.06. The dates of Board Meetings were generally decided well in advance.

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

Sr. No.	Name of Director	Number of Board Meetings attended	Whether present at the previous AGM
1	Mr. Jayesh K. Shah	4	No
2	Mr. Bhupendra M. Shah	4	No
3	Mr. Vinod Modha	4	No
4	Mr. Kamal R. Sheth	4	No
5	Mr. I. S. Shah	4	Yes

AUDIT COMMITTEE

The Audit Committee was constituted in financial year 2000-2001 and was reconstituted by the Board of Directors on 28th March, 2003. Mr. Kamal R. Sheth is Chairman while Mr. Vinod D. Modha and Mr. Bhupendra M. Shah are its members. During the year, 4 (Four) meetings were held and same were attended by all members. The terms of reference of the Committee are same as are described in Clause 49 of the Listing Agreement.

INVESTORS' GRIEVANCE COMMITTEE

The Investors Grievances and Share Transfer Committee was formed in financial year 2000-2001 and was reconstituted by the Board of Directors on 28th March, 2003. Mr. Bhupendra M. Shah is a Chairman while Mr. Kamal R. Sheth and Mr. I. S. Shah are other members. Its terms of reference are as under:

- To specifically look into the redressal of Investors' Grievances pertaining to :
 - Transfer of shares and its dematerialisation, replacement of lost, stolen, mutilated shares.
 - To look into other related issues towards strengthening investors' relations.
 - To consider and approve issuance of share certificates including duplicate share certificates.
- During the period from 1st April, 2005 to 31st March, 2006 the Company has not received any complaint from shareholders.

SHARE TRANSFER DETAILS FOR THE PERIOD FROM 1ST APRIL, 2005 TO 31ST MARCH, 2006

Transactions	Physical	Demat	Total
Number of Transfers	176	144	320
Average Number of Transfers per month	15	12	27
Number of shares Transferred	31300	4004293	4035593
Average Number of shares Transferred per month	2608	333691	336299
No. of pending share Transfers	Nil	Nil	Nil

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company has not formed a formal Remuneration Committee. None of the directors was paid any remuneration or commission during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

After the closure of the Manufacturing operation in 2001 and subsequent disposal of fixed assets. The Company does not have any business activities and therefore Management Discussion and Analysis is not given.

BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT

At this Annual General Meeting, Mr. Jayesh K. Shah and Mr. I. S. Shah, Directors of the Company, retire by rotation and being eligible seek reappointment.

Information required under Clause 49 IV(G)(i) of the Listing Agreement with respect to the Directors retiring by rotation or otherwise and seeking reappointment is as under:-

1. Mr. Jayesh K. Shah, a Commerce Graduate and Chartered Accountant has been with the group since the last 21 years. He has a distinguished academic career and extensive administrative, financial, regulatory and managerial expertise.

Other than the Company, he is also a Director and Chief Financial Officer of The Arvind Mills Limited and a director of Arvind Murjani Brand Private Limited; e-Infochips Limited; Arvind Spinning Limited; Arya Omnitalk Wireless Solutions Limited; Abala Leasing & Finance Limited; Asman Investments Limited; Akshar Securities Limited. Except in Investors' Grievance Committee of The Arvind Mills Limited where he is a member, he does not hold Chairmanship / Membership of Audit Committees, Shareholders' / Investors' Grievance Committee or Remuneration Committee of other Public Limited Companies whether listed or not. He does not hold any shares in the Company.

2. Mr. I. S. Shah, a Commerce Graduate, a Chartered Accountant and Chartered Secretary, has been with the group since the last 22 years. He has a distinguished academic career and extensive administrative, financial, regulatory and managerial expertise. He does not hold Chairmanship / Membership of Audit Committees, Shareholders' / Investors' Grievance Committee or Remuneration Committee of other Public Limited Companies whether listed or not. He does not hold any shares in the Company.

PREVENTION OF INSIDER TRADING

In accordance with SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board has adopted the following codes:

- **Lifestyle Fabrics Code for Prevention of Insider Trading** – Under this code, obligations are cast upon Directors and Officers to preserve Price Sensitive Information, which is likely to have a bearing on share price of the Company. Procedures are prescribed to ensure that such information is not misused for any personal advantage. The Company has appointed a Compliance Officer for monitoring implementation of the Code across the Company.
- **Lifestyle Fabrics Code of Corporate Disclosures** – This code lays down principles and procedures with the objective of ensuring that the Price Sensitive Information related to Lifestyle Fabrics is handled in prescribed manner. Adequate disclosure of such information is sought to be made to the Public through Stock Exchanges and Press in a timely manner to enable the investors to take informed investment decisions with regard to the Company's Securities. A Director of the Company has been appointed as the Company's Public Spokesperson under this code.

Code of Conduct for Directors and Senior Management Personnel

In terms of para No. 1 – D of Clause 49, the Board of Directors of the Company has laid down a code of conduct for all Board Members and Senior Management Personnel of the Company. The Board Members and Senior Management Personnel of the Company have affirmed compliance with the code. The Director of the Company has given a declaration to the Company that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the code. The declaration by the Director to that effect forms part of this report.

Investors may write to the Company's Registered Office for a copy of these codes.

DISCLOSURE:

- i) 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.

Transactions with related parties are disclosed in detail in Note No. 6 in Schedule 7 "Notes forming part of the Accounts" annexed to the financial statements for the year. There were no related party transactions having potential conflict with the interest of the Company at large.

- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years : Nil
- iii) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49.